

Stock code: 5876  
Taiwan Stock Exchange

**The Shanghai Commercial & Savings  
Bank, Ltd.**

**Standalone Financial Statements for the  
Year Ended December 31, 2022 and 2021  
and Independent Auditors' Report**

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
The Shanghai Commercial & Savings Bank, Ltd.  
Taipei, Taiwan

### **Opinion**

We have audited the accompanying financial statements of The Shanghai Commercial & Savings Bank, Ltd. (the "Bank"), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2022 and 2021, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2022 and 2021, and its financial performance and its cash flows for the year ended December 31, 2022 and 2021 in accordance with Taiwan's Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

### **Basis for Opinion**

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

## **Key Audit Matters**

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

Key audit matters of the Bank's financial statements as of and for the year ended December 31, 2022 are described as follows:

### **Allowance for Impairment Losses on Discounts and Loans**

The Bank primarily engages in the loan business. As of December 31, 2022, the loan business is significant to the accompanying financial statements. The Bank assessed its discounts and loans for impairment in accordance with IFRS 9 and recognized the allowance for bad debts according to authorities' regulations. The Bank's management applied the expected credit loss model in the impairment assessment of discounts and loans. The Bank assessed whether the credit risk had increased significantly since initial recognition by taking into consideration factors like the amount of impairment loss based on past experience, current market situation and perceptiveness. In addition, credit-impaired loans were also evaluated for the prospect of future recovery. Refer to Notes 4, 5, 14 and 38 to the financial statements for disclosures related to the impairment of loan portfolios. As the cash flow forecasts involved management's critical judgments in accounting estimates and assumptions, we determined the impairment assessment of loan portfolios as a key audit matter.

In response to the abovementioned key audit matter, the following procedures were performed:

1. We understood and tested The Bank's internal control procedures that were relevant to the assessment of loan impairment.
2. We tested whether the method and important parameters adopted in the expected credit loss model had properly reflected actual situations and calculated the amount of impairment loss.
3. We tested the classification of credit assets and assessed that the allowance for loss met the requirements of the competent authorities' regulations.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Taiwan's Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms for such internal control as management determines is necessary to ensure the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with the auditing standards generally accepted in Taiwan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Chun-Hung Chen and Shih-Tsung Wu.

Deloitte & Touche  
Taipei, Taiwan

February 24, 2023

#### Notice to Readers

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

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

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**  
**Balance Sheets**  
**December 31, 2022 and 2021**  
(Expressed in Thousands of New Taiwan Dollars)

Codes	ASSETS	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
11000	Cash and cash equivalents (Note 6)	\$ 30,624,554	2	\$ 35,872,472	3
11500	Due from the Central Bank and call loans to banks (Note 7)	119,437,332	8	79,087,362	6
12000	Financial assets measured at fair value through profit or loss (Note 8)	1,986,652	-	2,011,522	-
12100	Financial assets measured at fair value through other comprehensive income (Notes 9 and 11)	199,170,985	13	230,166,946	17
12200	Investments in debt instruments measured at amortized cost (Notes 10 and 11)	195,275,787	13	153,739,028	11
12500	Securities purchased under resell agreements (Note 12)	-	-	278,486	-
13000	Receivables, net (Note 13)	8,790,407	1	7,601,615	-
13200	Current income tax assets (Note 32)	143	-	1,024	-
13500	Discounts and loans, net (Note 14)	840,002,195	56	759,956,478	56
15000	Investments under the equity method, net (Note 15)	83,599,886	5	75,997,090	6
15500	Other financial assets, net (Note 16)	-	-	4,817	-
18500	Properties, net (Note 17)	12,994,755	1	12,356,199	1
18600	Right-of-use assets, net (Note 18)	764,585	-	712,482	-
19000	Intangible assets, net (Note 19)	315,822	-	170,199	-
19300	Deferred income tax assets (Note 32)	2,022,262	-	604,581	-
19500	Other assets, net (Note 20 and 29)	8,520,247	1	7,211,749	-
10000	Total assets	<u>\$ 1,503,505,612</u>	<u>100</u>	<u>\$ 1,365,772,050</u>	<u>100</u>
Codes	LIABILITIES AND EQUITY				
21000	Deposits from the central bank and other banks (Note 21)	\$ 12,109,095	1	\$ 16,104,744	1
21500	Due to the central bank and other banks	-	-	17,787,080	1
22000	Financial liabilities measured at fair value through profit or loss (Note 8)	3,435,146	-	2,780,535	-
22500	Securities sold under repurchase agreements (Note 22)	781,568	-	14,505,024	1
23000	Payables (Note 23)	25,714,122	2	23,863,369	2
23200	Current income tax liabilities (Note 32)	1,245,964	-	606,423	-
23500	Deposits and remittances (Note 24)	1,218,395,510	81	1,050,439,562	77
24000	Bank debentures (Note 25)	56,070,000	4	66,950,000	5
25500	Other financial liabilities (Note 26)	2,499,732	-	2,823,239	-
25600	Provisions (Notes 27 and 29)	1,617,087	-	1,811,506	-
26000	Lease liabilities (Note 18)	772,365	-	722,147	-
29300	Deferred income tax liabilities (Note 32)	10,155,644	1	8,408,491	1
29500	Other liabilities (Note 28)	928,471	-	1,168,114	-
20000	Total liabilities	<u>1,333,724,704</u>	<u>89</u>	<u>1,207,970,234</u>	<u>88</u>
	Equity (Note 30)				
	Share capital				
31101	Ordinary shares	48,616,031	3	44,816,031	4
31500	Capital surplus	27,405,763	2	16,666,144	1
	Retained earnings				
32001	Legal reserve	64,476,033	4	60,224,639	4
32003	Special reserve	7,669,374	1	7,669,374	1
32005	Unappropriated earnings	28,537,216	2	27,585,920	2
32000	Total retained earnings	100,682,623	7	95,479,933	7
32500	Other equity	(6,840,365)	(1)	922,852	-
32600	Treasury shares	(83,144)	-	(83,144)	-
30000	Total equity	<u>169,780,908</u>	<u>11</u>	<u>157,801,816</u>	<u>12</u>
	Total liabilities and equity	<u>\$ 1,503,505,612</u>	<u>100</u>	<u>\$ 1,365,772,050</u>	<u>100</u>

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

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**  
**Statements of Comprehensive Income**  
**For the Year ended December 31, 2022 and 2021**  
(Expressed in Thousands of New Taiwan Dollars, except Earnings Per Share)

Codes	For the Year Ended December 31				Change
	2022		2021		
	Amount	%	Amount	%	
41000 Interest income	\$ 24,028,423	86	\$ 16,021,891	68	50
51000 Interest expenses	7,742,933	28	4,381,269	19	77
49010 Net interest income (Notes 31)	16,285,490	58	11,640,622	49	40
Non-interest income					
49100 Service fee income, net (Note 31)	3,059,695	11	3,420,118	14	(11 )
49200 Gain on financial assets and liabilities measured at fair value through profit or loss (Note 31)	(1,871,819 )	(7 )	(116,342 )	-	1,509
49310 Realized gain on financial assets measured at fair value through other comprehensive income (Note 31)	1,625,146	6	1,095,311	5	48
49450 Gain on financial assets measured at amortized cost	-	-	5,420	-	(100 )
49600 Foreign exchange gain, net	2,759,558	10	1,101,814	5	150
49700 Impairment gain (loss) on assets	(85,945 )	-	(4,172 )	-	1,960
49750 Proportionate share of profit of associates under the equity method (Note 31)	6,046,724	21	6,404,583	27	(6 )
49800 Other non-interest income, net (Note 31)	282,913	1	46,418	-	509
49020 Total non-interest income	11,816,272	42	11,953,150	51	(1 )
4xxxx Net revenue	28,101,762	100	23,593,772	100	19
58200 Provisions for bad-debt expense, commitment and guarantee liability (Note 14)	2,800,037	10	900,164	4	211
Operating expenses					
58500 Employee benefits (Note 31)	5,332,083	19	4,564,595	19	17
59000 Depreciation and amortization (Note 31)	679,051	2	631,324	3	8
59500 Other general and administrative	2,669,450	10	2,148,294	9	24
58400 Total operating expenses	8,680,584	31	7,344,213	31	18
61001 Profit before income tax	16,621,141	59	15,349,395	65	8
61003 Income tax expense (Note 32)	(1,683,271 )	(6 )	(1,093,814 )	(5 )	54
64000 Net income	14,937,870	53	14,255,581	60	5
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss:					
65201 Remeasurement of defined benefit plans	98,703	-	(132,455 )	(1 )	175
65204 Gain (loss) on investments in equity instruments measured at fair value through other comprehensive income	(3,166,163 )	(11 )	962,319	4	(429 )
65205 Financial liabilities designated at FVTPL which the amount of change derived from credit risk (Note 8)	(60,356 )	-	17,650	-	(442 )
65207 Proportionate share of other comprehensive income of associates under the equity method	(1,619,592 )	(6 )	(551,964 )	(2 )	193
65220 Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 32)	(19,167 )	-	25,740	-	(174 )
65200 Subtotal of items that will not be reclassified subsequently to profit or loss	(4,766,575 )	(17 )	321,290	1	(1,584 )
Items that may be reclassified subsequently to profit or loss:					
65301 Exchange differences on translating foreign operations	8,748,570	31	(1,289,632 )	(5 )	778
65307 Share of the other comprehensive income of associates accounted for using the equity method	(5,188,650 )	(18 )	(1,643,022 )	(7 )	216
65309 Gain (loss) on debt instruments measured at fair value through other comprehensive income	(7,840,494 )	(28 )	(1,968,286 )	(8 )	298
65310 Loss allowance for debt instruments measured at fair value through other comprehensive income (Note 11)	81,910	-	5,081	-	1,512
65320 Income tax relating to items that may be reclassified subsequently to profit or loss (Note 32)	(466,272 )	(1 )	520,790	2	(190 )
65300 Subtotal of items that may be reclassified subsequently to profit or loss	(4,664,936 )	(16 )	(4,375,069 )	(18 )	7
65000 Other comprehensive income for the period, net of income tax	(9,431,511 )	(33 )	(4,053,779 )	(17 )	133
66000 Total comprehensive income for the period	\$ 5,506,359	20	\$ 10,201,802	43	(46 )
Earnings per share (Note 33)					
67500 Basic	\$ 3.33		\$ 3.19		
67700 Diluted	\$ 3.33		\$ 3.19		

The accompanying notes are an integral part of the standalone financial statements



**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**  
**Statements of Changes in Equity**  
**For the Year ended December 31, 2022 and 2021**  
(Expressed in Thousands of New Taiwan Dollars, except Earnings Per Share)

		<u>Share Capital</u>		<u>Retained Earnings (Note 30)</u>			<u>Other Equity</u>				
<u>Codes</u>		<u>Ordinary Shares (Note 30)</u>	<u>Capital Surplus (Note 30)</u>	<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated Earnings</u>	<u>Exchange Differences on Translating Foreign Operations</u>	<u>Change in Financial Assets at FVTOCI</u>	<u>Change in Credit Risk From Financial Liabilities Designated at FVTPL</u>	<u>Treasury Shares (Note 30)</u>	<u>Total Equity</u>
A1	Balance on January 1, 2021	\$ 44,816,031	\$ 16,550,661	\$ 56,344,918	\$ 7,669,374	\$ 24,913,053	\$ (5,643,162 )	\$ 10,529,113	\$ 6,412	\$ (83,144 )	\$ 155,103,256
B1	Appropriation of 2020 earnings										
B9	Legal reserve	-	-	3,879,721	-	(3,879,721 )	-	-	-	-	-
B9	Cash dividends	-	-	-	-	(7,618,725 )	-	-	-	-	(7,618,725 )
C7	Changes in capital surplus from investments in associates under the equity method	-	8,954	-	-	-	-	-	-	-	8,954
C17	Dividends not yet collected	-	106,529	-	-	-	-	-	-	-	106,529
D1	Net profit for the year ended December 31, 2021	-	-	-	-	14,255,581	-	-	-	-	14,255,581
D3	Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(110,225 )	(1,220,626 )	(2,740,578 )	17,650	-	(4,053,779 )
D5	Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	14,145,356	(1,220,626 )	(2,740,578 )	17,650	-	10,201,802
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	25,957	-	(25,957 )	-	-	-
Z1	Balance on December 31, 2021	44,816,031	16,666,144	60,224,639	7,669,374	27,585,920	(6,863,788 )	7,762,578	24,062	(83,144 )	157,801,816
B1	Appropriation of 2021 earnings										
B9	Legal reserve	-	-	4,251,394	-	(4,251,394 )	-	-	-	-	-
B9	Cash dividends	-	-	-	-	(8,066,886 )	-	-	-	-	(8,066,886 )
C7	Changes in capital surplus from investments in associates under the equity method	-	9,480	-	-	-	-	-	-	-	9,480
C17	Dividends not yet collected	-	112,407	-	-	-	-	-	-	-	112,407
D1	Net profit for the year ended December 31, 2022	-	-	-	-	14,937,870	-	-	-	-	14,937,870
D3	Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	79,274	6,737,324	(16,187,753 )	(60,356 )	-	(9,431,511 )
D5	Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	15,017,144	6,737,324	(16,187,753 )	(60,356 )	-	5,506,359
E1	Issue of ordinary shares for capital increase by cash	3,800,000	10,260,000	-	-	-	-	-	-	-	14,060,000
N1	Share-based payment transaction	-	357,732	-	-	-	-	-	-	-	357,732
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(1,747,568 )	-	1,747,568	-	-	-
Z1	Balance on December 31, 2022	<u>\$ 48,616,031</u>	<u>\$ 27,405,763</u>	<u>\$ 64,476,033</u>	<u>\$ 7,669,374</u>	<u>\$ 28,537,216</u>	<u>\$ (126,464 )</u>	<u>\$ (6,677,607 )</u>	<u>\$ (36,294 )</u>	<u>\$ (83,144 )</u>	<u>\$ 169,780,908</u>

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

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**

**Statements of Cash Flows**

**For the Year ended December 31, 2022 and 2021**

(Expressed in Thousands of New Taiwan Dollars)

<u>Codes</u>		<u>For the Year Ended December 31</u>	
		<u>2022</u>	<u>2021</u>
	Cash flows from operating activities		
A00010	Net profit before income tax	\$ 16,621,141	\$ 15,349,395
A20010	Adjustments to reconcile net profit to net cash provided by operating activities		
A20100	Depreciation expenses	499,761	473,952
A20200	Amortization expenses	179,290	157,372
A20300	Provisions for bad debt expense, commitment and guarantee liability	2,800,037	900,164
A20400	(Gain) loss on financial assets and liabilities at fair value through profit or loss	(202,500 )	459,411
A20900	Interest expenses	7,742,933	4,381,269
A21200	Interest revenue	(24,028,423 )	(16,021,891 )
A21300	Dividend income	(1,366,011 )	(513,944 )
A21900	Share-based payment transaction	357,732	-
A22400	Proportionate share of profit of subsidiaries	(6,046,724 )	(6,404,583 )
A22500	Gain on disposal of properties and equipment, net	(186,405 )	(906 )
A23500	Loss on financial asset impairment	86,486	4,630
A23800	Reversal of impairment on non-financial assets	(541 )	(458 )
A29900	Others	(942,439 )	(416,532 )
A40000	Changes in operating assets and liabilities		
A41110	Due from the central bank and call loans to banks	(9,516,147 )	12,728,949
A41120	Financial assets measured at fair value through profit or loss	400,954	483,154
A41123	Financial assets measured at fair value through other comprehensive income	21,052,813	3,246,718
A41125	Investment in debt instruments measured at amortized cost	(41,542,989 )	(47,308,683 )
A41150	Receivables	301,653	83,703
A41160	Discounts and loans	(83,964,062 )	(684,841 )
A41190	Other financial assets	5,037	1,293,148
A42110	Deposits from the central bank and other banks	(3,995,649 )	156,860
A42120	Financial liabilities at fair value through profit or loss	420,671	(303,169 )
A42140	Securities sold under repurchase agreements	(13,723,456 )	(11,276,387 )
A42150	Payables	946,030	539,711
A42160	Deposits and remittances	167,955,948	11,885,706
A42170	Other financial liabilities	(323,507 )	659,784
A42180	Employee benefit provisions	(121,358 )	(164,168 )
A42990	Other liabilities	(90,092 )	109,382
A33000	Cash from (used in) operations	33,320,183	(30,182,254 )
A33100	Interest received	22,583,231	16,303,014
A33200	Dividends received	2,064,136	3,310,243
A33300	Interest paid	(6,717,781 )	(4,559,608 )
A33500	Income tax paid	(1,200,691 )	(952,343 )
AAAA	Net cash from (used in) operating activities	50,049,078	(16,080,948 )

(Continued)

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**  
**Statements of Cash Flows**  
**For the Year ended December 31, 2022 and 2021**  
(Expressed in Thousands of New Taiwan Dollars)

<b>Codes</b>		<b>For the Year Ended December 31</b>	
		<b>2022</b>	<b>2021</b>
	Cash flows from investing activities		
B02700	Acquisition of properties	\$ (967,318 )	\$ (448,376 )
B02800	Proceeds from disposal of properties	326,800	5,168
B03700	Increase in refundable deposits	(495,123 )	-
B03800	Decrease in refundable deposits	-	137,970
B04500	Acquisition of intangible assets	(255,639 )	(141,520 )
B06800	Increase in other assets	(688,024 )	(3,670,152 )
BBBB	Net cash from (used in) investing activities	<u>(2,079,304 )</u>	<u>(4,116,910 )</u>
	Cash flows from financing activities		
C00300	Increase in funds borrowed from central bank and Banks	-	11,735,070
C00400	Decrease in funds borrowed from central bank and Banks	(17,787,080 )	-
C01400	Proceeds from issuance of bank debentures	4,070,000	5,000,000
C01500	Payments for bank debentures	(14,950,000 )	(4,900,000 )
C03100	Decrease in securities guarantee received	(149,266 )	(87,515 )
C04020	Payments for principal portion of lease liabilities	(316,074 )	(306,182 )
C04500	Cash dividends	(8,066,886 )	(7,618,725 )
C04600	Proceeds from capital increase by cash	14,060,000	-
C05400	Acquisition of subsidiaries	(626,400 )	(158,688 )
CCCC	Net cash from (used in) financing activities	<u>(23,765,706 )</u>	<u>3,663,960</u>
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	<u>1,103,351</u>	<u>(161,299 )</u>
EEEE	Net increase (decrease) in cash and cash equivalents	25,307,419	(16,695,197 )
E00100	Cash and cash equivalents at the beginning of the period	<u>71,814,474</u>	<u>88,509,671</u>
E00200	Cash and cash equivalents at the end of the period	<u>\$ 97,121,893</u>	<u>\$ 71,814,474</u>

Reconciliation of the cash and cash equivalent amounts in the statements of cash flows with the equivalent item reported in the balance sheets as of December 31, 2022 and 2021:

<b>Codes</b>		<b>December 31, 2022</b>	<b>December 31, 2021</b>
E00210	Cash and cash equivalents in balance sheets	\$ 30,624,554	\$ 35,872,472
E00220	Due from the Central Bank and call loans to banks which fall within the definition of cash and cash equivalents under IAS 7	66,497,339	35,663,516
E00230	Securities purchased under resale agreements which fall within the definition of cash and cash equivalents under IAS 7	-	278,486
E00200	Cash and cash equivalents in statements of cash flows	<u>\$ 97,121,893</u>	<u>\$ 71,814,474</u>

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

(Concluded)

# THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD

## Notes to Standalone Financial Statements For the Year ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

### 1. ORGANIZATION AND OPERATIONS

The Shanghai Commercial & Savings Bank(the “Bank”) is incorporated in Taiwan and engages in the commercial banking businesses under related laws and regulations. The shares of the Bank have been listed and traded on the Taiwan Stock Exchange since October 19, 2018.

The Bank has its head office in Taipei and 76 branches, including 4 foreign branches separately located in Wuxi China, Hong Kong, Vietnam Dong Nai and Singapore.

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

### 2. AUTHORIZATION OF FINANCIAL STATEMENTS

On February 24, 2023, the financial statements were approved by the board of directors and issued afterward.

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

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

The Bank assesses the initial applicable amendments to the IFRSs approved and issued by the FSC will not result in significant changes to the Bank’s accounting policies.

#### 3.2 New IFRSs endorsed by the FSC to be applied in 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note1)
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: This amendment will be applied to annual reporting periods beginning on or after January 1, 2023.

Note 2: This amendment will be applied to changes in accounting estimates and accounting policies on or after the annual reporting period beginning on January 1, 2023.

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

As of the date the standalone financial statements were authorized for issue, the Bank is continuously assessing the possible impact that the application of other standards and interpretations will have on the Bank’s financial position and financial performance and will disclose the relevant impact when

the assessment is completed.

### 3.3 New IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial application of IFRS 17 and IFRS 9 – 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 periods beginning on or after their respective effective dates.

Note 2: A seller-lessee applies the amendments retrospectively and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

As of the date the standalone financial statements were authorized for issue, the Bank is continuously assessing the possible impact of the application of other standards and interpretations on the Bank’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Statement of Compliance

The standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### 4.2 Basis of Preparation

The standalone financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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:

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

When the Bank prepared the financial statements, its investments in subsidiaries and associates were accounted for using the equity method. To make the current loss and profit as well as the other comprehensive income and equity equal to the current loss and profit and the other comprehensive income and equity which are attributable to the owners of the Bank in the financial statements, “equity investments under the equity method”, the “share of profit or loss of subsidiaries, associates and joint ventures”, and the “share of the other comprehensive income of subsidiaries, associates and joint ventures” were adjusted.

#### **4.3 Classification of Current and Non-current Assets and Liabilities**

Since the operating cycle in the banking industry cannot be reasonably identified, accounts included in The Bank’s financial statements are not classified as current or non-current. Nevertheless, these accounts are properly categorized according to the nature of each account and sequenced by liquidity.

#### **4.4 Foreign Currencies**

In preparing the financial statements of each individual entity in The Bank, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting financial statements, the assets and liabilities of The Bank’s foreign operations (including of the associates or branches in other countries or currencies used are different from the currency of the Bank) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Bank and non-controlling interests as appropriate).

#### **4.5 Financial Instruments**

Financial assets and financial liabilities are recognized in the balance sheets when The Bank becomes one of the parties of the contract.

For financial assets and financial liabilities other than financial assets or financial liabilities at fair value through profit or loss (FVTPL), the fair value is directly attributable to the transaction costs of acquiring or issuing financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at FVTPL are recognized as current expenses.

##### **4.5.1 Financial assets**

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

## (1) Measurement

The Bank owns financial assets which are classified into the following specified categories: Financial assets at FVTPL, financial assets at amortized cost, investments in debt instruments at fair value through other comprehensive income (FVTOCI) and investments in equity instruments at FVTOCI.

### A. Financial assets at FVTPL

A financial asset is classified as at FVTPL when the financial asset is mandatorily classified 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 re-measurement (excluding any dividends or interest arising from such financial assets) recognized in profit or loss. Fair value is determined in the manner described in Note 38.

### B. Financial assets at amortized cost

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

- a. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. 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, accounts receivable at amortized cost and others, 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:

- a. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such a financial asset; and
- b. Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

Cash equivalents include accounts due from the Central Bank that are highly liquid, convertible into fixed cash at any time, and have a low-risk of value changes within three months from the date of acquisition, which are used to meet short-term cash commitments.

### C. Investments in debt instruments at FVTOCI

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

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

- b. 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.

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.

#### D. Investments in equity instruments at FVTOCI

On initial recognition, The Bank 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 Bank's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

#### (2) Impairment of financial assets

The Bank recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including discounts and loans and accounts receivable), investments in debt instruments that are measured at FVTOCI, lease receivables, loan commitments, as well as contract assets at the estimated credit loss on each balance sheet date.

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

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

The Bank recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount 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 does not reduce the carrying amount of such a financial asset.

Under the guidelines of the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the Banking



Bureau of the Financial Supervisory Commission, the credit accounts are categorized into five groups: Normal credit assets, assets that require special mention, substandard assets, doubtful assets and full-amount loss based on clients' financial conditions. After assessing the value of the collateral, The Bank will assess the possibilities of recovery.

Under the above guidelines, in addition to the minimum standard allowance for all accounts, allowance is provided for accounts classified as normal (except government accounts), accounts with notice, accounts with warning, difficult accounts and uncollectible accounts at rates of 1%, 2%, 10%, 50%, and 100%, respectively.

According to the local statutes, the Bank's allowances for bad debts and guarantee liabilities for the "acquisition of residential home repair loans and construction loans" and "category one credit assets (including short-term trade financing) due from PRC businesses" should be at least 1.5%. In addition, the minimum allowance for bad debts for SME loans handled in accordance with the "Regulations for the Central Bank's Handling of Bank Acceptance of SME Loans Affected by the Severe Special Contagious Pneumonia Epidemic" is 0.5%.

Debts that are determined to be uncollectible are written off after being reported to the board of directors for approval.

### (3) Derecognition of financial assets

When the contractual rights from the cash flows of financial assets have lapsed or the financial assets and all the risks and rewards of the assets have been transferred to other enterprises, the financial assets are derecognized.

When a financial asset is totally derecognized, the difference between the carrying amount and the sum of any accumulated gain or loss recognized in other comprehensive income is recognized as profit or loss.

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

On derecognition of a financial asset other than in its entirety, The Bank 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.

#### 4.5.2 Equity instruments

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

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

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

#### 4.5.3 Financial liabilities

##### (1) Subsequent measurement

All financial liabilities are measured at amortized cost using effective interest rate, except for the following situations:

##### A. Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on such financial liability.

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

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

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

Fair value is determined in the manner described in Note 38.

## B. Financial guarantee contracts

The financial guarantee contracts issued by The Bank and not measured at FVTPL are measured at the higher of the allowance for the expected credit losses and the amortized amount after initial recognition.

### (2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

## 4.5.4 Derivatives

Derivatives signed by The Bank include forward foreign exchange contracts, interest rate swaps and others to manage The Bank's interest rate and exchange rate risk.

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

Derivatives embedded in hybrid contracts that contain financial asset hosts that are within the scope of IFRS 9 "Financial Instruments" are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. those embedded in the principal contract of 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.

## 4.6 Investment in Associates

An associate is an entity over which The Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Bank applies equity method to account for investments in associates.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize The Bank's share of the profit or loss and other comprehensive income of the associate. The Bank also recognizes the changes in The Bank's share of equity of associates attributable to The Bank.

Any excess of the cost of acquisition over The Bank's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of The Bank's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When The Bank subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of The Bank's proportionate interest in the associate. The Bank records such a difference as an adjustment to investments with the corresponding amount charged or credited to

capital surplus. If The Bank's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When The Bank's share of losses of an associate equals or exceeds its interest in that associate, including any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of The Bank's net investment in the associate, The Bank discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that The Bank has incurred legal obligations or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount of investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

#### **4.7 Non-performing Loans**

Under the guidelines of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", the balance of loans and other credits extended by the Bank and the related accrued interest thereon are classified as non-performing.

Non-performing loans in the lending business are classified as discounts and loans; otherwise, are classified as other financial assets.

#### **4.8 Securities Purchased/Sold Under Resale/Repurchase Agreements**

Securities purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on resale agreements or interest incurred on repurchase agreements is recognized as interest income or interest expense over the life of each agreement.

#### **4.9 Properties and Equipment**

Properties and equipment are stated at cost, less recognized accumulated depreciation.

Depreciation is provided on a straight-line basis over estimated useful lives and the critical components are identified and depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period by The Bank. Change in accounting estimates takes effect retrospectively.

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

#### **4.10 Intangible Assets**

Intangible assets that have finite useful lives and are acquired separately are carried at cost less accumulated amortization. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives, residual value, and amortization method are

reviewed at the end of each reporting period. The residual value of an intangible asset with a finite useful life is assumed to be zero unless The Bank expects to dispose of the intangible asset before the end of its economic life. Change in accounting estimate takes effect prospectively.

The intangible assets acquired from business combination are recognized at the fair value on the acquisition date and are recognized separately from goodwill. Subsequent measurement is the same as intangible assets acquired separately.

Any gain or loss on the disposal or retirement of an item of intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### **4.11 Impairment of Property and Equipment, Right-of-Use Assets, Intangible Assets Other Than Goodwill**

At the end of each reporting period, The Bank reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, The Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

#### **4.12 Collaterals Assumed**

Collaterals assumed are recorded at their appraised values. At balance sheet date, these collaterals are individually revalued at the lower of cost or net realizable value.

#### **4.13 Provisions**

Provisions are recognized when The Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that The Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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 (where the effect of the time value of money is material).

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

#### **4.14 Revenue Recognition**

Interest revenue from loans is estimated on accrual basis. Interest revenue from non-performing Bank-extended loans and other credits are recognized only when collection is made. In accordance with the Ministry of Finance regulations, the interest from the relief and extension of specific loans is recorded as deferred income and recognized as income upon collection. Service fees are recorded as income upon receipt or when the related services are substantially completed.

The costs of acquisition of loans and accounts receivable and extra fees received are accounted for as adjustments to the book value and the effective interest of loans and accounts receivable.

Dividend revenue is recognized when the right of shareholder to receive dividend is established. The premise is that the economic benefits associated with the transaction are likely to flow into The Bank and the amount of revenue can be reliably measured.

#### **4.15 Leasing**

The Bank assesses whether the contract is (or includes) a lease on the contract date. For contracts that include the lease and non-lease components, The Bank distributes the consideration in the contract on a relatively separate price basis and deals with them separately.

##### **4.15.1 The Bank as lessor**

When the lease terms transfer almost all the risks and rewards attached to the ownership of the assets to the lessee, the leases are classified as finance leases. All other leases are classified as operating leases.

Under finance leases, lease payments include fixed payments, substantially fixed payments, variable lease payments which depend on an index or a rate, guaranteed residual values, and the exercise price of the purchase option that is reasonably certain to be exercised, and the rental termination penalties reflected in the lease term, less the incentives for the lease to be paid. The net amount of the lease investment is measured as the sum of the present value of both the lease receivable and the unguaranteed residual value plus the original direct costs and expressed as a finance lease receivable. The financing income is apportioned to each accounting period so as to reflect a periodic fixed rate of return that The Bank's unexpired net lease investment is available for each period. Under operating leases, the lease payments deducted from the lease incentives are recognized as income on a straight-line basis over the relevant lease periods. The original direct costs incurred in obtaining the operating leases are added to the carrying amount of the underlying assets and recognized as an expense on a straight-line basis over the lease terms.

##### **4.15.2 The Bank as lessee**

The Bank recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight line basis over the lease terms. Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates of the lease to the earlier of the end of the useful lives of the right-of-use assets or the

end of the lease terms.

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, The Bank remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use asset has been reduced to zero, the remaining amount of remeasurement is recognized in profit or loss. Lease liabilities are presented separately in the balance sheets.

The Bank and the lessor conducted rent negotiations directly related to COVID-19, and adjusted the rent due before June 30, 2022, which resulted in a decrease in rent. These negotiations did not significantly change other lease terms. The Bank chose to adopt practical expedients to deal with all rent negotiations. Therefore, The Bank does not have to assess whether the negotiation is a lease modification, but recognize the decrease in lease payments in rent concessions or circumstances when they occur in profit or loss (accounted for as other non-interest revenue, and the lease liability is relatively reduced).

## **4.16 Employee Benefits**

### **4.16.1 Short-term employee benefits**

Liabilities related to short-term employee benefits are measured and recognized at the undiscounted amount expected to be paid to employees for their services.

### **4.16.2 Retirement benefit costs**

The Bank currently has both defined contribution and defined benefit retirement plans for its employees. Pursuant to local rules, employees working overseas are enrolled in defined contribution retirement benefit plan.

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest 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 Bank's defined benefit plan. Any surplus resulting from this calculation is limited to the present

value of any refunds from the plans or reductions in future contributions to the plans.

#### 4.16.3 Employee preferential deposits

The Bank provides current and retired employees preferential interests rates for deposits under certain balances. Differences between preferential rate and interest at market rate are recognized as employee benefits.

Under rule No. 30 of the Regulations Governing the Preparation of Financial Reports by Public Banks, post-retirement preferential interests provided to retired employees should be measured and recognized using actuarial calculation pursuant to IAS No. 19 if variables for use in the actuarial assumptions are stipulated in official governing rules, then the rules should be applied first.

#### 4.16.4 Other long-term employee benefits

Current employees who are eligible for retirement will be given a pension according to the retirement plan. If employees do not have the qualification to retire, (a) the pension will be issued for one month if the service lasts less than one year; (b) if the service lasts more than one year and less than five years, they will receive pension for one month for serving each full year; (c) if the service lasts for more than five years, the pension is calculated according to the actuarial calculation method. However, the calculation method is only applicable to the service that existed before the application of the new system.

### 4.17 Share-based payment arrangements

The fair value at the acquisition date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Bank's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share option. It is recognized as an expense in full at the grant date if vested immediately. The Bank applies for cash capital increase to reserve employee subscriptions, and the acquisition date is based on the day when the number of shares subscribed by employees is confirmed.

### 4.18 Taxation

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

#### 4.18.1 Current tax

The Bank determines the current income (loss) in accordance with the laws and regulations established by each jurisdiction of income tax declaration., and calculates the payable (recoverable) income tax.

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

Adjustments of prior years' tax liabilities are added to or deducted from the current period's income tax expenses.

#### 4.18.2 Deferred tax

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



Deferred tax liabilities are generally recognized on all taxable temporary differences. Deferred tax assets are recognized on deductible temporary difference and loss carry forwards provided that taxable income will be available for use in deducting the benefits of the temporary differences probably.

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

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

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

#### 4.18.3 Current tax and deferred tax of the period

Current tax and deferred tax 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 tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

### **5. CRITICAL ACCOUNTING JUDGMENTS AND MAIN SOURCES OF UNCERTAINTY IN ESTIMATES AND ASSUMPTIONS**

In the application of the Bank's accounting policies, the 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 to be relevant. Actual results may differ from these estimates.

The Bank takes the economic impact of COVID-19 into consideration in major accounting estimates, and the management will continue to review the estimates and underlying assumptions. Revisions to accounting estimate are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Estimates and assumptions of main sources of uncertainty**

##### **Estimated impairment of financial assets**

Estimates of impairment on loans and receivables are based on management's assumptions about default rates and expected loss rates. The Bank considers historical experience, current market conditions and

forward-looking information to make assumptions and select input values for impairment assessments. Refer to Note 38 for the important assumptions and input values used. If the actual cash flows in the future are less than expected, significant impairment losses may occur.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash in hand and working fund	\$ 9,822,496	\$ 9,381,129
Checks for clearing	2,423,884	2,973,308
Due from banks - domestic	5,132,272	8,824,906
Due from banks - foreign	13,245,902	14,693,129
	<u>\$ 30,624,554</u>	<u>\$ 35,872,472</u>

## 7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS, NET

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Call loans to banks	\$ 77,556,933	\$ 51,843,213
Deposit reserves - I	12,780,472	3,692,689
Deposit reserves - II	28,882,268	23,341,841
Deposit reserves - foreign currency	217,659	209,619
	<u>\$ 119,437,332</u>	<u>\$ 79,087,362</u>

Deposit reserves are statutory reserves and determined monthly at prescribed rates based on average balances of customers' deposits. The entire balance of deposit reserve - II is subject to withdrawal restrictions while no restrictions are placed on other deposit reserves.

## 8. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Financial assets at fair value through profit or loss</b>		
<b>Financial assets mandatorily classified as at FVTPL</b>		
Forward contracts	\$ 1,039,463	\$ 365,172
Shares	363,292	682,948
Beneficiary certificates	251,237	535,265
Currency swap contract	196,437	32,738
Option contracts	31,262	44,646
Interest rate swap contracts	-	174,292
Corporate bonds	-	81,200
Government bonds	-	49,286
Others	104,961	45,975
	<u>\$ 1,986,652</u>	<u>\$ 2,011,522</u>
<b>Financial liabilities at fair value through profit or loss</b>		
<b>Held-for-trading financial liabilities</b>		
Forward contracts	\$ 696,320	\$ 363,470
Currency swap contract	522,200	292,368
Option contracts	31,469	56,218
Others	176,822	355
	<u>1,426,811</u>	<u>712,411</u>
<b>Financial liabilities designated at FVTPL</b>		
Bank debentures	2,008,335	2,068,124
	<u>\$ 3,435,146</u>	<u>\$ 2,780,535</u>

The Bank engages in derivative transactions mainly to accommodate customers' needs and manage its exposure positions.

The financial assets and liabilities' at FVTPL contract (nominal) amounts of derivative transactions were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Currency swap contract	\$ 55,114,047	\$ 80,094,212
Forward contracts	54,426,031	43,800,466
Option contracts	6,250,490	13,217,802
Interest rate swap contracts	2,601,485	2,602,994
Future contracts	-	35,527

Information for financial liabilities designated by the Bank at FVTPL is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The difference between the fair value and the maturity value	\$ 2,008,335	\$ 2,068,124
— Fair value	1,973,649	2,110,011
— Maturity value	\$ 34,686	\$ (41,887 )
<u>Effects of changes in credit risk</u>		
Current amount of change		
From January1, 2022 to December 31, 2022	\$	(60,356 )
From January1, 2021 to December 31, 2021	\$	17,650
Cumulative amount of change		
Up to December 31, 2022	\$	(36,294 )
Up to December 31, 2021	\$	24,062

The financial liabilities designated by the Bank at FVTPL were the second issuance of unsecured debentures amounting to US\$70,000 thousand with a 30-year maturity and interest of 0% rate on October 29, 2018. On the expiration of 5 years and every subsequent year, the Bank may exercise the option at the agreed redemption price. If the option is not exercised during the period, the payment will be made on the expiration date.

The Bank entered an interest rate swap contract to reduce the interest rate risk of the aforementioned financial bonds. The interest rate swap contract was measured at fair value and the fair value changes were included in profit or loss. The Bank designated the aforementioned financial bonds as financial liabilities measured at FVTPL for consistency.

The amount of change in the fair value of financial bonds attributable to the changes in the fair value of financial liabilities and the combination of the fair value of financial assets is calculated as the difference between the changes in the fair value of market risk factor. The amount of change in fair value attributable to the market risk factor is calculated using the benchmark yield curve at the balance sheet date. Fair value of financial bonds is based on the benchmark yield curve on the balance sheet date and the estimated credit risk spread by the creditor's interest rate quote on the similar maturity date of the combined company, such that the estimated future cash flow is discounted.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investments in equity instruments measured at FVTOCI		

Shares	\$	9,693,667	\$	9,537,603
Investments in debt instruments measured at FVTOCI				
Corporate bonds		88,421,583		90,713,308
Bank debentures		35,337,537		32,128,356
Commercial papers		34,959,789		65,589,207
Government bonds		29,524,108		26,030,862
Asset-backed securities		1,234,301		2,681,127
Treasury bonds		-		3,486,483
		189,477,318		220,629,343
	\$	199,170,985	\$	230,166,946

The Bank invests in ordinary shares for medium- and long-term strategic purposes and expects to make a profit through long-term investments. The management of the Bank considers that if the short-term fair value fluctuations of these investments are included in profit or loss, they are inconsistent with the aforementioned long-term investment plans. Therefore, the designated investments are selected to be measured at FVTOCI.

For the information on credit risk management and impairment assessment of investments in debt instruments at FVTOCI, refer to Note 11.

Parts of the aforementioned financial assets at FVTOCI were sold under repurchase agreements as of December 31, 2022 and 2021. The par values of bonds and commercial papers sold under repurchase agreements were \$775,000 thousand and \$14,466,728 thousand, respectively.

For the information on financial assets pledged at FVTOCI, refer to Note 36.

#### 10. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	December 31, 2022	December 31, 2021
Negotiable certificates of deposit	\$ 178,510,000	\$ 132,400,000
Bank debentures	7,908,616	859,025
Corporate bonds	3,047,649	1,938,275
Restricted due from banks	2,917,036	3,835,505
Government bonds	2,895,273	2,719,660
Treasury bonds	-	11,987,492
	195,278,574	153,739,957
Less: Loss allowance	(2,787)	(929)
	\$ 195,275,787	\$ 153,739,028

Restricted due from banks are the funds deposited into specific bank accounts by the Bank in compliance with Act of The Management, Utilization, and Taxation of Repatriated Offshore Funds.

For the information on the credit risk management and impairment of investment in debt instruments measured at amortized cost, refer to Note 11.

For the information on related financial assets at amortized cost pledged as collateral, refer to Note 36.

#### 11. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS

The investments in debt instruments were classified as financial assets measured at FVTOCI and financial assets at amortized cost.

December 31, 2022	At FVTOCI	At Amortized Cost	Total
Total carrying amount	\$ 196,733,804	\$ 195,278,574	\$ 392,012,378
Loss allowance	(169,447)	(2,787)	(172,234)
Amortized cost	196,564,357	\$ 195,275,787	391,840,144

Fair value adjustment	(7,087,039 )	(7,087,039 )
	<u>\$ 189,477,318</u>	<u>\$ 384,753,105</u>

<b>December 31, 2021</b>	<b>At FVTOCI</b>	<b>At Amortized Cost</b>	<b>Total</b>
Total carrying amount	\$ 220,045,335	\$ 153,739,957	\$ 373,785,292
Loss allowance	(87,537 )	(929 )	(88,466 )
Amortized cost	219,957,798	<u>\$ 153,739,028</u>	373,696,826
Fair value adjustment	671,545		671,545
	<u>\$ 220,629,343</u>		<u>\$ 374,368,371</u>

The Bank implements a policy of investing in debt instruments with investment grade and have low credit risk for the purpose of impairment assessment. The Bank continues to track external rating information and monitor changes in credit risk of the investments of debt instruments and to review other information such as the bond yield curve and the debtor's material information to assess whether the credit risk of the debt instrument investments has increased significantly since the initial recognition.

The Bank considered the historical default loss rate provided by the independent rating agencies, the debtor's current financial status and the industry's forward-looking forecast to measure the 12-month expected credit loss or full-lifetime expected credit loss of the investments in debt instruments. The Bank's current credit risk rating mechanism and the total carrying amount of each credit rating investment in debt instruments were as follows:

		<b>December 31, 2022</b>		
<b>Credit Rating</b>	<b>Definitions</b>	<b>Expected Credit Loss Recognition Base</b>	<b>Expected Credit Loss Rate</b>	<b>Total Carrying Amount</b>
Stage 1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.000%~0.816%	\$ 390,894,204
Stage 2	Credit risk has increased significantly since the initial recognition	Expected credit loss during the period of existence (no credit impairment)	0.308%~3.400%	919,451
Stage 3	Evidence of credit impairment	Expected credit loss during the period of existence (credit impairment)	40.974%~56.123%	198,723

  

		<b>December 31, 2021</b>		
<b>Credit Rating</b>	<b>Definitions</b>	<b>Expected Credit Loss Recognition Base</b>	<b>Expected Credit Loss Rate</b>	<b>Total Carrying Amount</b>
Stage 1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.000%~0.896%	\$ 372,992,636
Stage 2	Credit risk has increased significantly since the initial recognition	Expected credit loss during the period of existence (no credit impairment)	0.340%~7.017%	792,656

Information on changes in allowance for impairment loss under the credit risk rating assessment of investments in debt instruments at FVTOCI and at amortized cost is summarized as follows:

## Investments in debt instruments at FVTOCI

	Credit Risk Rating			Total
	Stage 1 (12-Month ECLs)	Stage 2 (Lifetime ECLs without impairment)	Stage 3 (Lifetime ECLs with impairment)	
Balance at January 1, 2022	\$ 72,550	\$ 14,987	\$ -	\$ 87,537
Credit rating change-normal to default	(385 )	-	89,748	89,363
Purchase of new debt instruments	19,956	12,041	-	31,997
Derecognition	(16,819 )	(16,295 )	-	(33,114 )
Model/risk parameter changes	(3,492 )	(121 )	-	(3,613 )
Exchange rate and other changes	(5,878 )	2,503	652	(2,723 )
Balance at December 31, 2022	<u>\$ 65,932</u>	<u>\$ 13,115</u>	<u>\$ 90,400</u>	<u>\$ 169,447</u>
Balance at January 1, 2021	\$ 67,801	\$ 14,655	\$ -	\$ 82,456
Purchase of new debt instruments	26,132	3,343	-	29,475
Derecognition	(16,414 )	(4,495 )	-	(20,909 )
Model/risk parameter changes	(4,424 )	710	-	(3,714 )
Exchange rate and other changes	(545 )	774	-	229
Balance at December 31, 2021	<u>\$ 72,550</u>	<u>\$ 14,987</u>	<u>\$ -</u>	<u>\$ 87,537</u>

## Investments in debt instruments at amortized cost

	Credit Risk Rating		Total
	Stage 1 (12-Month ECLs)	Stage 2 (Lifetime ECLs without impairment)	
Balance at January 1, 2022	\$ 929	\$ -	\$ 929
Purchase of new debt instruments	2,138	-	2,138
Derecognition	(196 )	-	(196 )
Model/risk parameter changes	(89 )	-	(89 )
Exchange rate and other changes	5	-	5
Balance at December 31, 2022	<u>\$ 2,787</u>	<u>\$ -</u>	<u>\$ 2,787</u>
Balance at January 1, 2021	\$ 1,402	\$ -	\$ 1,402
Derecognition	(176 )	-	(176 )
Model/risk parameter changes	46 )	-	(46 )
Exchange rate and other changes	(251 )	-	(251 )
Balance at December 31, 2021	<u>\$ 929</u>	<u>\$ -</u>	<u>\$ 929</u>

## 12. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

Securities purchased under resell agreements as of December 31, 2021 were \$278,486 thousand. The aforementioned securities will be bought back one after another before February 22, 2022 at \$278,770 thousand.

## 13. RECEIVABLES, NET

	December 31, 2022	December 31, 2021
Credit card receivables	\$ 3,350,184	\$ 2,758,920
Accrued interest	3,251,669	1,715,706
Acceptances	1,558,849	2,147,498
Accounts receivable - factoring	451,234	567,807
Accounts receivable due from sales of securities	12	38,661
Others	404,789	583,674
	<u>9,016,737</u>	<u>7,812,266</u>
Less: Allowance for credit losses	<u>(226,330 )</u>	<u>(210,651 )</u>

\$ 8,790,407    \$ 7,601,615

The changes in total carrying amount and the allowance of receivables and other financial assets for the year ended December 31, 2022 and 2021 (including non-accrual loans and bills of exchange, refer to Note 16) are as follows:

**For the Year ended December 31, 2022**

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Total
<b>Receivables and other financial assets</b>				
Beginning on January 1, 2022	\$ 7,545,954	\$ 211,438	\$ 61,840	\$ 7,819,232
Changes due to financial assets recognized at the beginning of the period:				
Transfer to lifetime ECLs	(110,798 )	52,515	(75 )	(58,358 )
Transfer to ECLs on financial assets	(18,301 )	(9,554 )	42,394	14,539
Transfer to 12-month ECLs	27,596	(29,762 )	(1,532 )	(3,698 )
Financial assets derecognized in the current period	(1,248,444 )	(138,713 )	(20,127 )	(1,407,284 )
Purchased or originated financial assets	2,425,758	102,859	2,870	2,531,487
Write-offs	-	-	(29,848 )	(29,848 )
Exchange rate and other changes	143,506	9,080	-	152,586
Balance on December 31, 2022	\$ 8,765,271	\$ 197,863	\$ 55,522	\$ 9,018,656

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
<b>Allowance</b>						
Beginning on January 1, 2022	\$ 115,036	\$ 49,299	\$ 29,756	\$ 194,091	\$ 18,709	\$ 212,800
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	(770 )	20,906	(44 )	20,092	-	20,092
Transfer to ECLs on financial assets	(248 )	(2,731 )	7,225	4,246	-	4,246
Transfer to 12-month ECLs	331	(20,836 )	(632 )	(21,137 )	-	(21,137 )
Financial assets derecognized in the current period	(4,992 )	(16,104 )	(12,615 )	(33,711 )	-	(33,711 )
Purchased or originated financial assets	24,341	25,155	1,963	51,459	-	51,459
The difference of impairment under the regulation or decree	-	-	-	-	(8,409 )	(8,409 )
Write-offs	-	-	(29,848 )	(29,848 )	-	(29,848 )
Recoveries after write-off	-	-	28,298	28,298	-	28,298
Exchange rate and other changes	2,751	1,708	-	4,459	-	4,459
Balance on December 31, 2022	\$ 136,449	\$ 57,397	\$ 24,103	\$ 217,949	\$ 10,300	\$ 228,249

**For the Year Ended December 31, 2021**

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Total
<b>Receivables and other financial assets</b>				
Beginning on January 1, 2021	\$ 7,953,891	\$ 87,536	\$ 67,757	\$ 8,109,184
Changes due to financial assets recognized at the beginning of the period:				
Transfer to lifetime ECLs	(42,230 )	34,044	(55 )	(8,241 )
Transfer to ECLs on financial assets	(19,526 )	(7,670 )	42,573	15,377
Transfer to 12-month ECLs	27,641	(29,329 )	(1,684 )	(3,372 )
Financial assets derecognized in the current period	(1,991,526 )	(22,211 )	(22,588 )	(2,036,325 )
Purchased or originated financial assets	1,706,517	149,068	3,026	1,858,611
Write-offs	-	-	(27,189 )	(27,189 )
Exchange rate and other changes	(88,813 )	-	-	(88,813 )
Balance on December 31, 2021	\$ 7,545,954	\$ 211,438	\$ 61,840	\$ 7,819,232

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
<b>Allowance</b>						
Beginning on January 1, 2021	\$ 100,631	\$ 34,652	\$ 26,689	\$ 161,972	\$ 13,043	\$ 175,015
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	(723 )	17,654	(28 )	16,903	-	16,903
Transfer to ECLs on financial assets	(380 )	(1,912 )	3,402	1,110	-	1,110
Transfer to 12-month ECLs	(688 )	(17,657 )	(556 )	(18,901 )	-	(18,901 )
Financial assets derecognized in the current period	(23,110 )	(6,743 )	(1,713 )	(31,566 )	-	(31,566 )
Purchased or originated financial assets	38,297	23,305	1,570	63,172	-	63,172
The difference of impairment under the regulation or decree	-	-	-	-	5,666	5,666
Write-offs	-	-	(27,189 )	(27,189 )	-	(27,189 )
Recoveries after write-off	-	-	27,581	27,581	-	27,581
Exchange rate and other changes	1,009	-	-	1,009	-	1,009
Balance on December 31, 2021	\$ 115,036	\$ 49,299	\$ 29,756	\$ 194,091	\$ 18,709	\$ 212,800

#### 14. DISCOUNTS AND LOANS, NET

	December 31, 2022	December 31, 2021
Loans	\$ 848,421,317	\$ 763,766,615
Inward/outward documentary bills	2,265,965	4,646,564
Non-performing loans	1,333,238	956,650
	852,020,520	769,369,829
Discount and premium adjustments	408,391	573,085
Allowance for credit losses	(12,426,716 )	(9,986,436 )
	<u>\$ 840,002,195</u>	<u>\$ 759,956,478</u>

The Bank discontinues accruing interest when loans are deemed non-performing. For the year ended December 31, 2022 and 2021, the unrecognized interest revenue on the non-performing loans amounted to \$57,162 thousand and \$17,034 thousand, respectively.

For the year ended December 31, 2022 and 2021, the Bank only had written off certain credits after completing the required legal procedures.

The changes in carrying amount and allowance for discounts and loans for the year ended December 31, 2022 and 2021 are as follows:

#### For the Year ended December 31, 2022

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Total
<b>Discounts and loans</b>					
Beginning on January 1, 2022	\$ 757,403,898	\$ 10,931,130	\$ -	\$ 1,034,801	\$ 769,369,829
Changes due to financial assets recognized at the beginning of the period:					
Transfer to lifetime ECLs	(1,226,941 )	1,497,728	-	(60 )	270,727
Transfer to ECLs on financial assets	(1,298,284 )	(1,040,104 )	-	2,473,839	135,451
Transfer to 12-month ECLs	312,050	(320,709 )	-	(1,615 )	(10,274 )
Financial assets derecognized in the current period	(355,815,280 )	(2,506,073 )	-	(673,753 )	(358,995,106 )
Purchased or originated financial assets	434,240,861	2,948,509	-	353,449	437,542,819
Write-offs	-	-	-	(1,466,553 )	(1,466,553 )
Exchange rate and other changes	5,026,849	140,225	-	6,553	5,173,627
Balance on December 31, 2022	\$ 838,643,153	\$ 11,650,706	\$ -	\$ 1,726,661	\$ 852,020,520



	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
<b>Allowance</b>							
Beginning on January 1, 2022	\$ 841,402	\$ 1,532,601	\$ -	\$ 243,441	\$ 2,617,444	\$ 7,368,992	\$ 9,986,436
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(711 )	981,980	-	(3 )	981,266	-	981,266
Transfer to ECLs on financial assets	(853 )	(94,865 )	-	1,495,090	1,399,372	-	1,399,372
Transfer to 12-month ECLs	667	(21,513 )	-	(74 )	(20,920 )	-	(20,920 )
Financial assets derecognized in the current period	(356,962 )	(304,834 )	-	(160,915 )	(822,711 )	-	(822,711 )
Purchased or originated financial assets	555,704	119,421	-	163,715	838,840	-	838,840
The difference of impairment under the regulation or decree	-	-	-	-	-	559,208	559,208
Write-offs	-	-	-	(1,466,553 )	(1,466,553 )	-	(1,466,553 )
Recoveries of write-offs	-	-	-	145,777	145,777	-	145,777
Exchange rate and other changes	641,831	174,504	-	9,666	826,001	-	826,001
Balance on December 31, 2022	\$ 1,681,078	\$ 2,387,294	\$ -	\$ 430,144	\$ 4,498,516	\$ 7,928,200	\$ 12,426,716

### For the Year Ended December 31, 2021

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Total
<b>Discounts and loans</b>					
Beginning on January 1, 2021	\$ 757,226,007	\$ 10,099,555	\$ -	\$ 1,873,113	\$ 769,198,675
Changes due to financial assets recognized at the beginning of the period:					
Transfer to lifetime ECLs	(1,202,886 )	681,649	-	-	(521,237 )
Transfer to ECLs on financial assets	(335,474 )	(214,271 )	-	283,338	(266,407 )
Transfer to 12-month ECLs	103,494	(103,302 )	-	-	192
Financial assets derecognized in the current period	(368,252,438 )	(1,020,720 )	-	(636,912 )	(369,910,070 )
Purchased or originated financial assets	370,906,064	1,614,932	-	137,028	372,658,024
Write-offs	-	-	-	(617,952 )	(617,952 )
Exchange rate and other changes	(1,040,869 )	(126,713 )	-	(3,814 )	(1,171,396 )
Balance on December 31, 2021	\$ 757,403,898	\$ 10,931,130	\$ -	\$ 1,034,801	\$ 769,369,829

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
<b>Allowance</b>							
Beginning on January 1, 2021	\$ 1,830,599	\$ 1,391,989	\$ -	\$ 506,241	\$ 3,728,829	\$ 6,028,429	\$ 9,757,258
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(3,088 )	44,717	-	-	41,629	-	41,629
Transfer to ECLs on financial assets	(977 )	(21,831 )	-	291,422	268,614	-	268,614
Transfer to 12-month ECLs	20	(9,041 )	-	-	(9,021 )	-	(9,021 )
Financial assets derecognized in the current period	(1,524,640 )	(107,897 )	-	(141,047 )	(1,773,584 )	-	(1,773,584 )
Purchased or originated financial assets	615,780	237,102	-	33,423	886,305	-	886,305
The difference of impairment under the regulation or decree	-	-	-	-	-	1,340,563	1,340,563
Write-offs	-	-	-	(617,952 )	(617,952 )	-	(617,952 )
Recoveries of write-offs	-	-	-	172,366	172,366	-	172,366
Exchange rate and other changes	(76,292 )	(2,438 )	-	(1,012 )	(79,742 )	-	(79,742 )
Balance on December 31, 2021	\$ 841,402	\$ 1,532,601	\$ -	\$ 243,441	\$ 2,617,444	\$ 7,368,992	\$ 9,986,436

The details of bad debt expense, commitment and guarantee liability provisions for the year ended December 31, 2022 and 2021 are listed below:

	For the Year Ended December 31	
	2022	2021
Provisions for loans and discounts	\$ 2,935,055	\$ 754,506
Provisions for receivables and other financial assets	12,540	36,384
Provisions (reversal) for reserve of possible losses on guarantees	(147,558 )	108,307
Other provisions	-	967
	<u>\$ 2,800,037</u>	<u>\$ 900,164</u>

## 15. INVESTMENTS UNDER THE EQUITY METHOD

Equity Method	December 31, 2022		December 31, 2021	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
<b>Investment in subsidiaries</b>				
Domestic investments				
SCSB Asset Management Ltd.	\$ 1,687,053	100.00	\$ 1,669,904	100.00
China Travel Service (Taiwan)	475,080	99.99	422,875	99.99
SCSB Marketing Ltd.	8,971	100.00	8,589	100.00
	<u>2,171,104</u>		<u>2,101,368</u>	
Foreign investments				
Shancom Reconstruction Inc.	75,279,562	100.00	69,271,539	100.00
Wresqueue Limitada	365,017	100.00	322,436	100.00
Paofoong Insurance Company Ltd.	372,821	40.00	320,385	40.00
AMK Microfinance Institution Plc (AMK)	5,411,382	99.99	3,981,362	99.99
	<u>81,428,782</u>		<u>73,895,722</u>	
Total	<u>\$ 83,599,886</u>		<u>\$ 75,997,090</u>	

The Bank invested in Paofoong Insurance Company (Hong Kong) Ltd. and held 40% equity directly and 60% indirectly through Shancom Reconstruction Inc. Therefore, Paofoong Insurance Company (Hong Kong) Ltd. was recorded as a subsidiary.

The Bank recognized investment losses on Kuo Hai Construction over the years because of the investee's continuing operating losses. The carrying value of Kuo Hai Construction was reduced to zero in 2002.

The Bank's board of directors approved the investment in AMK of 912 thousand shares for US\$5,700 thousand capital increase on March 21, 2020, and this increase was funded by the Bank. The capital increase was approved by the FSC of Taiwan, National Bank of Cambodia and Cambodia Ministry of Commerce on May 27, 2020, May 7, 2021 and May 13, 2021, respectively. The Bank's shareholding ratio was maintained at 99.99%.

In addition, the Bank's board of directors approved the investment in AMK of 3,668 thousand shares for US\$22,500 thousand capital increase on November 13, 2021, and this increase was funded by the Bank. The capital increase was approved by the FSC of Taiwan, National Bank of Cambodia and Cambodia Ministry of Commerce on December 29, 2021, April 20, 2022, and May 10, 2022, respectively. The Bank's shareholding ratio was maintained at 99.99%.

The proportionate shares of profit of subsidiaries, associates and joint ventures accounted for under the equity method account for the years ended on 2022 and 2021 were calculated according to the audited financial statements of subsidiaries for the same period.

## 16. OTHER FINANCIAL ASSETS, NET

	December 31, 2022	December 31, 2021
Non-performing receivables	\$ 1,919	\$ 1,928
Bills of exchange	-	5,038
	1,919	6,966
Allowance	(1,919)	(2,149)
	<u>\$ -</u>	<u>\$ 4,817</u>

The amount of non-performing receivables is made up of unsettled transactional for forward exchange contracts and credit card receivables.

The balances of credit card receivables which were reported as non-performing amounted to \$1,919

thousand and \$1,928 thousand as of December 31, 2022 and 2021, respectively. The unrecognized interest revenue on the receivables amounted to \$174 thousand and \$140 thousand for the year ended December 31, 2022 and 2021, respectively.

## 17. PROPERTIES, NET

	December 31, 2022	December 31, 2021
Land	\$ 9,570,378	\$ 9,641,323
Buildings and improvements	1,612,042	1,724,007
Mechanical equipment	253,219	262,520
Miscellaneous equipment	236,815	168,179
Transportation equipment	6,447	7,222
Construction in progress and prepayments	1,315,854	552,948
	<u>\$ 12,994,755</u>	<u>\$ 12,356,199</u>

	For the Year ended December 31, 2022				
Items	Balance at January 1, 2022	Additions	Disposals	Effects of Exchange Rate Changes, Net	Balance at December 31, 2022
<b>Cost</b>					
Land	\$ 9,641,323	\$ -	\$ (70,945 )	\$ -	\$ 9,570,378
Buildings and improvements	4,243,202	-	(58,019 )	-	4,185,183
Mechanical equipment	1,050,968	95,768	(125,558 )	5,607	1,026,785
Miscellaneous equipment	620,441	106,803	(50,221 )	2,595	679,618
Transportation equipment	41,179	1,841	(2,938 )	-	40,082
	<u>15,597,113</u>	<u>\$ 204,412</u>	<u>\$ (307,681 )</u>	<u>\$ 8,202</u>	<u>15,502,046</u>
<b>Accumulated depreciation</b>					
Buildings and improvements	2,519,195	\$ 67,885	\$ (13,939 )	\$ -	2,573,141
Mechanical equipment	788,448	87,350	(107,250 )	5,018	773,566
Miscellaneous equipment	452,262	32,399	(43,333 )	1,475	442,803
Transportation equipment	33,957	2,442	(2,764 )	-	33,635
	<u>3,793,862</u>	<u>\$ 190,076</u>	<u>\$ (167,286 )</u>	<u>\$ 6,493</u>	<u>3,823,145</u>
Construction-in-progress and prepayments	<u>552,948</u>	<u>\$ 762,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,315,854</u>
Net amount	\$ 12,356,199				\$ 12,994,755

For the Year Ended December 31, 2021					
Items	Balance at January 1, 2021	Additions	Disposals	Effects of Exchange Rate Changes, Net	Balance at December 31, 2021
<b>Cost</b>					
Land	\$ 9,641,501	\$ -	\$ (178)	\$ -	\$ 9,641,323
Buildings and improvements	4,243,658	-	(456)	-	4,243,202
Mechanical equipment	1,005,808	61,731	(15,724)	(847)	1,050,968
Miscellaneous equipment	572,949	54,296	(6,419)	(385)	620,441
Transportation equipment	<u>47,613</u>	<u>785</u>	<u>(7,219)</u>	<u>-</u>	<u>41,179</u>
	<u>15,511,529</u>	<u>\$ 116,812</u>	<u>\$ (29,996)</u>	<u>\$ (1,232)</u>	<u>15,597,113</u>
<b>Accumulated depreciation</b>					
Buildings and improvements	2,450,165	\$ 69,126	\$ (96)	\$ -	2,519,195
Mechanical equipment	726,021	76,290	(13,304)	(559)	788,448
Miscellaneous equipment	432,176	25,768	(5,485)	(197)	452,262
Transportation equipment	<u>37,890</u>	<u>2,916</u>	<u>(6,849)</u>	<u>-</u>	<u>33,957</u>
	<u>3,646,252</u>	<u>\$ 174,100</u>	<u>\$ (25,734)</u>	<u>\$ (756)</u>	<u>3,793,862</u>
Construction-in-progress and prepayments	<u>221,384</u>	<u>\$ 331,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>552,948</u>
Net amount	<u>\$ 12,086,661</u>				<u>\$ 12,356,199</u>

The Bank did not have any impairment losses on the properties as of December 31, 2022 and 2021.

Depreciation expense of properties is computed using the straight-line method over the useful lives below:

Buildings and improvements	
Branches offices	43-55 years
Air conditioning and machine rooms	9 years
Mechanical equipment	3-8 years
Miscellaneous equipment	5-20 years
Transportation equipment	5-10 years

## 18. LEASE ARRANGEMENTS

### 18.1 Right-of-use assets

	December 31, 2022	December 31, 2021
Carrying amount of right-of-use assets		
Buildings and improvements	\$ 737,964	\$ 673,824
Transportation equipment	25,340	30,546
Mechanical equipment	1,281	8,112
	<u>\$ 764,585</u>	<u>\$ 712,482</u>

For the Year Ended December 31		
	2022	2021
Increase in right-of-use assets	\$ 356,143	\$ 205,138
Depreciation expenses of right-of-use assets		
Buildings and improvements	\$ 289,772	\$ 277,608
Transportation equipment	13,083	12,870
Mechanical equipment	6,830	9,374
	<u>\$ 309,685</u>	<u>\$ 299,852</u>

## 18.2 Lease liabilities

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Carrying amount of lease liabilities	\$ 772,365	\$ 722,147

The discount rate intervals for lease liabilities are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Buildings and improvements	0.60%~1.25%	1.25%
Mechanical equipment	0.60%~1.25%	1.25%
Transportation equipment	0.60%~1.25%	1.25%

## 18.3 Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term lease expenses	\$ 15,872	\$ 18,326
Leases of low value assets	\$ 1,374	\$ 1,291
Variable lease payments which are not included in lease liabilities measurements	\$ 3,799	\$ 3,314
Total cash outflow for leases	\$ 337,119	\$ 329,113

The Bank chooses to apply recognition exemption to the rentals of buildings, office equipment, transportation equipment that qualify as short-term lease and computer equipment which qualify as low value assets, and did not recognize related right-of-use assets and lease liabilities.

## 19. INTANGIBLE ASSETS, NET

	<b>For the Year ended December 31, 2022</b>				
	<b>Balance at January 1, 2022</b>	<b>Additions</b>	<b>Disposals</b>	<b>Effects of Exchange Rate Changes, Net</b>	<b>Balance at December 31, 2022</b>
Cost					
Computer software	\$ 367,970	\$ 255,639	\$ (74,579)	\$ 4,198	\$ 553,228
Less: Accumulated amortization					
Computer software	197,771	\$ 111,505	\$ (74,579)	\$ 2,709	237,406
Net amount	<u>\$ 170,199</u>				<u>\$ 315,822</u>
	<b>For the Year Ended December 31, 2021</b>				
	<b>Balance at January 1, 2021</b>	<b>Additions</b>	<b>Disposals</b>	<b>Effects of Exchange Rate Changes, Net</b>	<b>Balance at December 31, 2021</b>
Cost					
Computer software	\$ 280,617	\$ 141,520	\$ (53,599)	\$ (568)	\$ 367,970
Less: Accumulated amortization					
Computer software	172,043	\$ 79,710	\$ (53,599)	\$ (383)	197,771
Net amount	<u>\$ 108,574</u>				<u>\$ 170,199</u>

Amortization expense is computed using the straight-line method over the useful lives as follows:

Computer software	3-5 years
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## 20. OTHER ASSETS, NET

	December 31, 2022	December 31, 2021
Prepaid expenses	\$ 6,207,090	\$ 6,074,824
Refundable deposits	1,107,488	612,365
Temporary payments and suspension	809,663	316,153
Prepaid pension	192,617	-
Deferred charges	107,037	175,516
Others	96,352	32,891
	<u>\$ 8,520,247</u>	<u>\$ 7,211,749</u>

## 21. DUE TO THE CENTRAL BANK AND BANKS

	December 31, 2022	December 31, 2021
Call loans from banks	\$ 9,351,891	\$ 13,753,641
Deposit from Chunghwa Post Co., Ltd.	1,221,799	1,221,799
Due to banks	964,346	694,792
Bank overdrafts	571,059	434,512
	<u>\$ 12,109,095</u>	<u>\$ 16,104,744</u>

## 22. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements as of December 31, 2022 and 2021 were \$781,568 thousand and \$14,505,024 thousand, respectively. The aforementioned securities will be brought back by June 29, 2023 and September 13, 2022 at \$782,732 thousand and \$14,508,047 thousand, respectively.

## 23. PAYABLES

	December 31, 2022	December 31, 2021
Dividends payable	\$ 15,794,768	\$ 14,908,719
Accounts payable	3,910,901	3,480,299
Accrued interest	2,252,245	1,235,115
Acceptances	1,579,018	2,309,693
Accrued expenses	1,486,682	1,276,132
Other accounts payable	159,648	144,588
Others	530,860	508,823
	<u>\$ 25,714,122</u>	<u>\$ 23,863,369</u>

## 24. DEPOSITS AND REMITTANCES

	December 31, 2022	December 31, 2021
Time deposits	\$ 427,758,465	\$ 327,354,941
Savings deposits	389,687,297	349,162,449
Demand deposits	328,438,378	354,691,317
Negotiable certificates of deposit	57,658,800	8,787,700
Checking deposits	14,573,728	10,223,711
Remittances	278,842	219,444
	<u>\$ 1,218,395,510</u>	<u>\$ 1,050,439,562</u>

## 25. BANK DEBENTURES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The subordinated bank debenture - 7-10 years maturity, third issued in 2012; maturity date is from November 2019 to 2022.	\$ -	\$ 4,000,000
The subordinated bank debenture - 7-10 years maturity, fourth issued in 2012; maturity date is from December 2019 to 2022.	-	5,700,000
The subordinated bank debenture - 7-10 years maturity, first issued in 2014; maturity date is from March 2021 to 2024	5,100,000	5,100,000
The subordinated bank debenture - 7 years maturity; first issued in 2015; maturity date is in June 2022	-	2,150,000
The subordinated bank debenture - 8.5 years maturity; second issued in 2015; maturity date is in June 2024	3,000,000	3,000,000
The subordinated bank debenture - 7-10 years maturity; first issued in 2017; maturity date is from June 2024 to 2027	5,000,000	5,000,000
The subordinated bank debenture - 7-10 years maturity; second issued in 2017; maturity date is from December 2024 to 2027	5,000,000	5,000,000
The subordinated bank debenture - 7-10 years maturity; first issued in 2018; maturity date is from June 2025 to 2028	5,000,000	5,000,000
The subordinated bank debenture; third issued in 2018; no maturity date	7,000,000	7,000,000
The bank debenture - 5 years maturity; first issued in 2019; maturity date is in September 2024	6,900,000	6,900,000
The bank debenture - 3 years maturity; first issued in 2019; maturity date is in September 2022	-	3,100,000
The bank debenture - 7 years maturity; first issued in 2020; maturity date is in March 2027	3,000,000	3,000,000
The bank debenture - 10 years maturity; first issued in 2020; maturity date is in March 2030	7,000,000	7,000,000
The subordinated bank debenture - 7-10 years maturity; first issued in 2021; maturity date is from October 2028 to 2031	5,000,000	5,000,000
The bank debenture - 3-5 years maturity; first issued in 2022; maturity date is from July 2025 to 2027	2,000,000	-
The bank debenture - 3 years maturity; second issued in 2022; maturity date is in September 2025	1,000,000	-
The subordinated bank debenture; third issued in 2022; no maturity date	1,070,000	-
	<u>\$ 56,070,000</u>	<u>\$ 66,950,000</u>

The third issuance of the 2012 bank debenture was classified into two types, Types A and B, in accordance with the issued terms. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.43%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.55%. The interests were paid annually with the repayment of principals at maturity.

The fourth issuance of the 2012 bank debenture was classified into two types, Types A and B, in accordance with the issued terms. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinate bank debenture at a fixed annual interest rate of 1.43%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.55%. The interests were paid annually with the repayment of principals at maturity.

The first issuance of the 2014 bank debenture was classified into two types, Types A and B, in accordance with the issued terms. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.70%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.85%. The interests were paid annually with the repayment of principals at maturity.

The second issuance of the 2014 seven-year subordinated bank debenture had a fixed interest rate of 1.83% with the interest paid annually and the repayment of principal at maturity.

The first issuance of the 2015 subordinated bank debenture had a fixed interest rate of 1.83% with the interest paid annually and the repayment of principal at maturity.

The second issuance of the 2015 subordinated bank debenture had a fixed interest rate of 1.83% with the

interest paid annually and the repayment of principal at maturity.

The first issuance of the 2017 bank debenture was classified into two types, Types A and B, in accordance with the issued terms. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.50%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.85%. The interests were paid annually with the repayment of principals at maturity.

The second issuance of the 2017 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.30%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.55%. Their interests were paid annually with repayment of principals at maturity.

The first issuance of the 2018 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.25%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.45%. Their interests were paid annually with repayment of principals at maturity.

The third issuance of the 2018 subordinated bank debenture was at a fixed annual interest rate of 2.15% with the interest paid annually and the repayment of principal at maturity.

The first issuance of the 2019 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, three-year bank debenture at a fixed annual interest rate of 0.65%; Type B, five-year bank debenture at a fixed annual interest rate of 0.69%. Their interests were paid annually with repayment of principals at maturity.

The first issuance of the 2020 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, seven-year bank debenture at a fixed annual interest rate of 0.62%; Type B, ten-year bank debenture at a fixed annual interest rate of 0.64%. Their interests were paid annually with repayment of principals at maturity.

The first issuance of the 2021 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, seven-year bank debenture at a fixed annual interest rate of 0.60%; Type B, ten-year bank subordinated debenture at a fixed annual interest rate of 0.72%. Their interests were paid annually with repayment of principals at maturity.

The first issuance of the 2022 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, three-year bank debenture at a fixed annual interest rate of 1.60%; Type B, five-year bank subordinated debenture at a fixed annual interest rate of 1.70%. Their interests were paid annually with repayment of principals at maturity.

The second issuance of the 2022 bank debenture is at a fixed annual interest rate of 1.40%. Their interests were paid annually with repayment of principals at maturity.

The third issuance of the 2022 subordinated bank debenture was at a fixed annual interest rate of 3.25% with the interest paid annually and the repayment of principal at maturity.



## 26. OTHER FINANCIAL LIABILITIES

	December 31, 2022	December 31, 2021
Principals of structured instruments	\$ 1,338,189	\$ 1,444,718
Appropriated loan funds	1,161,543	1,378,521
	<u>\$ 2,499,732</u>	<u>\$ 2,823,239</u>

## 27. PROVISIONS

	December 31, 2022	December 31, 2021
Provision for guarantees liabilities	\$ 954,863	\$ 1,144,582
Provision for employee benefits (Note 29)	574,532	582,236
Provision for financing commitment	81,276	77,582
Provision for unexpected losses	3,565	4,540
Provision for other operations	2,851	2,566
	<u>\$ 1,617,087</u>	<u>\$ 1,811,506</u>

Provisions for changes in financing commitment and guarantee liability provisions of the Bank for the year ended December 31, 2022 and 2021 were as follows:

### For the Year ended December 31, 2022

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
<b>Provisions for commitment and guarantee liability</b>						
January 1, 2022	\$ 274,875	\$ 21,045	\$ 1,357	\$ 297,277	\$ 924,887	\$ 1,222,164
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	(68)	9,351	-	9,283	-	9,283
Transfer to credit impaired financial assets	(2)	(238)	5,099	4,859	-	4,859
Transfer to 12-month ECLs	-	-	-	-	-	-
Financial assets derecognized in the current period	(233,467)	(18,957)	(670)	(253,094)	-	(253,094)
Purchased or originated financial assets	343,518	54,075	4,775	402,368	-	402,368
The difference of impairment under the regulation or decree	-	-	-	-	(310,974)	(310,974)
Exchange rate and other changes	(28,845)	(5,347)	(4,275)	(38,467)	-	(38,467)
December 31, 2022	<u>\$ 356,011</u>	<u>\$ 59,929</u>	<u>\$ 6,286</u>	<u>\$ 422,226</u>	<u>\$ 613,913</u>	<u>\$ 1,036,139</u>

### For the Year Ended December 31, 2021

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
<b>Provisions for commitment and guarantee liability</b>						
January 1, 2021	\$ 559,170	\$ 22,140	\$ 20,418	\$ 601,728	\$ 515,348	\$ 1,117,076
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	(3)	3,093	(3,899)	(809)	-	(809)
Transfer to credit impaired financial assets	-	-	-	-	-	-
Transfer to 12-month ECLs	2	(597)	-	(595)	-	(595)
Financial assets derecognized in the current period	(541,074)	(22,213)	(15,162)	(578,449)	-	(578,449)
Purchased or originated financial assets	259,999	18,622	-	278,621	-	278,621
The difference of impairment under the regulation or decree	-	-	-	-	409,539	409,539
Exchange rate and other changes	(3,219)	-	-	(3,219)	-	(3,219)
December 31, 2021	<u>\$ 274,875</u>	<u>\$ 21,045</u>	<u>\$ 1,357</u>	<u>\$ 297,277</u>	<u>\$ 924,887</u>	<u>\$ 1,222,164</u>

## 28. OTHER LIABILITIES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Guarantee deposits received	\$ 451,316	\$ 600,582
Revenue received in advance	188,399	174,176
Deferred revenue	149,042	147,841
Temporary credit	37,868	135,735
Others	101,846	109,780
	<u>\$ 928,471</u>	<u>\$ 1,168,114</u>

## 29. PENSION PLAN

### (1) Defined contribution plans

The Bank adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total amounts of contributions to the defined contribution plans For the year ended December 31, 2022 and 2021 were \$97,354 thousand and \$87,910 thousand, respectively.

### (2) Defined benefit plans

The defined benefit plans adopted by the Bank in accordance with the Labor Standards Law is operated by the government of Taiwan. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Bank contribute amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Bank has no right to influence the investment policy and strategy.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of the defined benefit obligation	\$ 3,179,013	\$ 3,232,621
Fair value of the plan assets	(3,371,630 )	(3,179,529 )
Net defined benefit (assets) liabilities	<u>\$ (192,617 )</u>	<u>\$ 53,092</u>

Movements in net defined benefit liabilities (assets) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit (Assets) Liabilities</b>
Balance at January 1, 2021	\$ 3,081,512	\$ (2,925,648 )	\$ 155,864
Service cost			
Current service cost	173,431	-	173,431
Interest expense (income)	29,549	(29,821 )	(272 )
Recognized in profit or loss	202,980	(29,821 )	173,159
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(19,064 )	(19,064 )
Actuarial (gain) loss			
Changes in demographic assumptions	71,125	-	71,125
Changes in financial assumptions	73,020	-	73,020
Experience adjustments	(21,612 )	-	(21,612 )
Recognized in other comprehensive income	122,533	(19,064 )	103,469
Contributions from the employer	-	(379,400 )	(379,400 )
Benefits paid	(174,404 )	174,404	-
Balance on December 31, 2021	\$ 3,232,621	\$ (3,179,529 )	\$ 53,092

  

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit (Assets) Liabilities</b>
Balance on January 1, 2022	\$ 3,232,621	\$ (3,179,529 )	\$ 53,092
Service cost			
Current service cost	148,264	-	148,264
Interest expense (income)	23,573	(24,636 )	(1,063 )
Recognized in profit or loss	171,837	(24,636 )	147,201
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(173,711 )	(173,711 )
Actuarial (gain) loss			
Changes in demographic assumptions	-	-	-
Changes in financial assumptions	(122,042 )	-	(122,042 )
Experience adjustments	181,452	-	181,452
Recognized in other comprehensive income	59,410	(173,711 )	(114,301 )
Contributions from the employer	-	(278,609 )	(278,609 )
Benefits paid	(284,855 )	284,855	-
Balance on December 31, 2022	\$ 3,179,013	\$ (3,371,630 )	\$ (192,617 )

Through the defined benefit plans under the Labor Standards Law, the Bank is exposed to the following risks:

- A. 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.
- B. 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 plans' debt investments.
- C. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Discount rate	1.25%	0.75%
Expected rate of salary increase	2.75%	2.75%

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Discount rate		
0.25% increase	\$ (67,832 )	\$ (73,992 )
0.25% decrease	\$ 69,932	\$ 76,433
Expected rate of salary increase		
0.25% increase	\$ 57,246	\$ 62,261
0.25% decrease	\$ (55,768 )	\$ (60,544 )

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Average duration of the defined benefit obligation	8.8years	9.5 years
Expected contributions to the plans for the next year	\$ 286,271	\$ 389,834

### (3) Employee preferential deposit plan

The Bank's obligation to pay the quota deposits of current staff and retired employees is based on the Bank's relevant employee preferential deposit benefits. In accordance with the guidelines for the Regulations Governing the Preparation of Financial Reports by Public Banks, the Bank needs to measure on the excess interest arising from the post-retirement preferential deposit interest rate through actuarial process .

The actuarial assumptions of the retired employees' preferential deposit and welfare expenses are based on the Banking Bureau's requirement dated March 15, 2012 (Ref. No. 10110000850). The assumptions are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Discount rate	4.00%	4.00%
Deposit rate of return	2.00%	2.00%
Preferential deposit withdrawal rate	2.00%	2.00%
Change in the preferential deposit policy	50.00%	50.00%

The amount of the Bank's obligations arising from the preferential deposit plan for retired employees is included in the balance sheet as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Retired employees' preferential deposit liabilities, net	\$ 562,070	\$ 518,675

The amounts of the retired employees' preferential deposit benefit expenses in the statements of comprehensive income For the year ended December 31, 2022 and 2021 were \$87,859 thousand and \$68,225 thousand, respectively; and in other comprehensive losses were \$15,597 thousand and \$28,986 thousand, respectively.

### (4) Other long-term employee benefit liabilities

Current employees who are eligible for retirement will be given a pension according to the retirement plan. If employees do not have the qualification to retire, (a) the pension will be paid for one month if the service lasts less than one year; (b) if the service lasts more than one year and less than five years, they will receive pension for one month for serving each full year; (c) if the service lasts for more than five years, the pension is calculated according to the actuarial calculation method. However, the calculation method is only applicable to the service that existed before the application of the new system.

The amounts of the Bank's obligations arising from the employee's pension were included in the balance sheets as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other long-term employee benefit liabilities, net	\$ 12,462	\$ 10,469

The Bank recognized employee pension benefit cost of \$1,993 thousand and \$166 thousand in the statements of comprehensive income For the year ended December 31, 2022 and 2021, respectively.

(5) Employee benefit liabilities provisions includes:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Retired employees' preferential deposit liabilities	\$ 562,070	\$ 518,675
Defined benefit liabilities	-	53,092
Other long-term employment benefits	12,462	10,469
	<u>\$ 574,532</u>	<u>\$ 582,236</u>

### 30. EQUITY

#### 30.1 Share capital

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Ordinary shares</b>		
Authorized shares (in thousands)	6,000,000	6,000,000
Authorized capital	\$ 60,000,000	\$ 60,000,000
Issued and paid shares (in thousands)	4,861,603	4,481,603
Issued capital	<u>\$ 48,616,031</u>	<u>\$ 44,816,031</u>

The issued ordinary shares have par value of \$10. Each shareholder is entitled with the right to vote and to receive dividends.

To improve capital adequacy and increase working capital, the Bank's board of directors approved to issue 380,000 thousand of new shares in additional capital on August 13, 2022. The issue price per share is \$37, and the total issue amount is \$14,060,000 thousand. TWSE approved the IPO on October 11, 2022. The Bank's board of directors decided that the base date for capital increase is on December 15, 2022, the full share payment was received by December 14, 2022, and the change of registration was completed on December 28, 2022.

## 30.2 Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Share premium	\$ 24,049,635	\$ 13,431,903
Treasury shares transaction	2,056,000	2,046,520
Unclaimed dividends	1,213,392	1,100,985
Recognition of changes in equity of subsidiaries	85,518	85,518
Proportionate share in investee's surplus from donated assets under the equity method	1,218	1,218
	<u>\$ 27,405,763</u>	<u>\$ 16,666,144</u>

The capital surplus from shares issued in excess of par (including additional paid-in capital from the issuance of ordinary shares, conversion of bonds and treasury share transactions) and donations may be capitalized from capital surplus into share capital, which is limited to a certain percentage of the Bank's paid-in capital.

The capital surplus from investments accounted for using the equity method and dividends not yet collected by shareholders has limited use and can only be used to offset losses.

Since the shares held by subsidiaries were classified as treasury shares, cash dividend distributed to subsidiaries was then recorded as capital surplus - treasury shares according to the shareholding ratio.

When the equity of the Bank is not actually obtained or processed, the impact of the equity transaction recognized due to changes in the Bank's equity or the Bank's recognition of the adjustment to the capital reserve of the subsidiary identified using the equity method.

## 30.3 Retained earnings and dividend policy

According to the earnings distribution policy of the Bank, where the Bank made a surplus profit in its annual accounts, the profit shall be first utilized for paying taxes and then offsetting losses of previous years. As required by the law, 30% of profit shall be allocated as the legal reserve. However, when the amount of statutory surplus reserve has reached the amount of total paid-in capital of the Bank, the required allocation of 30% of profit to the legal reserve is waived and any amount exempted from allocation to capital reserve may be appropriated to or reversed from the special surplus reserve for distribution of special dividends. After the abovementioned appropriations, the balance and accumulated unappropriated earnings of the previous year, including the special reserve shall be available for earnings for distribution. The board of directors drafts a plan for surplus distribution and submits it to the shareholders' meeting for approval. The distribution of dividends or bonuses is subject to the attendance of more than two-thirds of the members of the board of directors and the resolution of more than half of the directors present. All or part of the dividends or bonuses shall be distributed in cash and reported to the shareholders in their meeting.

If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be corrected into capital (share capital) or distributed in cash. However, under the Banking Law Act, if legal reserve is less than its paid-in capital, the Bank is allowed to distribute cash earnings only up to 15% of its capital. For the estimation on the distribution basis of employees' compensation and remuneration of directors, refer to employee benefits expense in Note 31.8.

The Bank held the shareholders' meeting on June 17, 2022 and July 5, 2021 for the appropriations of earnings and dividends per share for 2021 and 2020 were as follows:

	Appropriation of Earnings		Dividends Per Share (In NT Dollar)	
	2021	2020	2021	2020
Legal reserve	\$ 4,251,394	\$ 3,879,720		
Cash dividends - ordinary shares	<u>8,066,886</u>	<u>7,618,725</u>	\$ 1.80	\$ 1.70
	<u>\$ 12,318,280</u>	<u>\$ 11,498,445</u>	<u>\$ 1.80</u>	<u>\$ 1.70</u>

The appropriations of earnings and dividends per share for 2022 are subjected to the approval of the board directors' meeting on March 23, 2023 and shareholders' meetings on June 13, 2023.

#### 30.4 Special reserve

The Bank made a special reserve due to the transfer of \$1,256,859 thousand of its cumulative translation adjustment reported in equity to retained earnings upon first-time IFRS adoption. There was no change in the balance of the special reserve for the year ended December 31, 2022.

According to Rule No. 10510001510 issued by the FSC on May 25, 2016, public banks shall appropriate to a special reserve 0.5% to 1.0% of net profit. Public banks may reverse the same amount of transfers or resettle the expenses starting from 2017. However, in accordance with Rule No. 34 10802714560 issued by the FSC, starting from 2019, the special reserve method will no longer be used to respond to the development of financial technology and protect the rights and interests of domestic bank employees, and to transfer expenses for employees to pay or resettlement expenses, and employee education and training expenses in response to the needs of financial technology or banking business development shall be returned within the scope of the special surplus reserve balance mentioned above. The Bank made a special reserve in the amount of \$189,228 thousand according to the rule on December 31, 2022.

#### 30.5 Treasury shares

On December 31, 2022 and 2021, Shancom Reconstruction Inc. and China Travel Service (Taiwan) held 11,370 thousand shares and 27 thousand shares of the Bank, respectively.

Under the Company Act, the Bank is not allowed to buy back more than 5% of its issued shares. In addition, the total cost of treasury shares may not exceed the sum of the retained earnings and realized capital surplus. The Bank is not allowed to exercise shareholders' rights on these shares before they are resold. The shares held by its subsidiaries are treated as treasury shares, except for participating in the Bank's cash addition and voting rights, the rest is the same as the general shareholder's rights.

### 31. DETAILS OF COMPREHENSIVE INCOME STATEMENT ITEMS

#### 31.1 Interest income, net

	For the Year Ended December 31	
	2022	2021
Interest income		
Discounts and loans	\$ 17,923,567	\$ 12,859,704
Securities investments	4,217,856	2,689,604
Due from banks	1,730,025	339,692
Credit and revolving	83,593	84,056
Others	73,382	48,835
	<u>24,028,423</u>	<u>16,021,891</u>
Interest expense		
Deposits	6,440,369	3,217,082
Bank debentures	995,163	1,025,924
Due to banks	223,969	58,502
Securities sold under repurchase agreements	30,543	57,868
Leased liability	8,001	10,015
Structured bond instruments	4,657	2,980
Others	40,231	8,898
	<u>7,742,933</u>	<u>4,381,269</u>
Interest income, net	<u>\$ 16,285,490</u>	<u>\$ 11,640,622</u>

#### 31.2 Service fee income, net

	For the Year Ended December 31	
	2022	2021
Service fee income		
Trust and custody services	\$ 874,657	\$ 1,253,899
Guarantees related fees	739,008	810,181
Loan service fees	447,378	452,361
Insurance commission fees	552,085	409,896
Credit card related fees	358,910	310,111
Exchange related fees	167,921	169,234
Inward/outward business	131,061	133,810
Others	562,280	574,886
	<u>3,833,300</u>	<u>4,114,378</u>
Service charge		
Credit card service charge	273,967	229,360
Nominee and brokerage service charge	106,733	91,277
Finance service charge	58,933	53,107
Custody service charge	38,616	47,980
Others	295,356	272,536
	<u>773,605</u>	<u>694,260</u>
Service fee income, net	<u>\$ 3,059,695</u>	<u>\$ 3,420,118</u>

#### 31.3 Gain (loss) on financial assets and liabilities at FVTPL

	For the Year Ended December 31, 2022		
	Realized Gain (Loss)	Unrealized Gain (Loss)	Total
Financial assets mandatorily classified as at FVTPL	\$ 11,044,117	\$ 376,084	\$ 11,420,201
Held-for-trading financial liabilities	(13,118,436 )	(508,348 )	(13,626,784 )
Financial liabilities designated at FVTPL	-	334,764	334,764
	<u>\$ (2,074,319 )</u>	<u>\$ 202,500</u>	<u>\$ (1,871,819 )</u>

	For the Year Ended December 31, 2021		
	Realized Gain (Loss)	Unrealized Gain (Loss)	Total
Financial assets mandatorily classified as at	\$ 8,298,637	\$ (140,957 )	\$ 8,157,680



FVTPL			
Held-for-trading financial liabilities	(7,955,568 )	(446,700 )	(8,402,268 )
Financial liabilities designated at FVTPL	-	128,246	128,246
	<u>\$ 343,069</u>	<u>\$ (459,411 )</u>	<u>\$ (116,342 )</u>

#### 31.4 Realized gain or loss on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Dividend income	\$ 1,339,201	\$ 496,125
Disposal of debt instruments	285,945	599,186
	<u>\$ 1,625,146</u>	<u>\$ 1,095,311</u>

#### 31.5 Share of profit of subsidiaries accounted for using the equity method

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Shancom Reconstruction Inc.	\$ 5,615,708	\$ 5,985,532
AMK Microfinance Institution Plc. ( AMK )	319,956	236,206
China Travel Service ( Taiwan )	71,314	31,100
Paofoong Insurance Company Ltd.	16,547	17,967
SCSB Asset Management Ltd.	14,829	128,132
Wresqueue Limitada	6,488	3,716
SCSB Marketing Ltd.	1,882	1,930
	<u>\$ 6,046,724</u>	<u>\$ 6,404,583</u>

#### 31.6 Other non-interest revenue

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Gain on disposal of property and equipment	\$ 186,405	\$ 906
Leased revenue	59,378	62,539
Others	37,130	(17,027 )
	<u>\$ 282,913</u>	<u>\$ 46,418</u>

#### 31.7 Employment benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term employment benefits	\$ 4,665,739	\$ 3,911,521
Retirement benefits		
Defined benefit plan	153,340	193,511
Defined contribution plan	97,354	87,910
Other benefit plan	415,650	371,653
	<u>\$ 5,332,083</u>	<u>\$ 4,564,595</u>

#### 31.8 Employees' compensation and remuneration of directors

The employees' compensation and remuneration of directors were at the rates of no less than 0.1% and no higher than 0.6%, respectively, of net profit before income tax, employees' compensation and directors' remuneration.

The employees' compensation and remuneration of directors for 2021 as approved in the board meetings on March 26, 2022 was as follows:

<b>For the Year Ended December 31, 2021</b>
<b>Cash</b>

Employees' compensation	\$ 60,000
Remuneration of directors	\$ 50,800

The employees' compensation and remuneration of directors for 2022 was as follows:

	For the Year Ended December 31, 2022
	Cash
Employees' compensation	\$ 76,000
Remuneration of directors	\$ 48,500

The employees' compensation and remuneration of directors in 2022 are subject to the resolution of the board of directors on March 23, 2023.

If the amount of actual employees' compensation and directors' remuneration changes after the release date of financial report, it will be treated according to the changes in accounting estimation and will be adjusted in the next year.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

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

### 31.9 Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
Depreciation expense		
Properties	\$ 190,076	\$ 174,100
Right-of-use assets	309,685	299,852
	499,761	473,952
Amortization expense		
Intangible assets	111,505	79,710
Other assets	67,785	77,662
	179,290	157,372
	\$ 679,051	\$ 631,324

## 32. INCOME TAX

### 32.1 Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 1,863,534	\$ 1,141,931
In respect of prior periods	(24,296 )	(177,433 )
Tax on the repatriation of earnings	-	277,000
	<u>1,839,238</u>	<u>1,241,498</u>
Deferred tax		
In respect of the current year	(155,730 )	401,156
In respect of prior periods	(237 )	5,160
Effect of deferred income tax on the repatriation of earnings from subsidiaries	-	(554,000 )
	<u>(155,967 )</u>	<u>(147,684 )</u>
Income tax expense recognized in profit or loss	<u>\$ 1,683,271</u>	<u>\$ 1,093,814</u>

The reconciliation of accounting profit and income tax expenses is as follows :

	For the Year Ended December 31	
	2022	2021
Profit before tax from continuing operations	<u>\$ 16,621,141</u>	<u>\$ 15,349,395</u>
Income tax expense calculated at the statutory rate	\$ 3,324,228	\$ 3,069,879
Add (deduct) tax effect of :		
Tax-exempt cash dividend	(273,198 )	(102,570 )
Permanent difference - investment income	(792,757 )	(867,587 )
Tax-exempt gain on security transactions	29,791	(79,038 )
Tax-exempt income from offshore banking unit (OBU)	(673,488 )	(547,040 )
	<u>576</u>	<u>(12,257 )</u>
	1,615,152	1,461,387
Tax on unappropriated earnings	92,652	81,700
Adjustments for prior years' current tax	(24,296 )	(177,433 )
Adjustments for prior years' deferred tax	(237 )	5,160
Tax on the repatriation of earnings	-	277,000
Effect of deferred income tax on the repatriation of earnings from subsidiaries	-	(554,000 )
Income tax expense recognized in profit or loss	<u>\$ 1,683,271</u>	<u>\$ 1,093,814</u>

### 32.2 Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<b>Deferred income tax</b>		
Recognized in other comprehensive income		
Translation adjustments for foreign operations	\$ (1,603,826 )	\$ 286,745
Unrealized gain or loss on financial assets measured at FVTOCI	1,138,128	233,294
Defined benefit plans remeasurement	(19,741 )	26,491
Income tax expense recognized in other comprehensive income	<u>\$ (485,439 )</u>	<u>\$ 546,530</u>

### 32.3 Income tax assessments

	December 31, 2022	December 31, 2021
Current tax assets		
Tax refund receivable	<u>\$ 143</u>	<u>\$ 1,024</u>

Current tax liabilities		
Income tax payable	\$ 1,245,964	\$ 606,423

### 32.4 Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

#### For the Year Ended December 31, 2022

Deferred Tax Assets	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<b>Temporary differences</b>				
Doubtful debts	\$ 389,390	\$ 351,798	\$ -	\$ 741,188
Impairment loss on financial assets at FVTOCI	12,499	16,813	-	29,312
Unrealized loss on financial instruments	20,165	13,576	1,011,397	1,045,138
Investment loss of domestic subsidiaries recognized under equity method	11,175	(11,175 )	-	-
Unrealized foreign exchange loss	20,323	75,115	-	95,438
Employee benefits plan	148,904	(20,707 )	(19,741 )	108,456
Others	2,125	605	-	2,730
	<u>\$ 604,581</u>	<u>\$ 426,025</u>	<u>\$ 991,656</u>	<u>\$ 2,022,262</u>
<b>Deferred Tax Liabilities</b>				
<b>Temporary differences</b>				
Unrealized gain on financial instruments	\$ (126,731 )	\$ -	\$ 126,731	\$ -
Investment gain of foreign subsidiaries recognized under equity method	(8,281,123 )	(266,895 )	(1,603,826 )	(10,151,844 )
Others	(637 )	(3,163 )	-	(3,800 )
	<u>\$ (8,408,491 )</u>	<u>\$ (270,058 )</u>	<u>\$ (1,477,095 )</u>	<u>\$ (10,155,644 )</u>

#### For the Year Ended December 31, 2021

Deferred Tax Assets	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<b>Temporary differences</b>				
Doubtful debts	\$ 416,450	\$ (27,060 )	\$ -	\$ 389,390
Impairment loss on financial assets at FVTOCI	11,556	943	-	12,499
Unrealized loss on financial instruments	-	20,165	-	20,165
Investment loss of domestic subsidiaries recognized under equity method	17,395	(6,220 )	-	11,175
Unrealized foreign exchange loss	53,690	(33,367 )	-	20,323
Employee benefits plan	160,977	(38,564 )	26,491	148,904
Others	6,189	(4,064 )	-	2,125
	<u>\$ 666,257</u>	<u>\$ (88,167 )</u>	<u>\$ 26,491</u>	<u>\$ 604,581</u>
<b>Deferred Tax Liabilities</b>				
<b>Temporary differences</b>				
Unrealized gain on financial instruments	\$ (449,264 )	\$ 89,239	\$ 233,294	\$ (126,731 )
Investment gain of foreign subsidiaries recognized under equity method	(8,714,758 )	146,890	286,745	(8,281,123 )
Others	(359 )	(278 )	-	(637 )
	<u>\$ (9,164,381 )</u>	<u>\$ 235,851</u>	<u>\$ 520,039</u>	<u>\$ (8,408,491 )</u>

### 32.5 Income tax assessments

The Bank's income tax returns through 2019 had been assessed by the tax authorities.

## 33. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2022	2021
Basic earnings per share	\$ 3.33	\$ 3.19
Diluted earnings per share	\$ 3.33	\$ 3.19

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

#### Net Profit for the Period

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Earnings used in the computation of basic and diluted earnings per share	\$ 14,937,870	\$ 14,255,581

### **Weighted Average Number of Ordinary Shares Outstanding (in Thousands of Shares)**

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Weighted average number of ordinary shares in computation of basic earnings per share	4,487,904	4,470,206
Effect of potentially dilutive ordinary shares:		
Employees' compensation	1,968	1,606
Weighted average number of ordinary shares used in the computation of diluted earnings per share	4,489,872	4,471,812

In the computation of diluted earnings per share, it assumed the entire amount of the compensation would be settled in potential shares. If the Bank offered to settle compensation paid to employees in cash or shares, the potential shares are included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## **34. SHARE-BASED PAYMENT ARRANGEMENTS**

### **Employee share option plan of the Bank**

The board approved the issuance of new shares on August 13, 2022 and resolved to allocate 15% of the new shares for subscription by its employees according to the Company Law, respectively. According to IFRS 2 “share-based payment”, the employee’s share options should be measured at fair value, and the related compensation costs were \$357,732 thousand. The relevant information of employee share options is as follows:

<b>Employee Share Option</b>	<b>For the Year Ended December 31</b>
	<b>2022</b>
	<b>Unit (thousand share)</b>
Options granted	57,000
Options exercised	53,990
Options expired	3,010
Weighted-average fair value of options granted (NT\$/per share)	\$ 6.276

Options granted were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	<b>For the Year Ended December 31</b>
	<b>2022</b>
Acquisition date share price (NT\$/per share)	43.20
Exercise price (NT\$/per share)	37.00
Expected volatility	18.40%
Option life (in days)	56
Dividend yield	-
Risk-free interest rate	1.07%

The expected volatility is based on the historical stock price volatility calculated by peers.

## **35. RELATED-PARTY TRANSACTIONS**

The relationship, significant transactions and account balances of the Bank and its related parties (except those disclosed in other notes) are summarized as follows:

### 35.1 The Bank's related parties

<u>Related Party</u>	<u>Relationship with the Bank</u>
China Travel Service (Taiwan)	Substantive related party
SCSB Asset Management Ltd.	Substantive related party
SCSB Marketing Ltd.	Substantive related party
Shancom Reconstruction Inc.	Substantive related party
Wresqueue Limitada	Substantive related party
CTS Travel International Ltd.	Substantive related party
SCSB Leasing (China) Co., Ltd.	Substantive related party
Krinein Company (Krinein)	Substantive related party
Empresa Inversiones Generales, S.A. (Empresa)	Substantive related party
Shanghai Commercial Bank, HK (SCB)	Substantive related party
The SCSB Cultural & Educational Foundation	Substantive related party
The SCSB Charity Foundation	Substantive related party
Silks Place Taroko	Substantive related party
Hung Ta Investment Corporation	Substantive related party
Hung Shen Investment Corporation	Substantive related party
GTM Corporation	Substantive related party
Chi-Li Investment Co., Ltd.	Substantive related party
Yongye Investment Co., Ltd.	Substantive related party
Qin Mao Consultants Ltd.	Substantive related party
Other related parties	The relatives of the Bank's directors and related management

### 35.2 Significant transactions between parties

#### 35.2.1 Due from foreign banks

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Shanghai Commercial Bank (HK)	\$ <u>327,121</u>	\$ <u>230,954</u>

The interest income arising from the above transactions were \$5 thousand and \$51 thousand for the year ended December 31, 2022 and 2021, respectively.

#### 35.2.2 Due to banks

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Shanghai Commercial Bank (HK)	\$ <u>66,778</u>	\$ <u>50,634</u>

### 35.2.3 Guarantees

	<b>Maximum Balance</b>	<b>Ending Balance</b>	<b>Reserve for Possible Losses on Guarantees</b>	<b>Interest Rate (%)</b>	<b>Collateral</b>
<u>December 31, 2022</u>					
China Travel Service (Taiwan)	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ -</u>	1.00	Real estate
<u>December 31, 2021</u>					
China Travel Service (Taiwan)	<u>\$ 4,000</u>	<u>\$ 3,000</u>	<u>\$ -</u>	1.00	Real estate

### 35.2.4 Deposits

	<b>December 31, 2022</b>			<b>For the Year Ended December 31, 2022</b>
	<b>Maximum Balance</b>	<b>Ending Balance</b>	<b>Interest Rate (%)</b>	<b>Interest Expense</b>
Directors and related management	\$ 1,375,986	\$ 1,181,382	0.00-3.08	\$ 5,443
Empresa	587,441	-	0.23	116
SCSB Asset Management Ltd.	581,872	538,426	0.03-1.41	3,525
The SCSB Cultural & Educational Foundation	348,890	320,500	0.01-1.47	1,296
Employees	341,554	68,685	0.00-10.05	3,137
Krinein	117,488	-	0.23	23
Shancom				
Reconstruction Inc.	92,291	92,291	0.03-2.75	830
Others	329,656	295,302	0.00-1.47	2,219
	<u>\$ 3,775,178</u>	<u>\$ 2,496,586</u>		<u>\$ 16,589</u>

	<b>December 31, 2021</b>			<b>For the Year Ended December 31, 2021</b>
	<b>Maximum Balance</b>	<b>Ending Balance</b>	<b>Interest Rate (%)</b>	<b>Interest Expense</b>
Empresa	\$ 1,289,454	\$ -	0.10-0.30	\$ 619
Directors and related management	587,974	366,290	0.12-2.18	1,458
Krinein	541,237	-	0.10-0.30	343
SCSB Asset Management Ltd.	458,559	318,305	0.03-0.78	2,840
The SCSB Cultural & Educational Foundation	334,283	320,723	0.01-1.00	1,051
Employees	283,275	133,209	0.12-9.78	1,969
Shancom				
Reconstruction Inc.	165,415	82,522	0.03-0.30	196
Others	277,588	256,790	0.00-2.05	1,012
	<u>\$ 3,937,785</u>	<u>\$ 1,477,839</u>		<u>\$ 9,488</u>

### 35.2.5 Interest receivable (accounted for as receivables)

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Directors and related management	<u>\$ 34</u>	<u>\$ 11</u>

### 35.2.6 Interest payable (accounted for as payables)

<b>December 31, 2022</b>	<b>December 31, 2021</b>
--------------------------	--------------------------

Shancom Reconstruction Inc.	\$	219	\$	9
Others		2,784		379
	\$	<u>3,003</u>	\$	<u>388</u>

### 35.2.7 Guarantee deposits received (accounted for as other liabilities)

	December 31, 2022	December 31, 2021
The SCSB Cultural & Educational Foundation	\$ 318	\$ 318
China Travel Service (Taiwan)	180	180
Others	81	81
	<u>\$ 579</u>	<u>\$ 579</u>

### 35.2.8 Rental income (accounted for as other non-interest revenue, net))

	For the Year Ended December 31	
	2022	2021
The SCSB Cultural & Educational Foundation	\$ 1,275	\$ 1,272
China Travel Service (Taiwan)	703	703
Others	314	255
	<u>\$ 2,292</u>	<u>\$ 2,230</u>

For the rental contracts with related parties, the rental is determined in proportion to similar rentals in the area, based on a reference of the rentals in the neighborhood, and is received on a monthly basis.

### 35.2.9 Administrative and operating expense (accounted for as other general administrative expenses)

	For the Year Ended December 31	
	2022	2021
SCSB Marketing	\$ 97,666	\$ 95,569
China Travel Service (Taiwan)	2,299	1,953
	<u>\$ 99,965</u>	<u>\$ 97,522</u>

### 35.2.10 Loans

December 31, 2022									
Category	Name	Maximum Balance	Ending Balance	Performance		Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	For the Year Ended December 31, 2022
				Normal Loans	Non-performing Loans				Interest Income
Loans for personal house mortgages	Directors and related management (2)	\$ 7,812	\$ 7,150	\$ 7,150	-	Real estate	1.33-2.10	None	\$ 127
Others	Directors and related management (5)	31,148	29,568	29,568	-	Real estate	1.36-2.23	None	292
		<u>\$ 38,960</u>	<u>\$ 36,718</u>	<u>\$ 36,718</u>					<u>\$ 419</u>
December 31, 2021									
Category	Name	Maximum Balance	Ending Balance	Performance		Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	For the Year Ended December 31, 2021
				Normal Loans	Non-performing Loans				Interest Income
Loans for personal house mortgages	Directors and related management (1)	\$ 608	\$ 180	\$ 180	-	Real estate	1.56-1.57	None	\$ 6
Others	Directors and related management (6)	35,139	23,039	23,039	-	Real estate	1.29-1.49	None	395
		<u>\$ 35,747</u>	<u>\$ 23,219</u>	<u>\$ 23,219</u>					<u>\$ 401</u>

Employee deposits and loans have interest rates that are better than ordinary rates but within regulated limits, while other related party transactions have similar terms as non-related party transactions.



Under the provisions of Articles 32 and 33 of the Banking Act, the Bank shall not make unsecured loans to related party, except for consumer loans under certain limits and government loans. Secured loans to a related party should be fully guaranteed, and the relevant terms should not be superior to other similar credit clients.

### 35.2.11 Disposal of properties

Category	Transaction Amount		Gain (Loss) on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2022	2021	2022	2021
Others	\$ 341,264	\$ -	\$ 208,377	\$ -

### 35.3 Compensation of directors, supervisors and management personnel

The compensation of key management personnel for the period ended December 31, 2022 and 2021 was as follows:

	For the Year Ended December 31	
	2022	2021
Salaries and other short-term employee benefits	\$ 119,573	\$ 107,938
Bonuses and compensation of employees	92,347	74,303
Remuneration of directors	78,200	90,189
Post-employment benefits	18,934	14,912
	<u>\$ 309,054</u>	<u>\$ 287,342</u>

## 36. PLEDGED ASSETS

Under the Central Bank's clearing system of Real-Time Gross Settlement (RTGS), on December 31, 2022 and 2021, the assets listed below had been provided as collateral for day-term overdrafts with the pledged amount adjustable at any time.

	December 31, 2022	December 31, 2021	Guaranty Purpose
Investments in debt instruments measured at amortized cost	\$ 12,000,000	\$ 12,000,000	Day-term overdraft with the pledge

On December 31, 2022 and 2021, the assets listed below were provided as refundable deposits for operating guarantees.

	December 31, 2022	December 31, 2021	Guaranty Purpose
Financial assets at FVTOCI	\$ 374,374	\$ 346,624	Operating guarantee

## 37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

37.1 In addition to those disclosed in other notes, significant commitments and contingencies of the Bank as of December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Assets under trust	204,855,065	212,201,956
Guarantee notes payable	116,972,245	164,076,415
Securities in custody	26,418,296	22,440,302
Government bonds in brokerage accounts	25,149,200	29,466,700
Receivables under custody	24,361,746	27,536,150
Short-term bills in brokerage accounts	1,563,190	559,450

### 37.2 Material litigation

Vegesentials commenced civil proceedings before the Business and Property Courts of the High Court of Justice of England and Wales against the Bank on August 28, 2020. Vegesentials claimed that it relied upon a fraudulent document issued by a former employee of the Bank to enter into a transaction which stated (inter alia) that the counterparty had the funds to purchase some of its shares. Vegesentials therefore asked the Bank to compensate it for its loss on the basis of vicarious liability. After receiving Vegesentials' claim on September 18, 2020, the Bank engaged instructed English legal counsel to defend the Bank in the proceedings.

The Bank was notified by a British lawyer that Vegesentials claimed the amount of compensation over £10 million on April 25, 2022, but has only provided very limited evidence. Therefore, the Bank assessed that the litigation should have no significant impact on the Bank's financial business at this stage.

Relevant information about the above litigation is available in the material information on the Market Observation Post System website of the Taiwan Stock Exchange.

## 38 FINANCIAL INSTRUMENTS

### 38.1 Fair value information - financial instruments not measured at fair value

#### 38.1.1 Financial assets and liabilities with significant differences between carrying amounts and fair values.

Except as detailed in the following table, the Bank's management considers that the carrying amounts of financial instruments not measured at fair values are approximates of their fair values or the fair values could not otherwise be reliably measured:

	December 31, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial assets</b>				
Investments in debt instruments measured at amortized cost	\$ 195,275,787	\$ 186,752,202	\$ 153,739,028	\$ 153,818,987
<b>Financial liabilities</b>				
Bank debentures	56,070,000	56,053,711	66,950,000	67,174,049

#### 38.1.2 Fair value level

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
<b>Financial assets</b>				
Investments in debt instruments measured at amortized cost	\$ 186,752,202	\$ 4,775,078	\$ 181,977,124	\$ -
<b>Financial liabilities</b>				
Bank debentures	56,053,711	-	56,053,711	-

		December 31, 2021			
		Total	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Investments in debt instruments measured at amortized cost	\$	153,818,987	\$ 17,776,944	\$ 136,042,043	\$ -
<b>Financial liabilities</b>					
Bank debentures		67,174,049	-	67,174,049	-

### 38.1.3 The evaluation method and assumptions used in measuring fair value

The fair value of financial assets and liabilities are determined as follows:

- The fair value of financial assets with standard clauses and terms is quoted market price.
- The fair value of financial instruments other than the above is determined by the discounted cash flow analysis or other generally accepted pricing models.

## 38.2 Fair value information - financial instrument measured at fair value under repetitive basis

### 38.2.1 Fair value level

Information of the financial instruments measured at fair value categorized by level is as follows:

		December 31, 2022			
Financial Instruments Measured at Fair Value		Total	Level 1	Level 2	Level 3
<b>Non-derivative financial instruments</b>					
<b>Assets</b>					
Financial assets measured at FVTPL					
Financial assets mandatorily classified as at FVTPL					
Shares	\$	363,292	\$ 363,292	\$ -	\$ -
Bonds		-	-	-	-
Beneficiary certificates		251,237	251,237	-	-
Financial assets at FVTOCI					
Equity instruments		9,693,667	7,971,486	-	1,722,181
Debt instruments		189,477,318	73,513,302	115,964,016	-
	\$	199,785,514	\$ 82,099,317	\$ 115,964,016	\$ 1,722,181
<b>Liabilities</b>					
Financial liabilities measured at FVTPL	\$	2,008,335	\$ -	\$ 2,008,335	\$ -
<b>Derivative financial instruments</b>					
<b>Assets</b>					
Financial assets measured at FVTPL	\$	1,372,123	\$ 105,780	\$ 1,266,343	\$ -
<b>Liabilities</b>					
Financial liabilities measured at FVTPL	\$	1,426,811	\$ 74,180	\$ 1,352,631	\$ -

Financial Instruments Measured at Fair Value	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<b>Non-derivative financial instruments</b>				
<b>Assets</b>				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares	\$ 682,948	\$ 682,948	\$ -	\$ -
Bonds	130,486	81,200	49,286	-
Beneficiary certificates	535,265	535,265	-	-
Financial assets at FVTOCI				
Equity instruments	9,537,603	7,588,006	-	1,949,597
Debt instruments	220,629,343	66,463,707	153,424,816	740,820
	<u>\$ 231,515,645</u>	<u>\$ 75,351,126</u>	<u>\$ 153,474,102</u>	<u>\$ 2,690,417</u>
<b>Liabilities</b>				
Financial liabilities measured at FVTPL	\$ 2,068,124	\$ -	\$ 2,068,124	\$ -
<b>Derivative financial instruments</b>				
<b>Assets</b>				
Financial assets measured at FVTPL	\$ 662,823	\$ 47,996	\$ 614,827	\$ -
<b>Liabilities</b>				
Financial liabilities measured at FVTPL	\$ 712,411	\$ 6,838	\$ 705,573	\$ -

There were no transfers of financial instruments between Level 1 and Level 2 fair value measurement for the year ended December 31, 2022 and 2021.

### 38.2.2 Reconciliation of Level 3 fair value measurement

#### For the Year ended December 31, 2022

Items	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Exchange	Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level		
<b>Assets</b>									
Financial assets mandatorily measured at FVTOCI	\$ 2,690,417	\$ -	\$ (232,579)	\$ 497,085	\$ -	\$ (896,769)	\$ (373,253)	\$ 37,280	\$ 1,722,181

#### For the Year Ended December 31, 2021

Items	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Exchange	Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level		
<b>Assets</b>									
Financial assets measured at FVTPL									
Financial assets mandatorily measured at FVTPL	\$ 487,597	\$ (347,949)	\$ -	\$ -	\$ -	\$ (139,648)	\$ -	\$ -	\$ -
Financial assets measured at FVTOCI	1,695,471	-	246,441	756,599	-	(8,094)	-	-	2,690,417
<b>Liabilities</b>									
Financial liabilities measured at FVTPL									
Held-for-trading financial liabilities	67,068	(67,068)	-	-	-	-	-	-	-

### 38.2.3 Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Bonds	Valuation was based on observable market prices or assessed by cash-flow method through observable elements.
Derivatives	Valuation was based on widely-adapted pricing techniques. The inputs were assessed by observable elements in the market.
Others	Valuation was based on observable market prices or assessed by cash-flow method through observable elements.

### 38.2.4 Valuation techniques and inputs applied for Level 3 fair value measurement

The fair value of financial assets classified as Level 3 included but was not limited to bond investments measured at FVTPL, and investments in bonds and equity securities measured at FVTOCI.

Most financial instruments with fair value measurements categorized as Level 3 only possess single, unobservable inputs. Non-active market debt instruments possess unobservable inputs. The non-active market equity instruments are independent and, thus, are irrelevant to each other. The table of quantified information of significant unobservable inputs is as follows:

	Fair Value December 31, 2022	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-Average)	Notes
Financial assets measured at FVTOCI Shares	\$ 1,722,181	1. Market approach	Market liquidity reduction	10%-19%	1. The higher of the liquidity reduction, and the lower of the fair value .
		2. Net asset value method	Market liquidity reduction	10%-19%	2. The higher of the liquidity reduction, and the lower of the fair value .

### 38.2.5 Sensitivity analysis of alternative assumptions of Level 3 fair value measurement

The Bank reasonably measured the fair values of its financial instruments; however, using different valuation models, evaluation methods and underlying assumptions may lead to different results. For financial instruments classified as Level 3 fair value measurements, if the parameters were to go up 1%, the influence on other comprehensive income would be as follows:

#### December 31, 2022

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<b>Assets</b>				
Financial assets measured at FVTOCI	\$ -	\$ -	\$ -	\$ (17,222)

#### December 31, 2021

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<b>Assets</b>				
Financial assets measured at FVTOCI	\$ -	\$ -	\$ -	\$ (19,496)

For financial instruments classified as having Level 3 fair value measurements, if the parameters were to go down 1%, the influence of other comprehensive income would be as follows:

### December 31, 2022

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<b>Assets</b>				
Financial assets measured at FVTOCI	\$ -	\$ -	\$ 17,222	\$ -

### December 31, 2021

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<b>Assets</b>				
Financial assets measured at FVTOCI	\$ -	\$ -	\$ 19,496	\$ -

## 38.3 Financial risk management

### 38.3.1 Risk management

The Bank's objective in risk management is to establish a risk control mechanism weighing the entire risk of the Bank, restrictions from laws and regulations, to diversify, transfer and avoid risk, and to pursue the maximum benefits of the Bank's customers, shareholders, and employees. The Bank's major risks include credit risk, market risk (interest rate, exchange rate and equity securities), operational risk, liquidity risk and so on.

The Bank established written risk management policies and procedures that are considered and approved by the board of directors to identify, measure, monitor, and control the credit risk, market risk, and liquidity risk.

The Bank's risk management department performs the Bank's risk management activities pursuant to the policies approve by the board of directors. Risk management department works with other business departments in order to identify, evaluate, and avoid any financial risks. The board of directors formulates the written policies for risk management; the policy included specific exposures such as currency risk, interest rate risk, credit risk, operational risk, derivative and non-derivative financial instruments. In addition, the department of internal audit is responsible for independent review of risk management and control environment.

### 38.3.2 Credit risk

Credit risk is the risk of counterparties' failure to fulfill their contractual obligations causing the Bank's financial losses. Both in-balance-sheet and off-balance-sheet items are exposed to credit risks. For the Bank's credit exposures, in-balance-sheet items mainly consisted of discounts and loans, credit card business, due from and call loans to banks, debt investments, and derivative instruments. Off-balance sheet items mainly consisted of financial guarantee, acceptances, letters of credit, loan commitments, and other services which also generate credit exposure.

To ensure that the credit risk is controlled within a tolerable range, the Bank established an internal standard for credit risk. In that standard, all transactions are analyzed whether in the banking book or in the trading book, and either in-balance-sheet or off-balance-sheet, to identify the inherent and potential risks. The Bank examines and confirms credit risk in accordance with the rules before launching new products and business. Furthermore, the Bank also establishes a risk management system for complicated credit business such as factoring, credit derivative financial instruments and so on.

The Bank's foreign operation units adopt policies and standards same with above to assess their asset quality and provision for contingent loss, and also include policies that comply with the regulations of the local financial supervisory commission.

(1) Procedures of credit risk management

Each major business applies procedures and methods for credit risk management as follows:

A. Credit business (including loan commitments and guarantees)

a. The credit risk has increased significantly after original recognition

The Bank assesses the change in the risk of default over the expected duration of each type of credit asset on each reporting date in order to determine whether the credit risk has increased significantly since original recognition. For this assessment, the Bank's considerations (including forward-looking information) show that the credit risk has increased significantly since original recognition and can be corroborated. The main considerations include:

- i. Changes in internal and external credit ratings (e.g. external TCRI ratings are above the high risk level).
- ii. Information of overdue status (e.g. if the payment is overdue for more than 30 days).
- iii. Unfavorable changes in current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform its debt obligations.
- iv. Significant changes in actual or expected results of the debtor's operations.
- v. The credit risk of other financial instruments of the same debtor has increased significantly.

b. The definition of default and credit impairment on financial assets

The Bank's definition of default on financial assets is the same as the judgment of credit impairment on financial assets. If one or more of the following conditions are met, the Bank determines that the financial assets have defaulted and have credit impairment:

- i. Changes in internal and external credit ratings (e.g. external TCRI ratings are above the high risk level).
- ii. Information of overdue status (e.g. if the payment is overdue for more than 90 days).
- iii. The debtor has become bankrupt or may file for bankruptcy or financial restructuring.
- iv. The debtor has died or been dissolved.
- v. Contracts of other debt instruments of the debtor have defaulted.
- vi. The active market of the financial assets disappeared due to financial difficulties.

vii. The debtor's creditor gives the borrower a concession that would not have been considered due to economic or contractual reasons related to the debtor's financial difficulties.

viii. There is a purchase or initiation of financial assets at a significant discount reflecting that credit losses have occurred.

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

c. Measurement of expected credit loss

For the objective of assessing expected credit loss, credit assets are classified according to the credit risk characteristics (such as the purpose of the borrowing, the nature of the industry, the type of collateral and the state of the borrowing) into two categories: corporate finance and personal finance. Further to this, the credit risk characteristics are divided according to each category.

The 12-month expected credit loss amounts of the Bank's financial instruments whose credit risk has not significantly increased since original recognition are used to measure the allowance loss of the financial instruments; for financial instruments whose credit risk has increased significantly or which have had credit impairment since original recognition, such financial instruments are measured at the amount of full-lifetime expected credit losses.

The estimation method and significant assumptions used to assess expected credit losses have not changed significantly since December 31, 2022.

d. Forward-looking information considerations

When measuring the expected credit losses, the Bank uses forward-looking economic factors that affect credit risk and takes such forward-looking information regarding expected credit losses into consideration. Based on professional economic judgment, the Bank uses the statistical analysis results of GDP growth rate to provide forecast information of economic factors on a quarterly basis and re-evaluates such data on each financial reporting date.

B. Due from and call loans to bank

The Bank assesses the credit position of counterparties and consults a credit rating agency for credit rating information and sets limits to the credit facilities.

C. Debt investments and derivative financial instruments

For the credit risk management of debt investments, the Bank identifies credit risk by using information from external institutions about credit ratings, quality of debts, region, and the risk of counterparties.

Most of the Bank's counterparties in derivative transactions are assessed at higher than investment grade, and the Bank controls the investments according to counterparties' facilities (including call loans); counterparties that do not have credit ratings or are not assessed at investment grade are reviewed case by case. Counterparties which are non-financial or non-banking clients are assessed according to the general procedures for



the approval of credit facilities and control of credit exposure situations of the counterparties.

## (2) Policies of credit risk hedging or mitigation

### A. Collateral

The Bank applies series of policies to decrease credit risks in its lending business. Among those policies is to request collateral from creditors. To secure the creditor's rights, the Bank has established procedures for pledges, valuations, management, and disposals of collateral. The contracts between the Bank and the borrowers clearly state the protocols, including but not limited to the security of credit, procedures for collateral and for offsets. Collateral for business other than loan borrowings vary by the nature of the related financial instruments. Only asset-backed securities and other similar financial instruments are secured by a pool of financial assets.

### B. Limitation of credit risk and credit concentration management

The credit policies of the Bank regulate the credit limitations, as applied to a single counterparty or Bank, to avoid excessive credit concentration. The Bank further implements concentration policies, which monitor and manage the credit limitation and concentration in one single counterparty, different enterprises, related parties, industries, and countries. The policies are based on individual criteria in different categories including but not limited to industries, enterprises, and share-pledge related loans.

### C. Other mechanisms for credit risk management

To further decrease credit risks, the contracts also proclaim that the Bank may decrease the balances, shorten the maturity period, demand immediate payback, or use borrowers' assets in the Bank to offset their liabilities.

In most circumstances, the Bank applies gross settlement with counterparties. However, to further decrease credit risks, the Bank applies net settlement or even terminates transactions with certain counterparties when default may occur.

The table below analyzes the collateral held as security and other credit enhancements, and their financial effects in respect of the financial assets recognized in the Bank's balance sheet:

#### December 31, 2022

Financial instruments subject to IFRS 9 impairment requirements and credit impairment	Book Value	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangement	Other Credit Enhancement	Total
Receivables	\$ 55,522	\$ -	\$ -	\$ -	\$ -
Discounts and loans	1,726,661	1,127,210	-	399,830	1,527,040

#### December 31, 2021

Financial instruments subject to IFRS 9 impairment requirements and credit impairment	Book Value	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangement	Other Credit Enhancement	Total
Receivables	\$ 61,840	\$ -	\$ -	\$ -	\$ -
Discounts and loans	1,034,801	660,275	-	245,455	905,730

## (3) Credit risk exposures

The maximum exposure of the Bank's assets in the balance sheet is equivalent to the book

value, while the pledged assets and other credit instruments are not considered. The off-balance sheet items related to the maximum credit exposure (without considering collateral or other credit enhancements and irrevocable maximum exposure) are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Guarantees	\$ 85,055,191	\$ 105,817,990
Issued and non-cancelable loan commitments	31,834,715	25,552,557
Issued but unused letters of credit	6,425,512	8,376,214
Non-cancelable credit card commitments	565,212	576,919

The Bank assessed that it could continually control and minimize credit risk exposure of off-balance sheet items because it adopts stricter procedures and regularly audits credit accounts.

The total carrying amounts of the financial assets with the largest credit risk exposure are as follows:

	<b>December 31, 2022</b>			
	<b>12-Month ECLs</b>	<b>Lifetime ECLs - Unimpaired</b>	<b>Lifetime ECLs - Impaired</b>	<b>Total</b>
Discounts and loans				
Consumer banking				
-Mortgage	\$ 279,059,301	\$ 1,431,563	\$ 171,119	\$ 280,661,983
-Microcredit	4,449,898	17,311	17,590	4,484,799
-Others	33,568,775	191,526	47,465	33,807,766
Corporate banking				
-Secured	294,876,356	3,630,439	1,182,398	299,689,193
-Unsecured	226,688,823	6,379,867	308,089	233,376,779
Total	\$ 838,643,153	\$ 11,650,706	\$ 1,726,661	\$ 852,020,520
Accounts receivable (including non-performing credit card receivables)				
Credit cards	\$ 3,088,932	\$ 83,218	\$ 54,997	\$ 3,227,147
Others	5,676,339	114,645	525	5,791,509
Total	\$ 8,765,271	\$ 197,863	\$ 55,522	\$ 9,018,656
Debt instruments measured at FVTOCI	\$ 195,615,630	\$ 919,451	\$ 198,723	\$ 196,733,804
Investments in debt instruments measured at amortized cost	\$ 195,278,574	\$ -	\$ -	\$ 195,278,574

	December 31, 2021			
	12-Month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Discounts and loans				
Consumer banking				
-Mortgage	\$ 247,201,524	\$ 1,757,710	\$ 398,236	\$ 249,357,470
-Microcredit	3,185,505	13,837	11,679	3,211,021
-Others	32,708,402	94,983	22,978	32,826,363
Corporate banking				
-Secured	282,645,247	2,278,924	400,499	285,324,670
-Unsecured	191,663,220	6,785,676	201,409	198,650,305
Total	\$ 757,403,898	\$ 10,931,130	\$ 1,034,801	\$ 769,369,829
Accounts receivable (including non-performing credit card receivables)				
Credit cards	\$ 2,559,403	\$ 66,736	\$ 61,762	\$ 2,687,901
Others	4,986,551	144,702	78	5,131,331
Total	\$ 7,545,954	\$ 211,438	\$ 61,840	\$ 7,819,232
Debt instruments measured at FVTOCI	\$ 219,252,679	\$ 792,656	\$ -	\$ 220,045,335
Investments in debt instruments measured at amortized cost	\$ 153,739,957	\$ -	\$ -	\$ 153,739,957

(4) Information on concentration of credit risk

Concentration of credit risk exists if transaction counterparties are significantly concentrated on same individuals or Banks engaged in activities with similar economic characteristics, which may lead their ability to fulfill contractual obligations being affected by similar changes in economic or other conditions.

Concentration of credit risk can be on assets, liabilities or off-balance sheet items and can arise in the course of the enforcement and implementation of transactions (regardless of products or service) or in the combination of exposures across categories, including credit, due from and call loans to banks, marketable securities, receivables and derivatives, etc. The Bank maintained a diversified loan portfolio to mitigate the credit risk concentration to same customers; total transaction of same customers in discounts and loans and the balance of non-accrual loans are not material. The Bank's most significant concentrations of credit risk of discounts and loans and non-accrual loans by business, region, and collateral were summarized as follows:

A. Industry

Sector	December 31			
	2022		2021	
	Amount	%	Amount	%
Private sector	\$ 449,014,567	52	\$ 425,485,665	55
Consumer	357,984,158	42	325,533,833	42
Financial institution	40,240,894	5	13,890,089	2
Others	4,780,901	1	4,460,242	1
	<u>\$ 852,020,520</u>	<u>100</u>	<u>\$ 769,369,829</u>	<u>100</u>

## B. Region

Region	December 31			
	2022		2021	
	Amount	%	Amount	%
Taiwan	\$ 737,261,174	87	\$ 666,844,470	87
Asia Pacific except Taiwan	87,654,228	10	78,982,586	10
Others	27,105,118	3	23,542,773	3
	<u>\$ 852,020,520</u>	<u>100</u>	<u>\$ 769,369,829</u>	<u>100</u>

## C. Collateral

Collaterals Assumed	December 31			
	2022		2021	
	Amount	%	Amount	%
Unsecured	\$ 237,861,579	28	\$ 201,861,326	26
Secured				
Properties	518,990,257	61	464,627,521	60
Guarantee	65,106,720	7	71,056,646	9
Financial collateral	17,641,893	2	19,716,188	3
Personal properties	2,654,608	1	2,924,020	1
Other collateral	9,765,463	1	9,184,128	1
	<u>\$ 852,020,520</u>	<u>100</u>	<u>\$ 769,369,829</u>	<u>100</u>

## (5) Information on credit risk quality

Part of the financial assets held by the Bank, including cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets measured at fair value through profit or loss, investments in bills and bonds with resale agreements, guarantee deposits paid, security businesses, clearing and settlement funds, etc. are assessed with very low credit risk because the counterparties have good credit ratings.

### 38.3.3 Market risk

#### (1) The sources and definition of market risk

Market risk is the risk resulting from changes in fair value and future cash flows of on- and off-balance-sheet financial instruments caused by changes in market prices, interest rates, foreign exchange rate, including equity securities price and commodity price. Changes in above risk elements can cause risks to shift the net profit of the Bank or its investment structures.

The Bank's financial instruments are exposed to price, interest rate and foreign exchange rate risks. Major market price risk positions of equity securities include domestic listed shares and funds. Major interest risks include bonds and interest rate derivative instruments such as fixed and floating interest rate swap and bond options whereas the major foreign exchange risks include foreign currency positions held by the Bank.

#### (2) Market risk management policies

The Bank monitors its market risk positions and tolerable loss according to the risk management objectives and limits approved by the board of directors.

The Bank also builds a market risk information system, which enables the Bank to effectively monitor the management of facilities, assessment of gains and losses, analysis of sensitivity factors of the Bank's financial instrument positions, etc. The results of the monitoring,

assessment and analysis are reported in risk control meetings and serve as references for the decision making of management.

The Bank splits market risk exposure into trading and held for fixed income portfolios which are controlled by both the Bank's operation and risk management sections. Routine control reports are reviewed by the Bank's board of directors and relevant committees.

### (3) Market risk management process

#### A. Recognition and measurement

The Bank's operation and risk management sections both identify market risk factors of exposure positions, which are used to measure market risks. Market risk factors include interest rates, foreign exchange rates and market price of equity securities, and exposures, gains and losses and sensitivity (DV01, Delta, Beta) etc. Measurement of investment portfolio is affected by interest rate risk, foreign exchange risk and price of equity securities.

#### B. Monitoring and reporting

The Bank's risk management department regularly reviews market risk management objective, positions and control of gains and losses, sensitivity analysis and pressure test and reports to the board of directors. Therefore, the board of directors could well understand market risk control. The Bank has established explicit notification process, the limit and stop-loss regulation for various transactions. Stop-loss order must be taken when the limit is reached, otherwise the trading department's reasons and plans must be approved by the management, and the department should report to relevant committee regularly.

### (4) Interest rate risk management policies

#### A. Definition of interest rate risk

Interest rate risk represents risks of variation of fair value of trading position and loss in earnings resulting from interest rate variation. Major relevant products include interest rate-related financial securities and derivatives instrument.

#### B. Purpose of interest risk management

Interest rate risk management enhances the Bank's ability to measure, control and avoid negative influence of interest rate variation on earnings and economic values of balance sheet items. In addition, it enhances capital efficiency and strengthens operation.

#### C. Procedures of interest risk management

The Bank carefully chooses investment target through conducting research about issuer's credit, financial status, country risks and interest rate trend. The Bank also establishes trading amount limit and stop-loss limit including limit for trading department, trading personnel and trading commodity, etc. according to trading book operation policies and market status which are approved by top management and the board of directors.

The Bank identifies re-pricing risk of interest rate and yield curve risk and measures possible effects on the Bank's earnings and economic values of changes in interest rate. On a monthly basis, the Bank reports the analysis and monitoring of limit on interest rate risk position and various interest rate management objectives to the Strategy Management Committee and the board of directors.

Report to the Strategy Management Committee is required when certain risk management objective has exceeded limit in order to resolve response action.

D. Measurement methods

The Bank measures risks of price reset periods gap from difference in maturity date and price reset date of assets, liabilities, and off-balance sheet items, and regularly uses various hypothetical scenarios of yield curve changes to measure the possible impact of interest rate changes on earnings and economic value.. The Bank also established interest rate sensitivity monitoring index for major periods in order to maintain long-term profitability and business growth. Such interest rate indexes and results of pressure test are reviewed by management personnel periodically. In addition, the Bank regularly uses the DV01 to measure portfolio affected by interest rate.

(5) Foreign exchange rate risk management

A. Definition of foreign exchange risk

Foreign exchange risk means losses resulting from transferring currencies at different times. The Bank's foreign exchange rate risk results mainly from spot and forward foreign exchange business. The Bank's foreign exchange rate risk is relatively insignificant due to the fact that customers' positions are basically settled immediately on transaction date.

B. Policies, procedures and measurement method for foreign exchange rate risk management

In order to control foreign exchange rate risk within tolerable range, the Bank has established trading limit, stop-loss limit and maximum loss for trading department and trading personnel and the risk is controlled within the tolerable range.

The Bank undertakes pressure test on a seasonal basis and uses 3% fluctuation in major foreign exchange rate (USD) as the sensitivity threshold and reports test results to the Assets and Liabilities Management Committee.

(6) Equity securities price risk management

A. Definition of equity securities price risk

The market risk of equity securities held by the Bank includes individual and general risk from price fluctuation of both individual equity security and the entire equity security market.

B. Purpose of equity security price risk management

The main purpose of equity security price risk management is to prevent financial status from deteriorating and to avoid decrease in earnings due to violent fluctuation in equity security prices, and to enhance capital efficiency and strengthen operation.

C. Procedures of equity security price risk management

The Bank regularly uses  $\beta$  value to measure the degree of influence on investment portfolio system risk. Stop-loss point is set according to the policy approved by the assets and Liabilities Management Committee. Stop-loss action must be taken when limit is reached, otherwise the investment department must submit request to top management personnel for approval.

D. Measurement method

The Bank's control of security price risk is based on risk values.

(7) Market valuation technique

The Bank assesses its exposures to market risk and the anticipated loss under market pressures by using assumptions on several market position changes. Limits of various financial instruments are set by the board of directors and monitored by the Assets and Liabilities Management Committee. The Bank also performs sensitivity analysis based on major risk factors of various financial products in order to monitor the changes in various market risk factors of financial products.

A. Sensitivity analysis

a. Interest rate risk

The Bank has assessed the possible impact on income and equity if global yield curve move between -1 and +1 basis points simultaneously on December 31, 2022 and 2021.

b. Foreign exchange rate risk

The Bank assesses the possible impact on income when exchange rates of NTD against various currencies fluctuate between -1% and +1% while other factors remain unchanged.

c. Equity securities price risk

The Bank has assessed the possible impact on income when equity security prices on December 31, 2022 and 2021 rise or fall by 1% while other factors remain unchanged.

The analysis assumed that the trends of equity instruments are consistent with historical data.

B. Sensitivity analysis is summarized as follows:

December 31, 2022			
Major Risk	Fluctuation Range	Amount	
		Equity	Profit or Loss
Foreign exchange risk	Foreign currency appreciated 1% against NTD	\$ 753,482	\$ (41,383 )
	Foreign currency depreciated 1% against NTD	(753,482 )	41,383
Interest rate risk	Interest rate curve edged up 1bp	(48,631 )	(35 )
	Interest rate curve edged down 1bp	48,631	35
Equity price risk	Equity price increased 1%	46,963	4,117
	Equity price decreased 1%	(46,963 )	(4,117 )

December 31, 2021			
Major Risk	Fluctuation Range	Amount	
		Equity	Profit or Loss
Foreign exchange risk	Foreign currency appreciated 1% against NTD	\$ 706,960	\$ 17,378
	Foreign currency depreciated 1% against NTD	(706,960 )	(17,378 )
Interest rate risk	Interest rate curve edged up 1bp	(49,092 )	(220 )
	Interest rate curve edged down 1bp	49,092	220
Equity price risk	Equity price increased 1%	51,694	9,755
	Equity price decreased 1%	(51,694 )	(9,755 )

38.3.4 Liquidity risk

(1) The sources and definition of liquidity risk

Liquidity risk is the possibility that the Bank is unable to liquidate assets or obtain financing to fulfill matured financial liabilities which may result in financial loss. Liquidity risk may be present when, for example, deposits are withdrawn in advance of the original date of settlement, the market becomes worse and borrowing from other banks becomes difficult, the clients' credit deteriorates leading to the occurrence of defaults, liquidation of financial instruments becomes difficult, early redemption of interest-sensitive instruments happens, etc. The aforementioned factors may reduce cash balance to be used in the areas of loans, trading, and investment. In some extreme circumstances, the lack of liquidity may lead to the decrease in the overall assets and liabilities, and the need to liquidate the Bank's assets and the possibility of being unable to fulfill loan commitments. Liquidity risks include inherent risks that may be affected by some specific industry events or overall market condition. These events include but are not limited to credit, merger and acquisitions, systemic breakdown and natural disasters.

(2) The management policies are as follows:

The Bank's management procedures are monitored by the independent department of risk management and the procedures are as follows:

- A. Regular financing and monitoring of cash flows to ensure the fulfillment of the requirements in the future.
- B. Maintaining appropriate position of high liquidity assets which are easily realizable.
- C. Monitoring of liquidity ratios of the balance sheet accounts according to the internal management purposes and external monitoring rules.
- D. Managing the maturity date of debt instruments.

The procedures for monitoring and reporting liquidity risk are applied and measured based on the estimated cash flows (the time gap is based on how the Bank manages the liquidity risk) of 1 day, 10 days, and 1 month. Estimates of future cash flows are based on the maturity analysis of financial assets and liabilities. The risk management department also monitors the use of loan commitment, discount facilities, guarantee letters, and other types of contingent liabilities, and furthermore reports the related information to the risk management committee and the board of directors regularly.

The Bank holds certain position of highly liquid interest-bearing assets to fulfill its obligation and for future needs. To manage the liquidity risk, the Bank holds the following assets: Cash and cash equivalents, due from the Central Bank and banks, and financial assets measured at fair value through profit or loss, etc.

(3) Maturity analysis

The Bank analyzed cash outflows of non-derivative financial liabilities according to the remaining terms from date of the balance sheet to maturity date of the contract. The disclosure of cash outflows of non-derivative financial liabilities is based on the cash flows of contracts so that the items could not correspond with all items in the balance sheet.

December 31, 2022	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Due to the central bank and banks	\$ 10,548,520	\$ 582,608	\$ 452,302	\$ 525,665	\$ -	\$ 12,109,095
Financial liabilities measured at FVTPL	-	-	-	-	1,973,649	1,973,649
Securities sold under repurchase agreements	282,962	322,301	176,305	-	-	781,568
Payables	23,233,622	390,844	1,136,783	439,771	513,102	25,714,122
Deposits and remittances	692,557,895	203,140,838	105,542,295	207,770,042	9,384,440	1,218,395,510
Bank debentures	-	-	-	3,000,000	53,070,000	56,070,000
Other financial liabilities	1,388,381	22,001	70,860	157,499	860,991	2,499,732



Lease liabilities	-	5,316	2,024	4,052	760,973	772,365
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December 31, 2021	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Due to the central bank and banks	\$ 12,803,105	\$ 2,158,818	\$ 617,156	\$ 525,665	\$ -	\$ 16,104,744
Due to the central bank and other banks	-	-	-	17,787,080	-	17,787,080
Financial liabilities measured at FVTPL	-	-	-	-	2,110,011	2,110,011
Securities sold under repurchase agreements	13,699,906	625,552	169,347	10,219	-	14,505,024
Payables	22,839,892	274,049	227,187	179,869	342,372	23,863,369
Deposits and remittances	673,321,688	128,044,906	88,850,488	150,314,710	9,907,770	1,050,439,562
Bank debentures	-	-	2,150,000	12,800,000	52,000,000	66,950,000
Other financial liabilities	1,489,888	32,600	157,360	155,032	988,359	2,823,239
Lease liabilities	-	-	17,807	20,670	683,670	722,147

The Bank evaluated the contractual maturity date to comprehend all derivative financial instruments on the balance sheet. Because the maturity analysis of derivative financial liabilities is based on the contractual cash flows, the amounts would not correspond with related items on the balance sheet. Maturity analysis of derivative financial liabilities is as follows:

#### A. Derivative financial liabilities in net settlement

December 31, 2022	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives	\$ 25,970	\$ 67,356	\$ 4,895	\$ 7,429	\$ -	\$ 105,650
Equity securities derivatives	-	-	-	-	176,821	176,821

December 31, 2021	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives	\$ 10,271	\$ 13,279	\$ 10,164	\$ 17,228	\$ 383	\$ 51,325
Interest rate derivatives	-	-	-	354	11,386	11,740
Equity securities derivatives	172	-	-	-	-	172

#### B. Derivative financial liabilities in total settlement

December 31, 2022	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives						
Cash inflow	\$ 25,141,533	\$ 37,012,235	\$ 9,776,511	\$ 3,993,453	\$ -	\$ 75,923,732
Cash outflow	26,031,050	38,353,827	10,026,259	4,060,144	-	78,471,280

December 31, 2021	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives						
Cash inflow	\$ 121,392,477	\$ 13,769,362	\$ 4,537,248	\$ 5,034,448	\$ 56,445	\$ 144,789,980
Cash outflow	122,246,212	14,254,248	4,654,495	5,252,414	56,416	146,463,785

The analysis of cash outflows of off-balance sheet items is illustrated according to the remaining terms from date of the balance sheets to maturity date of the contract. For financial guarantee contracts, the largest amount is categorized under the nearest time-zone of being asked to fulfill the guarantees. The disclosure of cash outflows of off-balance-sheet items is based on the cash flows of contracts so that part items could not correspond with all items in the balance sheet.

December 31, 2022	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Other guarantees	\$ 24,722,877	\$ 21,221,405	\$ 6,805,878	\$ 14,406,027	\$ 17,899,004	\$ 85,055,191
Non-cancelable loan commitments	915,775	315,812	331,595	1,916,044	28,355,489	31,834,715
Issued but unused letters of credit	1,734,952	3,840,073	414,208	398,111	38,168	6,425,512
Non-cancelable credit card commitments	84,725	169,451	254,176	56,860	-	565,212

December 31, 2021	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Other guarantees	\$ 30,666,948	\$ 34,816,162	\$ 7,865,140	\$ 16,579,704	\$ 15,890,036	\$ 105,817,990
Non-cancelable loan commitments	275,127	543,472	653,097	825,963	23,254,898	25,552,557
Issued but unused letters of credit	2,455,013	4,914,364	796,631	125,927	84,279	8,376,214
Non-cancelable credit card commitments	86,481	172,960	259,440	58,038	-	576,919

### 38.5 Interest rate benchmarks

The financial instruments of the Bank affected by the interest rate benchmarks include loans

and discounts, financial assets and liabilities measured at FVTPL, financial assets measured at FVTOCI and financial assets measured at amortized cost. The linked indicator interest rate types are USD LIBOR. The Bank prepared interest rate benchmark transition plan which comprises the following work streams: risk management, contract management, product management, taxation and accounting, and customer communication, etc. And the discussions have been started with financial instrument counterparties on how to amend the affected contracts, and it is expected that the amendment will be completed before the conversion of the interest rate benchmarks.

On December 31, 2022, the non-derivative financial instruments held by the Bank that have been affected by the interest rate benchmark reform and have not yet converted to alternative interest rate indicators are summarized as follows:

<b>Financial assets</b>	<b>Book value</b>
Discount and loans, net	
USD LIBOR	\$ 49,763,569
SGD SOR	<u>462,724</u>
Total	<u>50,486,116</u>
Financial assets measured at FVTOCI	
USD LIBOR	<u>12,357,255</u>
Total	<u>\$ 62,583,548</u>

On December 31, 2022, the derivative financial instruments held by the Bank that have been affected by the interest rate benchmark reform are summarized as follows:

	<b>Nominal in currency</b>	<b>Book value</b> <b>Financial liabilities</b>
Derivatives linked to USD LIBOR		
Interest rate swap	<u>\$ 2,601,480</u>	<u>\$ 176,821</u>

#### 38.4 Transfer of financial assets

In the daily transactions of the Bank, most of the transferred financial assets not eligible for full derecognition are repurchase notes and bonds. The cash flows of the transactions have been transferred to outsiders and the liabilities for repurchasing the transferred financial assets in a fixed amount have been recognized; the Bank may repurchase the transferred financial assets in the future. The Bank is not eligible to conduct, sell, or pledge the transferred financial assets during the effective period prior to derecognition. However, the Bank is still exposed to the interest risks and credit risks. As a result, the transferred financial assets are not derecognized. The following tables show the transferred financial assets not qualified for derecognition and related financial liabilities.

**December 31, 2022**

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
<b>Financial assets measured at FVTOCI</b>					
Securities sold under repurchase agreements	\$ 775,000	\$ 781,568	\$ 775,000	\$ 781,568	\$ (6,568)

**December 31, 2021**

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
<b>Financial assets measured at FVTOCI</b>					
Securities sold under repurchase agreements	\$ 14,495,369	\$ 14,505,024	\$ 14,495,369	\$ 14,505,024	\$ (9,655)

**39. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES**

Average amount and average interest rate of interest-earning assets and interest-bearing liabilities that were affected by interest rate fluctuations are as follows:

Average balances were calculated by the daily average balances of interest-earning assets and interest-bearing liabilities.

	<b>For the Year Ended December 31, 2022</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>
<b>Interest-bearing assets</b>		
Cash and cash equivalents - due from other banks	\$ 28,307,552	0.14
Due from the Central Bank and call loans to banks	118,280,029	1.43
Financial assets measured at FVTPL	28,034	0.76
Securities purchased under resell agreements	367,351	2.26
Revolving credit card balances	567,115	12.72
Discounts and loans (excluding non-performing loans)	800,526,592	2.23
Financial assets measured at FVTOCI - investments in debt instruments	210,176,698	1.62
Investments in debt instruments measured at amortized cost	131,360,907	0.61

	<b>For the Year Ended December 31, 2022</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>
<b>Interest-bearing liabilities</b>		
Due to the central bank and banks	\$ 15,729,524	1.36
Financial liabilities measured at FVTPL	2,082,380	5.69
Securities sold under repurchase agreements	9,580,930	0.32
Negotiable certificates of deposit	17,378,827	0.94
Demand deposits	357,207,941	0.23
Savings deposits	205,448,414	0.40
Time deposits	367,022,288	0.90
Time savings	155,373,923	1.00
Bank debentures	65,786,353	1.33
Other financial liabilities	1,548,790	1.11
Lease liabilities	709,014	1.13

	<b>For the Year Ended December 31, 2021</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>
<b>Interest-bearing assets</b>		
Cash and cash equivalents - due from other banks	\$ 35,846,262	0.13
Due from the Central Bank and call loans to banks	88,418,432	0.33
Financial assets measured at FVTPL	74,234	0.39
Securities purchased under resell agreements	226,777	0.44
Revolving credit card balances	581,817	12.76
Discounts and loans (excluding non-performing loans)	750,285,481	1.69
Financial assets measured at FVTOCI - investments in debt instruments	221,078,414	1.04
Investments in debt instruments measured at amortized cost	137,887,108	0.29

<b>Interest-bearing liabilities</b>		
Due to the central bank and banks	\$ 19,025,112	0.25
Financial liabilities measured at FVTPL	1,952,383	5.42
Securities sold under repurchase agreements	28,793,111	0.20
Negotiable certificates of deposit	13,440,286	0.29
Demand deposits	328,518,862	0.05
Savings deposits	191,813,250	0.25
Time deposits	341,271,648	0.47
Time savings	145,822,564	0.79
Bank debentures	66,217,312	1.39
Other financial liabilities	1,234,755	0.42
Lease liabilities	784,667	1.28

#### 40. CAPITAL MANAGEMENT

All the Bank's risks were included in the scope of assessment of capital adequacy according to "Regulations Governing the Capital Adequacy". The business objectives and project budget are approved by the board of directors, and furthermore the Bank considered the development strategy, capital adequacy, debt ratio, and dividend policy in its assessments. The contents are included in stress test, estimate of capital adequacy ratio to ensure achieving the objective of capital adequacy and strengthening of the capital structure.

The Banking Act and related measures stipulate that in order to improve the financial foundation of a bank, the ratio of the Bank's own capital to the risky assets shall not be less than 10.5%, where the actual ratio is lower than the prescribed standard, the authorities may impose limit on its capital surplus distribution.

The Bank conformed to the regulation on capital management as of December 31, 2022 and 2021.

The following table lists the equity capital, risk-weighted assets, and risk exposure:

	December 31, 2022	December 31, 2021
Analysis items		
Eligible capital		
Ordinary equity	\$ 109,779,997	\$ 126,809,411
Other Tier I capital	8,070,000	-
Tier II capital	27,928,743	436,060
Eligible capital	<u>\$ 145,778,740</u>	<u>\$ 127,245,471</u>
Risk-weighted assets		
Credit risk		
Standardized approach	\$ 845,573,359	\$ 757,835,142
Credit valuation adjustment	79,340	91,574
Internal rating based approach	N/A	N/A
Synthetic securitization	493,720	1,072,451
Operational risk		
Basic indicator approach	45,432,985	43,642,713
Standardized approach/alternative standardized approach	N/A	N/A
Advanced measurement approach	N/A	N/A
Market risk		
Standardized approach	39,085,138	52,981,832
Internal models approach	N/A	N/A
Total risk-weighted assets	<u>\$ 930,664,542</u>	<u>\$ 855,623,712</u>
Capital adequacy ratio	15.66%	14.87%
Ratio of ordinary equity to risk-weighted assets	11.80%	14.82%
Ratio of Tier I capital to risk-weighted assets	12.66%	14.82%
Leverage ratio	7.55%	8.73%

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 = Ordinary equity + Other Tier I capital + Tier II capital.
- (2) Total risk-weighted assets = Risk-weighted assets for credit risk + Capital requirements for operational risk and market risk × 12.5.
- (3) Capital adequacy ratio = Eligible capital ÷ Total risk-weighted assets.
- (4) Ratio of ordinary equity to risk-weighted assets = Ordinary equity ÷ Total risk-weighted assets.
- (5) Ratio of Tier I capital to risk-weighted assets = (Ordinary equity + Other Tier I capital) ÷ Total risk-weighted assets.
- (6) Leverage ratio = Net value of tier I capital ÷ Net value of exposure measurement

#### 41. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

41.1 Assets quality: As stated in Table 1

41.2 Concentration of credit risk

Top 10 credit extensions information of the Bank were as follows:

Ranking (Note 1)	December 31, 2022		
	The Bank		
	Categorized by Sector (Note 2)	Credit Amount (Note 3)	Credit Amount / Stockholders' equity
1	A Group (general management agency)	8,134,468	4.79%
2	B Group (general management agency)	7,164,388	4.22%
3	C Group (computer manufacturing)	6,094,194	3.59%
4	D Group (other computer peripheral manufacturing)	5,796,910	3.41%
5	E Group (real estate selling and leasing)	5,398,074	3.18%
6	F Group (general management agency)	5,354,805	3.15%
7	G Group (other holding companies)	5,179,960	3.05%
8	H Group (real estate development)	4,726,940	2.78%
9	I Group (apparel manufacturing)	4,689,638	2.76%
10	J Group (real estate development)	4,390,700	2.59%

Ranking (Note 1)	December 31, 2021		
	The Bank		
	Categorized by Sector (Note 2)	Credit Amount (Note 3)	Credit Amount / Stockholders' equity
1	A Group (general management agency)	7,048,914	4.47%
2	C Group (computer manufacturing)	5,542,432	3.52%
3	G Group (other holding companies)	5,341,380	3.39%
4	F Group (general management agency)	5,225,283	3.31%
5	K Group (television program design and broadcasting)	4,923,767	3.12%
6	E Group (real estate selling and leasing)	4,865,089	3.09%
7	J Group (real estate development)	4,754,700	3.02%
8	L Group (computer manufacturing)	4,379,965	2.78%
9	I Group (apparel manufacturing)	4,376,397	2.78%
10	M Group (chemical materials manufacturing )	4,169,693	2.64%

Note 1: The top 10 credit extensions ranking is made by total credit balance, which excluded government-owned or state-run enterprises. If the borrower is an affiliate of the Bank enterprise, the credit balance of the borrower is then aggregated to the Bank enterprise's credit balance. The borrower is marked by specific codes as well as its major industry. The major industry of a borrower is determined by its maximum exposures by industries. The classification of industry should be in line 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: "Bank Enterprise" conforms to the definition of Article 6 in "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: Credit balance includes each item of loan (including import bill negotiated, export bill negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans and non-performing loans), exchange bills negotiated, accounts receivable - without recourse factoring, acceptances receivable and grantees issued.

#### 41.3 Interest rate sensitivity information

### Interest Rate Sensitivity (NTD)

December 31, 2022					
Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate sensitive assets	\$ 873,639,602	\$ 44,527,449	\$ 13,464,679	\$ 66,479,264	\$ 998,110,994
Interest rate sensitive liabilities	233,477,743	446,634,062	178,390,522	62,396,172	920,898,499
Interest rate sensitivity gap	640,161,859	(402,106,613 )	(164,925,843 )	4,083,092	77,212,495
Net equity					169,780,908
Ratio of interest rate sensitive assets to liabilities					108.38%
Ratio of interest rate sensitivity gap to net equity					45.48%

  

December 12, 2021					
Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate sensitive assets	\$ 818,439,615	\$ 24,251,062	\$ 6,847,424	\$ 73,859,608	\$ 923,397,709
Interest rate sensitive liabilities	255,753,646	401,021,104	91,728,331	57,669,835	806,172,916
Interest rate sensitivity gap	562,685,969	(376,770,042)	(84,880,907)	16,189,773	117,224,793
Net equity					157,801,816
Ratio of interest rate sensitive assets to liabilities					114.54%
Ratio of interest rate sensitivity gap to net equity					74.29%

Note 1: The tables above refer only to the financial assets/liabilities denominated in NT dollars held by the whole bank, excluded contingent assets and liabilities.

Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are in the NT dollars).

### Interest Rate Sensitivity (USD)

December 31, 2022					
Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate sensitive assets	\$ 8,295,467	\$ 225,102	\$ -	\$ -	\$ 8,520,569
Interest rate sensitive liabilities	3,095,077	4,833,427	781,061	70,569	8,780,134
Interest rate sensitivity gap	5,200,390	(4,608,325 )	(781,061 )	(70,569 )	(259,565 )
Net equity					5,526,542
Ratio of interest rate sensitive assets to liabilities					97.04%
Ratio of interest rate sensitivity gap to net equity					(4.70%)

  

December 12, 2021					
Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate sensitive assets	\$ 6,193,692	\$ 126,770	\$ 210,422	\$ 1,791,696	\$ 8,322,580
Interest rate sensitive liabilities	2,456,287	6,761,257	837,875	70,145	10,125,564
Interest rate sensitivity gap	3,737,405	(6,634,487 )	(627,453 )	1,721,551	(1,802,984 )
Net equity					5,706,086
Ratio of interest rate sensitive assets to liabilities					82.19%
Ratio of interest rate sensitivity gap to net equity					(31.60%)

Note 1: The tables above refer only to the financial assets/liabilities denominated in US dollars held by the whole bank, excluded contingent assets and liabilities.

Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are in the US dollars).

#### 41.4 Profitability

Unit: %

Items		December 31, 2022	December 31, 2021
Return on total assets	Before income tax	1.16	1.13
	After income tax	1.04	1.05
Return on equity	Before income tax	10.15	9.81
	After income tax	9.12	9.11
Profit margin		53.16	60.42

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: Profit margin = Income after income tax ÷ Total net revenue.

Note 4: Income before (after) income tax represents income YTD.

#### 41.5 Maturity analysis of assets and liabilities

##### (1) In Thousands of New Taiwan Dollars

	Total	December 31, 2022					
		For remaining period to maturity date					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	\$ 1,060,684,715	\$ 168,042,249	\$ 77,263,976	\$ 68,843,424	\$ 82,448,991	\$ 122,819,118	\$ 541,266,957
Major cash outflow on maturity	1,385,257,536	48,112,388	93,805,058	245,110,503	224,444,131	260,795,545	512,989,911
Gap	(324,572,821)	119,929,861	(16,541,082)	(176,267,079)	(141,995,140)	(137,976,427)	28,277,046

	Total	December 31, 2021					
		For remaining period to maturity date					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	\$ 984,229,637	\$ 111,024,017	\$ 98,976,458	\$ 73,825,440	\$ 80,550,735	\$ 106,648,647	\$ 513,204,340
Major cash outflow on maturity	1,212,894,739	46,548,364	88,428,107	166,195,370	194,629,115	240,913,382	476,180,401
Gap	(228,665,102)	64,475,653	10,548,351	(92,369,930)	(114,078,380)	(134,264,735)	37,023,939

Note: This table includes only financial assets/liabilities denominated in New Taiwan dollars held by the head office and domestic branches.

##### (2) In Thousands of US dollars

	Total	December 31, 2022				
		For remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	\$ 12,844,167	\$ 3,286,872	\$ 1,865,893	\$ 665,005	\$ 655,138	\$ 6,371,259
Major cash outflow on maturity	15,118,127	2,835,384	2,030,725	1,768,280	2,449,547	6,034,191
Gap	(2,273,960)	451,488	(164,832)	(1,103,275)	(1,794,409)	337,068

	Total	December 31, 2021				
		For remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	\$ 14,359,196	\$ 5,046,690	\$ 1,680,396	\$ 698,018	\$ 1,016,554	\$ 5,917,538
Major cash outflow on maturity	15,656,617	2,237,988	2,254,601	1,908,869	2,986,539	6,268,620
Gap	(1,297,421)	2,808,702	(574,205)	(1,210,851)	(1,969,985)	(351,082)

Note: This table includes only financial assets/liabilities denominated in US dollars held by the head office, domestic branches and OBU.



## 42. THE CONTENTS AND AMOUNTS OF TRUST ACTIVITIES BY PROCESSING TRUST ENTERPRISE ACT

The trust account balance sheets, income statements and the details of trust assets are as follows:

### Balance Sheet of Trust Account

Trust Assets	December 31, 2022	December 31, 2021	Trust Liabilities	December 31, 2022	December 31, 2021
Bank deposits	\$ 7,388,829	\$ 7,375,059	Accounts payable	\$ 219	\$ 161
Short-term investments	95,997,237	90,663,600	Depository of securities payable	55,607,507	73,234,289
Net asset value of collective investment trust funds	6,362,452	7,960,305	Trust capital	149,976,189	138,760,691
Accounts receivable	2,982	9,518	Accumulated (loss) gain and equity	(728,850 )	206,815
Land	30,408,073	27,760,022			
Buildings and improvements, net	66,366	92,954			
Construction in progress	8,962,925	5,049,288			
Securities in custody	55,607,507	73,234,289			
Other assets	58,694	56,921			
Total trust assets	<u>\$ 204,855,065</u>	<u>\$ 212,201,956</u>	Total trust liabilities	<u>\$ 204,855,065</u>	<u>\$ 212,201,956</u>

### Trust Asset Lists

Items	December 31, 2022	December 31, 2021
Cash in banks	\$ 7,388,829	\$ 7,375,059
Short-term investments		
Funds	66,800,237	67,990,417
Bonds	22,752,279	15,997,545
Common stocks	4,656,074	3,469,653
Structured instruments	1,581,390	3,087,465
Preferred stock	207,257	118,520
Net asset value of collective trust accounts	6,362,452	7,960,305
Receivables	2,982	9,518
Land	30,408,073	27,760,022
Buildings and improvements, net	66,366	92,954
Construction in progress	8,962,925	5,049,288
Depository of securities	55,607,507	73,234,289
Other assets - principal deferred expense	58,694	56,921
Total	<u>\$ 204,855,065</u>	<u>\$ 212,201,956</u>

### Income Statements of Trust Account

	For the Year Ended December 31	
	2022	2021
Trust income		
Cash dividends on common stock	\$ 70,601	\$ 73,892
Interest income	28,583	14,959
Donation income	1,048	631
Realized investment gains	872	18,385
Unrealized investment gains	70,676	227,319
Other revenue	77,459	59,401
	<u>249,239</u>	<u>394,587</u>
Trust expenses		
Tax expenditures	71,132	36,632
Management expenses	8,314	7,151
Service expenses	3,721	9,437
Realized investment losses	11,289	3
Unrealized investment losses	894,503	163,950
Donation expenses	1,317	2,679
Other expenses	2,803	-
	<u>993,079</u>	<u>219,852</u>
(Loss) Income before income tax	(743,840)	174,735
Income tax expense	-	-
Net (loss) income	<u>\$ (743,840)</u>	<u>\$ 174,735</u>

### 43. EXCHANGE RATE INFORMATION OF FOREIGN FINANCIAL ASSETS AND LIABILITIES

The information regarding significant financial assets/liabilities denominated in foreign currencies held by the Bank was as follows:

	December 31, 2022			(In Thousands of Foreign Currencies)		
	December 31, 2021					
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<b>Finance assets</b>						
Monetary items						
Cash and cash equivalents						
JPY	\$ 44,650,776	0.2319	\$ 10,354,515	\$ 34,668,959	0.2404	\$ 8,334,418
USD	136,532	30.7210	4,194,400	445,460	27.6550	12,319,196
CNY	493,149	4.4107	2,175,132	215,743	4.3421	936,778
Due from the Central Bank and call loans to banks						
USD	2,284,904	30.7210	70,194,536	1,825,454	27.6550	50,482,930
CNY	722,850	4.4107	3,188,274	122,800	4.3421	533,210
VND	1,024,000,000	0.0013	1,331,200	640,000,000	0.0012	768,000
Receivables						
USD	24,885	30.7210	764,492	84,389	27.6550	2,333,778
JPY	2,533,404	0.2319	587,496	1,660,240	0.2404	399,122
EUR	2,722	32.7517	89,150	2,632	31.3774	82,585
Discounts and loans						
USD	3,950,030	30.7210	121,348,872	4,145,859	27.6550	114,653,731
HKD	4,296,461	3.9402	16,928,916	3,920,675	3.5465	13,904,674
CNY	2,811,861	4.4107	12,402,275	2,301,941	4.3421	9,995,258
Financial assets at FVTOCI						
USD	1,889,221	30.7210	58,038,758	2,101,469	27.6550	58,116,125
AUD	524,145	20.7858	10,894,773	224,379	20.0969	4,509,322
CNY	1,471,420	4.4107	6,489,992	2,428,982	4.3421	10,546,883
Financial assets measured at amortized cost						
USD	190,426	30.7210	5,850,077	17,974	27.6550	497,071
AUD	135,000	20.7858	2,806,083	-	-	-
SGD	71,820	22.8596	1,641,776	71,265	20.4723	1,458,958
Financial assets at FVTPL						
USD	14,782	30.7210	454,118	23,585	27.6550	652,243
EUR	28	32.7517	917	42	31.3774	1,318
JPY	1,145	0.2319	266	-	-	-
Non-monetary items						
Equity investments under the equity method						
USD	2,638,520	30.7210	81,057,973	2,660,471	27.6550	73,575,326
HKD	94,620	3.9402	372,822	90,338	3.5465	320,384
<b>Finance assets</b>						
Monetary items						
Payables						
USD	96,942	30.7210	2,978,155	89,044	27.6550	2,462,512
JPY	2,545,598	0.2319	590,324	1,693,730	0.2404	407,173
EUR	2,357	32.7517	77,196	2,576	31.3774	80,828
Deposits from the central bank and other banks						
HKD	1,435,000	3.9402	5,654,187	1,939,000	3.5465	6,876,664
VND	2,154,000,000	0.0013	2,800,200	1,457,000,000	0.0012	1,748,400
USD	19,705	30.7210	605,357	92,641	27.6550	2,561,987
Deposits and remittances						
USD	8,909,249	30.7210	273,701,039	10,022,437	27.6550	277,170,495
JPY	101,952,839	0.2319	23,642,863	44,879,369	0.2404	10,789,000
CNY	5,006,666	4.4107	22,082,902	4,132,735	4.3421	17,944,749
Financial liabilities at FVTPL						
USD	84,130	30.7210	2,584,558	88,223	27.6550	2,439,807
HKD	2,961	3.9402	11,667	-	-	-
EUR	15	32.7517	491	29	31.3774	910

### 44. OTHERS

Facing the global pandemic of corona virus pneumonia and its recent impact in my country, the Bank's business strategies always follow the stable and practical core values. Despite of the global economic turmoil, the Bank still maintained a steady growth of capital. The annual financial statements included relevant material information.

## 45. ADDITIONAL DISCLOSURES

Information of significant transaction items 45.1 and other business investment 45.2 is as follows:

- 45.1.1 Financing provided: Table 2.
- 45.1.2 Endorsement/guarantee provided: The Bank - not applicable; investees - not applicable or none.
- 45.1.3 Marketable securities held: Table 3.
- 45.1.4 Marketable securities (for investees) or investee investment (for the Bank) acquired and disposed of, at costs or prices of at least NT\$300 million or 10% of the issued capital: Table 4.
- 45.1.5 Acquisition of individual real estate at costs of at least \$300 million or 10% of the issued capital: None.
- 45.1.6 Disposal of individual real estate at prices of at least \$300 million or 10% of the issued capital: Table 5.
- 45.1.7 Allowance for service fees to related-parties amounting to more than \$5 million: None.
- 45.1.8 Receivables from related parties amounting to at least \$300 million or 10% of the issued capital: None.
- 45.1.9 Sale of non-performing loans: Table 6.
- 45.1.10 Application for approval of securitization product types and information according to Financial Asset Securitization Clause of the Real State Securitization Act: None.
- 45.1.11 Other significant transactions which may have effects on decision making of financial statement users: None.
- 45.1.12 Names, locations, and other information of investees on which the Bank exercises significant influence: Table 7
- 45.1.13 Derivative financial transactions: Note 8 on which the Bank exercises significant influence has no such transaction.

45.3 Investments in mainland China are as follows:

- 45.3.1 Name of the investees in mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in mainland China: Table 8.
  - 45.3.2 Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss: None.
- 45.4 Information of major shareholders:  
list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: None.

#### **46. SEGMENT INFORMATION**

According to the Article 23 of “Regulations Governing the Preparation of Financial Reports by Public Banks”, the Bank does not prepare the segment information of IFRS 8.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

OVERDUE LOANS AND RECEIVABLES  
DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars, %)

Date			December 31, 2022					December 31, 2021				
Business			Overdue Loans (Note 1)	Loans	NPL Ratio (%) (Note 2)	Loan Loss Reserve(LLR)	Coverage Ratio (Note 3)	Overdue Loans (Note 1)	Loans	NPL Ratio (%) (Note 2)	Loan Loss Reserve(LLR)	Coverage Ratio (Note 3)
Corporate banking	Secured		1,013,908	299,689,193	0.34	4,847,067	478.06	386,910	285,324,670	0.14	3,296,432	851.99
	Unsecured		134,505	233,376,778	0.06	2,579,213	1,917.56	153,242	198,650,305	0.08	2,105,034	1,373.67
Consumer banking	Mortgage (Note 4)		171,119	280,661,983	0.06	4,521,331	2,642.21	398,236	249,357,470	0.16	4,194,529	1,053.28
	Cash cards		-	-	-	-	-	-	-	-	-	-
	Microcredit (Note 5)		7,177	4,484,800	0.16	57,945	807.37	3,271	3,211,021	0.10	35,857	1,096.21
	Others (Note 6)	Secured	45,530	33,807,766	0.13	421,160	925.02	22,978	32,826,363	0.07	354,584	1,543.15
		Unsecured	-	-	-	-	-	-	-	-	-	-
Total			1,372,239	852,020,520	0.16	12,426,716	905.58	964,637	769,369,829	0.13	9,986,436	1,035.25
			Overdue Loans (Note 1)	Accounts Receivable	Delinquency Ratio (%) (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Overdue Loans (Note 1)	Accounts Receivable	Delinquency Ratio (%) (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Credit cards			4,755	3,339,569	0.14	87,936	1,849.34	5,064	2,797,758	0.18	89,820	1,773.70
Accounts receivable factored without recourse (Note 7)			-	451,234	-	4,512	-	-	567,807	-	5,678	-

Note 1: Non-performing loans represent the amounts of non-performing loans 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 Non-performing/Non-accrued Loans.” Non-performing credit card receivables represent the amounts of non-performing receivables reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of non-performing loans: Non-performing loans ÷ Outstanding loan balance.  
Ratio of non-performing credit card receivables: Non-performing credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses on loans ÷ Non-performing loans.  
Coverage ratio of credit card receivable: Allowance for possible losses on credit card receivables ÷ Non-performing credit card receivables.

Note 4: Mortgage is fully secured by property, which is purchased (owned) by the borrower, the spouse or the minor children of the borrower and the rights on mortgage are pledged to the financial institution, for the purpose of purchasing or decorating property.

Note 5: Microcredit, as categorized in accordance with the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), are unsecured loans with small amounts exclusive of credit cards and cash cards.

Note 6: Other loans of consumer banking refer to secured or unsecured loans exclusive of mortgage, cash card, microcredit and credit card.

Note 7: As required by the Banking Bureau’s letter dated July 19, 2005 (Ref. No. 0945000494), factoring without recourse is disclosed as non-performing receivables in three months after the factors or insurance companies reject indemnification.

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**

**OVERDUE LOANS AND RECEIVABLES  
DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)**

	December 31, 2022		December 31, 2021	
	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt consultation and loan agreements (Note 1)	-	-	-	-
As a result of consumer debt clearance (Note 2)	-	32,242	-	34,215

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt consultation and loan agreements is based on the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

TABLE 2

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

LOANS AND OTHER INFORMATION  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Information of Lenders, Borrowers and Others

No (Note 1)	Lender	Borrower	Corresponding Account	Related Parties	The Highest Period Balance	Ending Balance	Actual Amount	Interest Rate Range	Capital Loan (Note 2)	Business Dealing Amount	Reasons of Short-term Financing	Allowance	Collateral		Individual Fund Loan and Limit (Note 3)	Total Loan Limit (Note 3)
													Name	Value		
1	SCSB Leasing (China) Co., Ltd.	A Co., Ltd.	Entrusted loan receivables	N/A	\$ 79,393	\$ 132,321	\$ 79,393	6%~11%	1	\$ 79,393	-	\$ 1,588	Real estate	\$ 265,965	\$ 395,510	\$ 988,774
1	SCSB Leasing (China) Co., Ltd.	B Co., Ltd.	Entrusted loan receivables	N/A	57,339	110,268	17,643	6%~11%	1	17,643	-	11,141	Real estate	189,395	395,510	988,774

Note 1: The numbers refer to the following:  
(1) Issuer is 0.  
(2) Investees are numbered sequentially starting from 1.

Note 2: The nature of capital loans corresponds to the following values:  
(1) 1 for business dealing.  
(2) 2 for reasons of short-term financing facility.

Note 3: The amounts and calculation of the loan limit are as follows:

- Individual fund loans and limits
  - For an enterprise or organization that has business dealing, the loan amount to the single enterprise or organization shall not exceed 40% of the net value as presented in the latest financial statements of the lender as audited by the accountant.
  - For an enterprise or organization that has no business dealings with the lender but has short-term financing facility, the loan amount to the single enterprise or organization shall not exceed 20% of the net value as presented in the latest financial statements of the lender as audited by the accountant.
- Capital loans and total loan limits
  - For an enterprise or organization that has business dealing, the total accumulated loan balance of the single enterprise or organization shall not exceed twice the net value as presented in the latest financial statements of the lender as audited by the accountant.
  - For an enterprise or organization that has no business dealings with the lender but has short-term financing facility, the total accumulated loan balance of the single enterprise or organization shall not exceed 40% of the net value as presented in the latest financial statements of the lender as audited by the accountant.

The total accumulated loan balance of the above two parties shall not exceed twice the net value as presented in the latest financial statements of the lender as audited by the accountant.

TABLE 3

## THE SHANGHAI COMMERCIAL &amp; SAVINGS BANK, LTD.

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Name	Security Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
Shancom Reconstruction Inc.	Empresa Inversiones Generales, S.A.	Indirect subsidiary	Investment in subsidiaries	1	\$ 22,040	100.00	\$ 22,040	
	Krinein Company	Indirect subsidiary	Investment in subsidiaries	2	29,239	100.00	29,239	
	Safehaven Investment Corporation	Indirect subsidiary	Investment in subsidiaries	1	50,618	100.00	50,618	
Shanghai Commercial Bank (HK)	Shanghai Commercial & Savings Bank, Ltd	The Bank	Financial assets measured at FVTOCI	11,370	500,849	0.25	500,849	
Wresqueue Limitada	Prosperity Realty Inc.	Indirect subsidiary	Investment in subsidiaries	4	34,181	100.00	34,181	
China Travel Service (Taiwan)	Silks Place Taroko	-	Equity investments under the equity method	20,372	303,680	45.00	303,680	
	CTS Travel International Ltd.	Indirect subsidiary	Investment in subsidiaries	600	7,018	100.00	7,018	
	Joy Tour Service Co., Ltd.	-	Financial assets measured at FVTOCI	100	1,000	10.00	1,000	
	Shanghai Commercial & Savings Bank, Ltd.	The Bank	Financial assets measured at FVTOCI	27	1,225	-	1,225	
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Indirect subsidiary	Investment in subsidiaries	N/A	997,843	100.00	997,843	
Krinein Company	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investment in subsidiaries	1,920	12,614,874	9.60	12,614,874	
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investment in subsidiaries	9,600	63,074,370	48.00	63,074,370	



TABLE 4

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**

**MARKETABLE SECURITIES (FOR INVESTEEES) OR INVESTEE INVESTMENT (FOR THE BANK) ACQUIRED AND DISPOSED OF, AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts in Thousands of New Taiwan Dollars and United States Dollars) (Share in Thousands)

Trading company	Name	Financial Statement Account	Counterparty	Relationship	Beginning		Buy		Sell				Ending	
					Shares	Amount	Shares	Amount	Shares	Price	Book Value	Disposal of Profit and Loss	Shares	Amount
The Shanghai Commercial & Savings Bank, Ltd.	AMK Microfinance Institution Plc.	Equity investments under the equity method	-		7,278,997	\$ 3,981,362 USD143,965 (Note 1)	3,667,500	\$ 626,400 USD22,500 (Note 2)	-	\$ -	\$ -	\$ -	10,946,497	\$5,411,382 USD176,146 (Note 1)

Note 1 : It included proportionate share of profit of associates under the equity method of NT\$319,956 thousand (US\$10,734 thousand) and net increase of NT\$483,664 thousand in owner's other equity attributable to the parent company.

Note 2 : Proceeds from capital increase by cash is \$626,400 thousand.

**TABLE 5****THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**

**DISPOSAL OF ASSETS AT PRICES REACHEING \$300 MILLION OR 10% OF THE ISSUED CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Amounts in Thousands of New Taiwan Dollars)**

Seller	Property	Event Date (Note 1)	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal (Note 2)	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
The Shanghai Commercial & Savings Bank, Ltd.	Land, buildings and improvements	2021/11/13	2010/1/15	\$ 114,504	\$ 341,264	Full payment received	\$ 208,377	Other related party	The relatives of the Bank's directors	Revitalize assets to increase profits	With reference to the appraisal report issued by Colliers International Real Estate Appraisers Associates and Repro International Real Estate Appraisers	None

Note 1: The event date is the date of the resolution of the board of directors. The disposal has been completed before March 31, 2022.

Note 2: The disposal gain of NT\$208,377 thousand was calculated by deducting the land value increment tax of NT\$18,383 thousand and the carrying amount of NT\$114,504 thousand from the transaction amount of NT\$341,264 thousand.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

SALE OF NON-PERFORMING LOANS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars) (Share in Thousands)

Date	Trading Partners	Creditor's Rights	Carrying Amount	Price	Disposal (loss) profit	Collateral Condition	Relationship
2022/7/22	China Orient Asset Management Corporation Shenzhen Office	Joint credit loan	\$ 41,785	\$ 35,032	\$ (6,753)	None	None

TABLE 7

## THE SHANGHAI COMMERCIAL &amp; SAVINGS BANK, LTD.

RELATED INFORMATION OF INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars) (Share in Thousands)

Investee Company (Note 1)	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Amount	Investment Income (Loss) Recognized	Consolidated Investment(Note 2)				Note
						Shares (In Thousands)	Shares (Pro forma)	Shares (In Thousands)	Percentage of Ownership (%)	
<b>Financial business</b>										
SCSB Asset Management Ltd.	Taiwan	Purchase and management of creditor's rights of financial institutions	100.00	\$ 1,687,053	\$ 14,829	160,000	-	160,000	100.00	
SCSB Marketing Ltd.	Taiwan	Marketing	100.00	8,971	1,882	500	-	500	100.00	
Paofoong Insurance Company Ltd.	Hong Kong	Insurance	40.00	372,821	16,547	500	-	500	100.00	
Shanghai Commercial Bank (HK)	Hong Kong	Banking and financial	57.60	75,689,244	5,650,090	11,520	-	11,520	57.60	
SCSB Leasing (China) Co., Ltd.	China	Leasing operation	100.00	997,843	9,047	N/A	-	N/A	100.00	
AMK Microfinance Institution Plc.	Cambodia	Microfinance institution	99.99	5,411,382	319,956	10,946	-	10,946	99.99	
<b>Non-financial business</b>										
China Travel Service (Taiwan)	Taiwan	Travel services	99.99	475,080	71,314	38,943	-	38,943	99.99	
Kuo Hai Real Estate Management	Taiwan	Building material distribution	34.69	-	-	3,000	-	3,000	34.69	
Shancom Reconstruction Inc.	Liberia	Securities investment	100.00	75,279,562	5,615,708	5	-	5	100.00	
Wresqueue Limitada	Liberia	Securities investment	100.00	365,017	6,488	176	-	176	100.00	
Empresa Inversiones Generales, S.A.	Panama	Securities investment	100.00	22,040	566,793	1	-	1	100.00	
Krinein Company	Cayman Islands	Securities investment	100.00	29,239	113,554	2	-	2	100.00	
Safehaven Investment Corporation	Liberia	Securities investment	100.00	50,618	360	1	-	1	100.00	
Prosperity Realty Inc.	US	Real estate services	100.00	34,181	5,141	4	-	4	100.00	
Silks Place Taroko	Taiwan	Travel services	45.00	303,680	83,758	20,372	-	20,372	45.00	
CTS Travel International Ltd.	Taiwan	Travel services	100.00	7,018	2	600	-	600	100.00	

Note 1: Investees are categorized into financial business and non-financial business.

Note 2: The Bank, board chairman, supervisors, managing directors, and the shares of investee companies invested in by related parties which comply with corporation law are considered.

**TABLE 8**

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**

**INVESTMENT IN MAINLAND CHINA  
DECEMBER 31, 2022**

**(Amounts in Thousands of New Taiwan Dollars and United States Dollars)**

1. Investee company name, main business and products, total amount of paid-in capital, investment type, investment outflows and inflows, % ownership, investment gain (loss), carrying amount as of December 31, 2022 and inward remittance of earnings:

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 3)	Investment Type (Note 1)	Accumulated Outflow of Investment as of December 31, 2021	Investment Flows		Accumulated Outflow of Investment as of December 31, 2022	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022 (Note 3)	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow					
SCSB Leasing (China) Co., Ltd.	Leasing operation	NT\$ 921,630 US\$ 30,000	Note 1(c)	NT\$ 921,630 US\$ 30,000	NT\$ - US\$ -	NT\$ - US\$ -	NT\$ 921,630 US\$ 30,000	100%	NT\$ 9,047 US\$ 304	NT\$ 997,843 US\$ 32,481	\$ -
Bank of Shanghai	Banking business approved by local government	NT\$ 62,661,324 US\$ 2,039,690	Note 4	NT\$ 3,463,578 US\$ 112,743	NT\$ - US\$ -	NT\$ - US\$ -	NT\$ 3,463,578 US\$ 112,743	3%	NT\$ - US\$ -	NT\$ 11,100,534 US\$ 361,334	-
Shanghai Commercial Bank Ltd. - Shenzhen Branch	Banking business approved by local government	NT\$ 3,088,125 US\$ 100,522	Note 4	NT\$ 1,962,857 US\$ 63,893	NT\$ - US\$ -	NT\$ - US\$ -	NT\$ 1,962,857 US\$ 63,893	100%	NT\$ (91,714) US\$ (3,082)	NT\$ 2,916,112 US\$ 94,922	-
Shanghai Commercial Bank Ltd. - Shanghai Branch	Banking business approved by local government	NT\$ 3,339,778 US\$ 108,713	Note 4	NT\$ 1,988,171 US\$ 64,717	NT\$ - US\$ -	NT\$ - US\$ -	NT\$ 1,988,171 US\$ 64,717	100%	NT\$ 163,708 US\$ 5,501	NT\$ 3,437,058 US\$ 111,880	-
The Shanghai Commercial & Savings Bank, Ltd. - Wuxi Branch	Banking business approved by local government	NT\$ 2,663,726 US\$ 86,707	Note 1(a)	NT\$ 2,663,726 US\$ 86,707	NT\$ - US\$ -	NT\$ - US\$ -	NT\$ 2,663,726 US\$ 86,707	100%	NT\$ 54,504 US\$ 1,832	NT\$ 2,776,464 US\$ 90,377	-

2. Upper limit on investments in mainland China:

Accumulated Investment in Mainland China as of December 31, 2022 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on Investment Authorized by Investment Commission MOEA
\$10,999,961 (US\$358,060)	\$11,739,836 (US\$382,144)	\$135,385,753

Note 1: Methods of investment in mainland China are listed below:

- (a) Directly invest.
- (b) Invest indirectly via a third company.
- (c) Others.

Note 2: Except for SCSB Leasing (China) Co., Ltd., the Financial report audited by the accounting firm associated with the parent company in Taiwan.

Note 3: Calculated using the exchange rate on December 31, 2022.

Note 4: To invest via subsidiary of the Bank, “Shanghai Commercial Bank (HK)”.

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**

**STATEMENT OF CASH AND CASH EQUIVALENTS**

**DECEMBER 31, 2022**

**STATEMENT 1**

**(In Thousands of New Taiwan Dollars and In  
Foreign Currencies)**

<u>Item</u>	<u>Details</u>	<u>Amount</u>
Cash in hand and working fund		\$ 8,499,890
Due from banks		18,378,174
Checks for clearing		2,423,884
Foreign cash in hand		<u>1,322,606</u>
		<u>\$ 30,624,554</u>

Note: The details of foreign cash in hand are as follows:

<u>US Dollars</u>	<u>Exchange</u>	<u>In Thousands of Foreign Currencies</u>
USD 14,454,108	30.7210	\$ 444,045
JPY 1,237,989,000	0.2319	287,090
HKD 63,333,180	3.9402	249,545
EUR 5,436,915	32.7517	178,068
CNY 28,983,127	4.4107	127,836
VND 19,309,334,900	0.0013	25,116
AUD 195,640	20.7858	4,067
CAD 301,690	22.6707	6,839
		<u>\$ 1,322,606</u>

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**  
**STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)**  
**DECEMBER 31, 2022**

**STATEMENT 2**

(In Thousands of New Taiwan Dollars, Except Other Notes)

Item	Interest Date	Maturity Date	Par Value	Interest (%)	Acquisition Cost	Fair Value	
						Unit	Amount
Financial assets mandatorily classified as at FVTPL							
Domestic Share (Notes 1)					\$ 367,456		\$ 363,292
Domestic beneficiary certificates							
Taishin Short Duration Emerging High Yield Bond Fund A-TWD			15,000	9.72	15,000		14,582
Fuh Hwa Heirloom No. 2 Balance Fund			15,000	40.89	15,000		14,103
UPAMC Optima Fund			46,284	121.67	46,284		65,325
Allianz Global Investors Taiwan Fund A			15,000	51.11	15,000		15,824
CTBC Vietnam Equity Fund USD			50,000	11.26	50,000		48,087
UPAMC BEN TENG Fund			20,000	122.19	20,000		18,492
Others (Notes 2)			-		24,000		23,727
			161,284		185,284		200,140
Foreign beneficiary certificates (Notes 1)					53,111		51,097
Derivatives							
Forward contracts					-		1,039,463
Option contracts					36,170		31,262
Currency swap contract					-		196,437
					36,170		1,267,162
Future guarantees (Notes 1)					104,961		104,961
Total					\$ 746,982		\$ 1,986,652

Note1: Each amount shall not exceed 5% of the total amount.

Note2: Individual bonds amount shall not exceed 5% of the total amount of each bond.

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**  
**STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)**  
**DECEMBER 31, 2022**

**STATEMENT 3**

(In Thousands of New Taiwan Dollars, Except Other Notes)

Item	Maturity Date	Par Value/In Thousands of Shares	Acquisition Cost	Accumulated Impairment Loss	Adjustment	Fair Value		Note
						Unit	Amount	
Investments in equity instruments measured at FVTOCI								
Shares (Note 1)			\$ 9,286,714	\$ -	\$ 406,953		\$ 9,693,667	
			<u>9,286,714</u>	<u>-</u>	<u>406,953</u>		<u>9,693,667</u>	
Investments in debt instruments measured at FVTOCI								
Government bonds								
103 Government bonds 6	2024/03/03	1,800,000	1,814,331	-	( 5,367 )	100.50	1,808,964	
105 Government bonds 11	2026/09/07	1,400,000	1,391,825	-	( 18,654 )	98.08	1,373,171	
107 Government bonds 11	2023/11/23	1,500,000	1,499,477	-	( 3,151 )	99.76	1,496,326	
110 Government bonds 8	2026/07/29	1,600,000	1,595,455	-	( 46,077 )	96.84	1,549,378	
111 Government bonds 3	2027/02/24	2,800,000	2,779,871	-	( 54,312 )	97.34	2,725,559	
Others (Notes 2)	2023/01/12~2051/12/23	15,999,200	<u>21,400,805</u>	( <u>927</u> )	( <u>829,168</u> )		<u>20,570,710</u>	\$371,500 thousands has been pledged.
			<u>30,481,764</u>	( <u>927</u> )	( <u>956,729</u> )		<u>29,524,108</u>	
Corporate bonds—in New Taiwan dollars (Note 1)	2023/01/08~2031/04/16	52,015,000	52,034,094	( 26,173 )	( 1,319,163 )		50,688,758	
Corporate bonds—in Foreign currencies (Note 1)	2023/02/01~2032/05/15	29,174,454	40,566,539	( 129,452 )	( 2,704,262 )		37,732,825	
Bank debentures—in New Taiwan dollars (Note 1)	2023/03/28~2023/07/06	600,000	600,000	( 146 )	( 713 )		599,141	
Bank debentures—in Foreign currencies (Note 1)	2023/01/10~2030/03/10	34,655,062	36,384,301	( 12,749 )	( 1,633,156 )		34,738,396	
Commercial papers (Note 1)			34,965,164	-	( 5,375 )		34,959,789	
Asset-backed securities (Note 1)			<u>1,701,942</u>	<u>-</u>	( <u>467,641</u> )		<u>1,234,301</u>	
			<u>196,733,804</u>	( <u>169,447</u> )	( <u>7,087,039</u> )		<u>189,477,318</u>	
Total			<u>\$ 206,020,518</u>	( <u>\$ 169,447</u> )	( <u>\$ 6,680,086</u> )		<u>\$ 199,170,985</u>	

Note1: Each amount shall not exceed 5% of the total amount.

Note2: Individual bonds amount shall not exceed 5% of the total amount of each bond.



**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**  
**STATEMENT OF INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST**  
**DECEMBER 31, 2022**

**STATEMENT 4**

(In Thousands of New Taiwan Dollars)

Item	Interest Date	Maturity Date	Par Value	Interest (%)	Accumulated Impairment Loss	Unamortized premium (Discount)	December 31, 2022	Note
Negotiable certificates of deposit								
Central Bank	Pay at maturity	2023/01/02	\$ 17,500,000	0.58	\$ -	\$ -	\$ 17,500,000	
Central Bank	Pay at maturity	2023/01/03	12,500,000	0.58	-	-	12,500,000	
Central Bank	Pay at maturity	2023/01/04	24,000,000	0.58	-	-	24,000,000	
Central Bank	Pay at maturity	2023/01/05	21,000,000	0.58	-	-	21,000,000	
Central Bank	Pay at maturity	2023/01/06	22,500,000	0.58	-	-	22,500,000	
Central Bank	Pay at maturity	2023/01/20	9,100,000	0.97	-	-	9,100,000	
Others (Notes 2)	Pay at maturity	2023/01/02~2023/10/03	<u>71,910,000</u>	0.71~1.30	<u>-</u>	<u>-</u>	<u>71,910,000</u>	
			<u>178,510,000</u>		<u>-</u>	<u>-</u>	<u>178,510,000</u>	
Corporate bonds—in New Taiwan dollars (Note 1)	Pay yearly	2028/08/08~2029/12/16	<u>1,800,000</u>	0.85~1.10	( <u>506</u> )	<u>-</u>	<u>1,799,494</u>	
Corporate bonds—in Foreign currencies (Note 1)		2025/03/18~2029/11/25	<u>1,271,849</u>	2.23~5.99	( <u>550</u> )	( <u>24,200</u> )	<u>1,247,099</u>	
Government bonds—in New Taiwan dollars								
103 Government bonds 11	Pay yearly	2034/07/31	200,000	2.13	-	24,037	224,037	
110 Government bonds 7	Pay yearly	2031/06/23	200,000	0.38	-	( 790)	199,210	
98 Government bonds 5	Pay yearly	2029/08/13	500,000	2.13	-	30,861	530,861	
107 Kaohsiung Government bonds 2	Pay yearly	2028/10/16	<u>300,000</u>	0.95	<u>-</u>	<u>-</u>	<u>300,000</u>	
			<u>1,200,000</u>		<u>-</u>	<u>54,108</u>	<u>1,254,108</u>	
Government bonds—in New Taiwan dollars (Notes 1)		2023/03/17~2026/06/01	<u>1,475,792</u>	0.00~4.49	<u>-</u>	<u>165,373</u>	<u>1,641,165</u>	
Bank debentures—in New Taiwan dollars (Note 1)		2025/03/28	<u>500,000</u>	1.00	( <u>122</u> )	<u>-</u>	<u>499,878</u>	
Bank debentures—in Foreign currencies (Note 1)		2023/03/19~2031/01/03	<u>7,460,315</u>	0.00~6.13	( <u>1,609</u> )	( <u>51,699</u> )	<u>7,407,007</u>	
Restricted due from banks			<u>2,917,036</u>		<u>-</u>	<u>-</u>	<u>2,917,036</u>	
			<u>\$ 195,134,992</u>		( <u>\$ 2,787</u> )	<u>\$ 143,582</u>	<u>\$ 195,275,787</u>	

Note1: Each amount shall not exceed 5% of the total amount.

Note2: Individual bonds amount shall not exceed 5% of the total amount of each bond.

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**

**STATEMENT OF DISCOUNTS AND LOANS, NET**

**DECEMBER 31, 2022**

**STATEMENT 5**

**(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Short-term Loans	
Short-term collateral loans	\$ 152,178,043
Short-term loans	<u>83,657,612</u>
	<u>235,835,655</u>
Mid-term Loans	
Mid-term collateral loans	105,861,370
Mid-term loans	<u>138,817,894</u>
	<u>244,679,264</u>
Long-term Loans	
Long-term collateral loans	354,923,825
Long-term loans	<u>12,982,573</u>
	<u>367,906,398</u>
Inward/outward documentary bills	<u>2,265,965</u>
Non-performing loans	<u>1,333,238</u>
Total	852,020,520
Provisions for loans and discounts	12,426,716
Discount and premium adjustments	<u>408,391</u>
Net amount	<u>\$ 840,002,195</u>

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**  
**STATEMENT OF EQUITY INVESTMENT UNDER THE EQUITY METHOD**  
**DECEMBER 31, 2022**

**STATEMENT 6**

(In Thousands of New Taiwan Dollars, Except Other Notes)

Item	Beginning on January 1, 2022		Increase		Decrease		Balance at December 31, 2022			Market Value or Stockholders' Equity		Guarantee, Pledge or Lend	Notes
	Notes (In Thousands of Shares)	Amount	Notes (In Thousands of Shares)	Amount	Notes (In Thousands of Shares)	Amount	Notes (In Thousands of Shares)	Shares(%)	Amount	Unit (In Dollars )	Amount		
SCSB Asset Management Ltd.	160,000	\$ 1,669,904	-	\$ 27,149	-	\$ 10,000	160,000	100	\$ 1,687,053		\$ 1,687,053	—	Note1
China Travel Service (Taiwan)	38,943	422,875	-	71,677	-	19,472	38,943	99.99	475,080		475,080	—	Note2
SCSB Marketing Ltd.	500	8,589	-	1,882	-	1,500	500	100	8,971		8,971	—	Note3
Kuo Hai Real Estate Management	3,000	-	-	-	-	-	3,000	34.69	-		-	—	Note4
Shancom Reconstruction Inc.	5	69,271,539	-	13,076,311	-	7,068,288	5	100	75,279,562		75,279,562	—	Note5
Wresqueue Limitada	176	322,436	-	42,581	-	-	176	100	365,017		365,017	—	Note6
Paofong Insurance Company Ltd.	200	320,385	-	52,436	-	-	200	40	372,821		372,821	—	Note7
AMK Microfinance Institution Plc. ( AMK )	7,279	<u>3,981,362</u>	3,667	<u>1,430,020</u>	-	<u>-</u>	10,946	99.99	<u>5,411,382</u>		<u>5,411,382</u>	—	Note8
Total		<u>\$75,997,090</u>		<u>\$14,702,056</u>		<u>\$ 7,099,260</u>			<u>\$83,599,886</u>		<u>\$83,599,886</u>		

Note1: The increase in year 2022 is due to the recognition of investment interest of \$14,829 thousand and the recognition of changes in cumulative conversion adjustment of \$12,320 thousand using the equity method; the decrease in year 2022 is the recognition of unrealized losses of \$10,000 thousand on equity instruments measured at fair value through other comprehensive income and loss.

Note2: The increase in year 2022 is due to the recognition of investment interest by the equity method of \$71,314 thousand, the adjustment of capital reserve of \$50 thousand by cash dividends allocated to subsidiaries holding shares in the Bank, and the recognition of actuarial benefits in defined benefit plans of \$313 thousand; the decrease in year 2022 is due to the distribution of subsidiaries Cash dividends of \$19,472 thousand.

Note3: The increase in year 2022 is due to the investment interest recognized by the equity method of \$1,882 thousand; the decrease in year 2022 is due to the distribution of cash dividends by subsidiaries of \$1,500 thousand.

Note4: Due to the company's continuous losses, the Bank has recognized its investment losses over the years, so the book balance of the company's Long-term equity investment is zero.

Note5: The increase in year 2022 is due to the investment interest recognized by the equity method of \$5,615,708 thousand, the adjustment of capital reserves of \$9,430 thousand by cash dividends allocated to the shares held by subsidiaries in the Bank, and the changes in recognized cumulative translation adjustments of \$7,451,173 thousand; the decrease in year 2022 is due to subsidiaries distributed cash dividends of \$677,153 thousand, and the recognized amount the unrealized loss of \$1,609,903 thousand of equity instruments measured at fair value through other comprehensive gains and losses of subsidiaries, and the recognized amount of \$4,781,232 thousand of unrealized losses of debt instruments measured at fair value of subsidiaries through other comprehensive income and loss.

Note6: The increase in year 2022 is due to the recognition of investment interests of \$6,488 thousand under the equity method and the recognized changes in cumulative translation adjustments of \$36,093 thousand.

Note7: The increase in year 2022 is due to the recognition of investment interests of \$16,547 thousand and the recognized changes in cumulative conversion adjustments of \$35,889 thousand under the equity method.

Note8: The increase in year 2022 is due to the capital increase of \$626,400 thousand, the investment interest recognized by the equity method of \$319,956 thousand and the recognized changes in the accumulated translation adjustments of \$483,664 thousand.

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**

**STATEMENT OF RIGHT-OF-USE ASSETS**

**DECEMBER 31, 2022**

**STATEMENT 7**

(In Thousands of New Taiwan Dollars)

Item	Beginning on January 1, 2022	Additions	Disposals	Balance at December 31, 2022
Cost				
Buildings and improvements	\$ 1,311,231	\$ 347,834	(\$ 202,319)	\$ 1,456,746
Mechanical equipment	27,855	-	( 20,969)	6,886
Transportation equipment	<u>54,909</u>	<u>8,309</u>	<u>( 7,563)</u>	<u>55,655</u>
	<u>1,393,995</u>	<u>356,143</u>	<u>( 230,851)</u>	<u>1,519,287</u>
Accumulated depreciation				
Buildings and improvements	637,407	289,772	( 208,397)	718,782
Mechanical equipment	19,743	6,830	( 20,968)	5,605
Transportation equipment	<u>24,363</u>	<u>13,083</u>	<u>( 7,131)</u>	<u>30,315</u>
	<u>681,513</u>	<u>309,685</u>	<u>( 236,496)</u>	<u>754,702</u>
	<u>\$ 712,482</u>	<u>\$ 46,458</u>	<u>\$ 5,645</u>	<u>\$ 764,585</u>

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**  
**STATEMENT OF SECURITIES SOLD UNDER REPURCHASE AGREEMENTS**  
**DECEMBER 31, 2022**

**STATEMENT 8**

(In Thousands of New Taiwan Dollars, Except  
Other Notes)

Item	Par Value	Ending Amount
Government bonds		
105 Government bonds 4	\$ 38,000	\$ 40,924
102 Government bonds 1	219,200	221,015
103 Government bonds 13	46,000	48,493
108 Government bonds 1	40,800	44,099
Others (Notes 1)	<u>16,000</u>	<u>16,904</u>
	<u>360,000</u>	<u>371,435</u>
Short-term notes	<u>415,000</u>	<u>410,133</u>
	<u>\$ 775,000</u>	<u>\$ 781,568</u>

Note1: Individual bonds amount shall not exceed 5% of the total amount of each bond.

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**

**STATEMENT OF DEPOSITS AND REMITTANCES**

**DECEMBER 31, 2022**

**STATEMENT 9**

(In Thousands of New Taiwan Dollars)

Item	Amount
Time deposits	
Time deposits	\$ 256,937,795
Foreign exchange time deposit	<u>170,820,670</u>
	<u>427,758,465</u>
Savings deposits	
Savings deposit	96,696,792
Lump sum savings deposit	86,847,887
Others	<u>170,630</u>
	<u>183,715,309</u>
Demand savings deposit	
Demand savings deposit	202,714,693
Employees' demand savings deposit	<u>3,257,295</u>
	<u>205,971,988</u>
Demand deposit	
Foreign exchange demand deposit	169,137,105
Demand deposit	<u>159,301,273</u>
	<u>328,438,378</u>
Checking deposits	
Checking deposits	13,323,855
Bank check	<u>1,249,873</u>
	<u>14,573,728</u>
Negotiable certificates of deposit	<u>57,658,800</u>
Remittances	
Remittances	259,083
Outward remittance	<u>19,759</u>
	<u>278,842</u>
	<u>\$ 1,218,395,510</u>

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**

**STATEMENT OF LEASE LIABILITIES**

**DECEMBER 31, 2022**

**STATEMENT 10**

**(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Lease Period</u>	<u>Discount Rate</u>	<u>Amount</u>
Buildings and improvements	2019/1/1~2030/9/30	0.60%-1.25%	\$ 745,378
Mechanical equipment	2019/1/29~2024/7/13	0.60%-1.25%	1,300
Transportation equipment	2019/1/1~2027/1/18	0.60%-1.25%	<u>25,687</u>
			<u>\$ 772,365</u>

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**

**STATEMENT OF INTEREST INCOME**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

**STATEMENT 11**

(In Thousands of New Taiwan Dollars)

Item	Amount
Interest income	
Discounts and loans	
Long-term discounts and loans	\$ 6,421,688
Mid-term discounts and loans	5,996,477
Short-term discounts and loans	5,437,632
Others (Notes)	<u>67,770</u>
	<u>17,923,567</u>
Securities investments	
Financial assets measured at FVTOCI	3,411,508
Others (Note)	<u>806,348</u>
	<u>4,217,856</u>
Due from banks	<u>1,730,025</u>
Credit and revolving	<u>83,593</u>
Others (Note)	<u>73,382</u>
	<u>\$ 24,028,423</u>

Note: Each amount shall not exceed 5% of the subject amount.



**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**

**STATEMENT OF INTEREST EXPENSE**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

**STATEMENT 12**

**(In Thousands of New Taiwan Dollars)**

Item	Amounts
Interest expense	
Deposits	
Time deposits	\$ 3,456,095
Saving deposits	910,280
Lump sum savings deposit	645,916
Demand saving deposits	577,408
Others (Notes)	<u>850,670</u>
	<u>6,440,369</u>
Bank debentures	<u>995,163</u>
Due to banks	<u>223,969</u>
Securities sold under repurchase agreements	<u>30,543</u>
Others (Notes)	<u>52,889</u>
	<u>\$ 7,742,933</u>

Note: Each amount shall not exceed 5% of the subject amount.

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**  
**STATEMENT OF GAIN OR LOSS ON FINANCIAL ASSETS AND**  
**LIABILITIES AT FVTPL**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

**STATEMENT 13**

(In Thousands of New Taiwan Dollars)

Item	Realized Gain (Loss)	Unrealized Gain (Loss)	Total
Financial assets mandatorily classified as at FVTPL			
Forward contracts	\$ 11,235,354	\$ 701,159	\$ 11,936,513
Swap contract	106,852	( 174,292 )	( 67,440 )
Beneficiary certificates	( 24,912 )	( 70,235 )	( 95,147 )
Share futures	8,074	( 336 )	7,738
Shares	( 123,025 )	( 77,191 )	( 200,216 )
Government and corporate bonds	-	( 11,200 )	( 11,200 )
Others	( 158,226 )	8,179	( 150,047 )
	<u>11,044,117</u>	<u>376,084</u>	<u>11,420,201</u>
Held-for-trading financial liabilities			
Forward contracts	( 13,320,040 )	( 329,381 )	( 13,649,421 )
Currency options	186,013	( 971 )	185,042
Share Futures	( 7,404 )	-	( 7,404 )
Others	22,995	( 177,996 )	( 155,001 )
	<u>( 13,118,436 )</u>	<u>( 508,348 )</u>	<u>( 13,626,784 )</u>
Financial liabilities designated at FVTPL			
Bank debentures	-	334,764	334,764
	<u>-</u>	<u>334,764</u>	<u>334,764</u>
	( \$ 2,074,319 )	\$ 202,500	( \$ 1,871,819 )

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**  
**STATEMENT OF REALIZED GAIN (LOSS) ON FINANCIAL ASSETS AND LIABILITIES**  
**AT FVTOCI**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

**STATEMENT 14**

(In Thousands of New Taiwan Dollars)

Item	Amount
Dividend revenue	\$ 1,339,201
Bank debentures	125,675
Government bonds	121,532
Corporate bonds	37,951
Commercial papers	<u>787</u>
	<u>\$ 1,625,146</u>

Note: Each amount shall not exceed 5% of the subject amount.

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**

**STATEMENT OF EMPLOYEE BENEFITS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

**STATEMENT 15**

(In Thousands of New Taiwan Dollars)

Item	Employee Benefits	Non-interest Income	Other General and Administrative	Total
Salaries	\$ 4,324,570	\$ -	\$ -	\$ 4,324,570
Remuneration of directors	78,200	-	5,108	83,308
Retirement benefits	250,965	-	-	250,965
Labor health insurance	262,969	-	-	262,969
Others (Notes1)	<u>415,379</u>	<u>-</u>	<u>-</u>	<u>415,379</u>
	<u>\$ 5,332,083</u>	<u>\$ -</u>	<u>\$ 5,108</u>	<u>\$ 5,337,191</u>

Note1: Each amount shall not exceed 5% of the subject amount.

Note2: The company's average number of employees in 2022 and 2021 was 2,800 and 2,689, respectively. The number of directors who did not concurrently serve as employees was 8.

Note3: The average employee welfare expenses in 2022 and 2021 were \$1,882 thousand and \$1,669 thousand respectively.

Note4: The average employee salary expenses in 2022 and 2021 were \$1,549 thousand and \$1,332 thousand respectively. The average employee salary expenses increased by 16.3%.

Note5: The company has set up an audit committee, and the supervisor system is not applicable. Therefore, the supervisor's remuneration for 2022 and 2021 is \$0 thousand.

Note6: 6.1 Remuneration for directors, general manager and deputy general manager

6.1.1. The remuneration of the directors of the Bank is based on the Articles of Association of the Bank. If the Bank has the profit in its net income, it would first pay taxes and make up for the accumulated losses, and set aside the legal reserve according to laws and regulations while the legal reserve is less than share capital. The balance is then appropriate to or reversed to the special reserve. The special stock dividends could be distributed. The balance and the accumulated unappropriated earnings of the previous year, including the reversed special reserve, would be used as the distributable earnings for the current year. The board of directors will prepare a dividend distribution plan and submit it to the shareholders' general meeting for approval. If the bank has the profit in the year, it would also appropriate employee remuneration with the amount that no less than one-thousandth of the current year's profit and would also distribute directors' remuneration with the amount that at no more than six-thousandth of the current year's profit unless the company still has accumulated losses.

6.1.2. The remuneration of the general manager and deputy general manager is measured in accordance with the bank's remuneration policy, remuneration management method, employee remuneration distribution method and employee service treatment method. The payment of remuneration is quite related to business performance of each manager.

6.1.3. The remuneration committee has been set up by the bank to regularly review the policies,

systems, standards and structure of directors and managers' performance and remuneration. This committee also evaluates and determines the remuneration of directors and managers. It would submit the recommendations of this committee to the board of directors for discussion.

## 6.2 employee compensation

- 6.2.1. Remuneration management method" has been implemented by the bank to facilitate the staff selection and to offer multiple compensation plans which match the compensation level of the bank with the professional and talent markets. The method enhanced the bank to attract, motivate and retain outstanding talents.
- 6.2.2. Bonuses will be distributed at the Dragon Boat Festival and Mid-Autumn Festival every year according to the surplus of the year. The year-end bonus adopts a performance-oriented assessment system. At the end of the year, the implementation of the annual work performance goals and the comprehensive employee behavior performance are reviewed. After interviews with the supervisor and employees, the annual performance assessment grade is approved as a reference for the year-end performance bonus.
- 6.2.3. For employees with outstanding performance, opportunities and channels for promotion and salary adjustment are provided, and appropriate employee development plans are given to encourage employees and the organization to grow together, creating a win-win goal for employees and the bank.

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.**  
**STATEMENT OF OTHER GENERAL AND ADMINISTRATIVE**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**STATEMENT 16**

(In Thousands of New Taiwan Dollars)

Item	Amount
Taxation	\$ 1,250,163
Postal fees	214,540
Insurances	196,252
Maintenance and repairment fees	174,364
Professional service fees	124,538
Advertising fees	75,917
Others (Note)	<u>633,676</u>
	<u>\$ 2,669,450</u>

Note: Each amount shall not exceed 5% of the subject amount.