

**Chang Hwa Commercial Bank, Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2022 and 2021 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Chang Hwa Commercial Bank, Ltd. (the “Bank”) and its subsidiaries (collectively referred to as the “Group”) as of September 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2022 and 2021, its consolidated financial performance for the three months ended September 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 10, 2022

Notice to Readers

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

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	September 30, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
Cash and cash equivalents (Notes 4, 6 and 36)	\$ 37,907,240	1	\$ 41,507,576	2	\$ 30,438,264	1
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	230,525,855	9	249,194,363	10	176,708,952	7
Financial assets at fair value through profit or loss (Notes 4, 7, 34 and 37)	65,116,503	2	56,611,729	2	26,334,775	1
Financial assets at fair value through other comprehensive income (Notes 4, 8, 34 and 37)	223,200,689	8	174,195,003	7	180,153,263	7
Financial assets for hedging (Notes 4, 13 and 34)	-	-	147,321	-	182,088	-
Investments in debt instruments at amortized cost (Notes 4, 5, 9, 34 and 37)	379,200,488	14	405,256,329	16	378,296,368	16
Receivables, net (Notes 4, 11 and 12)	24,079,213	1	22,928,736	1	25,621,225	1
Current tax assets (Notes 4 and 31)	54,104	-	344,089	-	346,582	-
Discounts and loans, net (Notes 4, 5, 12, 35 and 36)	1,731,390,698	63	1,554,775,087	61	1,576,518,237	65
Other financial assets, net (Notes 4, 14 and 37)	2,866,144	-	3,857,675	-	3,378,477	-
Property and equipment, net (Notes 4 and 16)	20,961,447	1	20,979,380	1	20,886,720	1
Right-of-use assets, net (Notes 4 and 17)	2,020,674	-	1,941,510	-	1,984,490	-
Investment property, net (Notes 4 and 18)	13,847,189	1	13,852,096	-	13,853,705	1
Intangible assets, net (Notes 4 and 19)	1,094,611	-	595,639	-	597,069	-
Deferred tax assets (Notes 4 and 31)	6,477,700	-	3,455,911	-	3,322,542	-
Other assets, net (Notes 20 and 37)	<u>1,346,750</u>	<u>-</u>	<u>1,464,053</u>	<u>-</u>	<u>1,074,974</u>	<u>-</u>
TOTAL	\$ 2,740,089,305	100	\$ 2,551,106,497	100	\$ 2,439,697,731	100
LIABILITIES AND EQUITY						
Deposits from the Central Bank and banks (Notes 4, 21 and 36)	\$ 114,335,086	4	\$ 72,221,898	3	\$ 83,175,540	4
Due to the Central Bank and banks (Note 6)	-	-	27,667,470	1	23,304,950	1
Financial liabilities at fair value through profit or loss (Notes 4, 7 and 34)	14,054,490	1	3,150,309	-	1,806,832	-
Securities sold under repurchase agreements (Note 4)	17,703,862	1	1,372,860	-	1,449,673	-
Payables (Notes 4, 22 and 29)	29,837,078	1	36,770,068	2	46,899,700	2
Current tax liabilities (Notes 4 and 31)	582,290	-	318,060	-	304,120	-
Deposits and remittances (Notes 4, 23 and 36)	2,304,263,665	84	2,167,441,232	85	2,044,106,503	84
Bank notes payable (Notes 4, 24 and 34)	51,234,182	2	51,278,335	2	51,311,389	2
Other financial liabilities (Notes 4 and 25)	967,056	-	1,001,902	-	1,312,659	-
Reserve for liabilities (Notes 4, 5 and 27)	4,578,755	-	4,694,126	-	4,916,770	-
Lease liabilities (Notes 4 and 17)	1,863,505	-	1,770,490	-	1,821,750	-
Deferred tax liabilities (Notes 4 and 31)	12,088,663	-	8,818,712	-	8,404,891	-
Other liabilities (Notes 4, 16 and 26)	<u>21,902,265</u>	<u>1</u>	<u>3,148,580</u>	<u>-</u>	<u>2,635,702</u>	<u>-</u>
Total liabilities	<u>2,573,410,897</u>	<u>94</u>	<u>2,379,654,042</u>	<u>93</u>	<u>2,271,450,479</u>	<u>93</u>
EQUITY (Notes 4, 29 and 31)						
Capital stock						
Common stock	105,934,566	4	104,885,708	4	104,885,708	4
Retained earnings						
Legal reserve	43,043,607	2	40,320,456	2	40,320,456	2
Special reserve	12,201,590	-	12,201,590	1	12,201,590	1
Unappropriated earnings	8,623,723	-	9,130,892	-	6,847,026	-
Other equity	<u>(3,125,078)</u>	<u>-</u>	<u>4,913,809</u>	<u>-</u>	<u>3,992,472</u>	<u>-</u>
Total equity	<u>166,678,408</u>	<u>6</u>	<u>171,452,455</u>	<u>7</u>	<u>168,247,252</u>	<u>7</u>
TOTAL	\$ 2,740,089,305	100	\$ 2,551,106,497	100	\$ 2,439,697,731	100

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST INCOME (Notes 4, 30 and 36)	\$ 11,441,592	125	\$ 7,002,615	90	\$ 27,771,247	110	\$ 20,413,956	94
INTEREST EXPENSE (Notes 30 and 36)	(4,768,477)	(52)	(1,717,520)	(22)	(9,421,450)	(37)	(5,312,182)	(24)
NET INCOME OF INTEREST	6,673,115	73	5,285,095	68	18,349,797	73	15,101,774	70
NET NON-INTEREST INCOME								
Net service fee income (Notes 4 and 30)	1,024,301	11	1,113,565	15	3,340,054	13	3,394,353	16
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 30)	534,774	6	236,635	3	1,199,227	5	941,210	4
Realized gain (loss) on financial assets at fair value through other comprehensive income (Notes 4 and 30)	(29,391)	(1)	860,690	11	354,171	1	1,463,050	7
Gain (loss) arising from derecognition of financial assets at amortized cost	6	-	-	-	(1,639)	-	-	-
Foreign exchange gain (loss) (Notes 4 and 34)	981,878	11	168,295	2	1,763,043	7	410,499	2
Net other non-interest income (loss) (Note 13)	(7,929)	-	92,615	1	133,982	1	331,369	1
Net non-interest income	2,503,639	27	2,471,800	32	6,788,838	27	6,540,481	30
NET REVENUE AND GAINS	9,176,754	100	7,756,895	100	25,138,635	100	21,642,255	100
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12)	(756,927)	(8)	(455,593)	(6)	(2,138,177)	(8)	(1,394,960)	(6)
OPERATING EXPENSES								
Employee benefits expenses (Notes 4 and 30)	(3,097,656)	(34)	(3,081,158)	(40)	(8,635,284)	(34)	(8,581,191)	(40)
Depreciation and amortization expenses (Notes 4 and 30)	(404,002)	(5)	(355,952)	(4)	(1,172,380)	(5)	(1,071,340)	(5)
Other general and administrative expenses	(1,115,608)	(12)	(956,700)	(12)	(3,220,477)	(13)	(2,808,551)	(13)
Total operating expenses	(4,617,266)	(51)	(4,393,810)	(56)	(13,028,141)	(52)	(12,461,082)	(58)
INCOME BEFORE INCOME TAX	3,802,561	41	2,907,492	38	9,972,317	40	7,786,213	36
INCOME TAX EXPENSE (Notes 4 and 31)	(601,900)	(6)	(300,467)	(4)	(1,451,799)	(6)	(1,011,738)	(5)
NET INCOME	3,200,661	35	2,607,025	34	8,520,518	34	6,774,475	31

(Continued)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified to profit or loss, net of tax:								
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	\$ (1,792,043)	(20)	\$ (158,642)	(2)	\$ (3,289,579)	(13)	\$ 1,324,398	6
Items that will be reclassified to profit or loss, net of tax:								
Exchange differences on translation (Note 4)	1,716,434	19	(182,371)	(2)	3,440,464	14	(447,811)	(2)
Revaluation gains (losses) on investments in debt instruments measured at fair value through other comprehensive income	(2,133,012)	(23)	(119,986)	(2)	(8,154,210)	(33)	(786,247)	(3)
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	754	-	4,198	-	1,405	-	18,465	-
Income tax related to items that will be reclassified to profit or loss (Notes 4 and 31)	(81,121)	(1)	19,179	-	(48,360)	-	48,683	-
Other comprehensive income (loss), net of tax	(2,288,988)	(25)	(437,622)	(6)	(8,050,280)	(32)	157,488	1
TOTAL COMPREHENSIVE INCOME	<u>\$ 911,673</u>	<u>10</u>	<u>\$ 2,169,403</u>	<u>28</u>	<u>\$ 470,238</u>	<u>2</u>	<u>\$ 6,931,963</u>	<u>32</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Bank	<u>\$ 3,200,661</u>	<u>35</u>	<u>\$ 2,607,025</u>	<u>34</u>	<u>\$ 8,520,518</u>	<u>34</u>	<u>\$ 6,774,475</u>	<u>31</u>
Non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Bank	<u>\$ 911,673</u>	<u>10</u>	<u>\$ 2,169,403</u>	<u>28</u>	<u>\$ 470,238</u>	<u>2</u>	<u>\$ 6,931,963</u>	<u>32</u>
Non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
EARNINGS PER SHARE (Note 32)								
Basic	<u>\$ 0.30</u>		<u>\$ 0.25</u>		<u>\$ 0.80</u>		<u>\$ 0.65</u>	
Diluted	<u>\$ 0.30</u>		<u>\$ 0.25</u>		<u>\$ 0.80</u>		<u>\$ 0.64</u>	

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

(Concluded)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars, Except Shares of Capital Stock) (Reviewed, Not Audited)

	Equity Attributable to Owners of the Bank					Other Equity		Total Equity
	Capital Stock		Retained Earnings			Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	
	Common Stock (In Thousands)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE, JANUARY 1, 2021	10,384,724	\$ 103,847,236	\$ 38,266,789	\$ 12,201,590	\$ 6,884,362	\$ (2,870,996)	\$ 6,724,809	\$ 165,053,790
Appropriation of 2020 earnings								
Legal reserve appropriated	-	-	2,053,667	-	(2,053,667)	-	-	-
Cash dividends	-	-	-	-	(3,738,501)	-	-	(3,738,501)
Stock dividends	103,847	1,038,472	-	-	(1,038,472)	-	-	-
Net income for the nine months ended September 30, 2021	-	-	-	-	6,774,475	-	-	6,774,475
Other comprehensive income (loss) for the nine months ended September 30, 2021, net of tax	-	-	-	-	-	(393,346)	550,834	157,488
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	6,774,475	(393,346)	550,834	6,931,963
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	18,829	-	(18,829)	-
BALANCE, SEPTEMBER 30, 2021	10,488,571	\$ 104,885,708	\$ 40,320,456	\$ 12,201,590	\$ 6,847,026	\$ (3,264,342)	\$ 7,256,814	\$ 168,247,252
BALANCE, JANUARY 1, 2022	10,488,571	\$ 104,885,708	\$ 40,320,456	\$ 12,201,590	\$ 9,130,892	\$ (3,313,666)	\$ 8,227,475	\$ 171,452,455
Appropriation of 2021 earnings								
Legal reserve appropriated	-	-	2,723,151	-	(2,723,151)	-	-	-
Cash dividends	-	-	-	-	(5,244,285)	-	-	(5,244,285)
Stock dividends	104,886	1,048,858	-	-	(1,048,858)	-	-	-
Net income for the nine months ended September 30, 2022	-	-	-	-	8,520,518	-	-	8,520,518
Other comprehensive income (loss) for the nine months ended September 30, 2022, net of tax	-	-	-	-	-	3,251,750	(11,302,030)	(8,050,280)
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	8,520,518	3,251,750	(11,302,030)	470,238
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(11,393)	-	11,393	-
BALANCE, SEPTEMBER 30, 2022	10,593,457	\$ 105,934,566	\$ 43,043,607	\$ 12,201,590	\$ 8,623,723	\$ (61,916)	\$ (3,063,162)	\$ 166,678,408

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 9,972,317	\$ 7,786,213
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	2,138,177	1,394,960
Depreciation expense	913,212	877,675
Amortization expense	259,168	193,665
Interest income	(27,771,247)	(20,413,956)
Dividend income	(1,367,402)	(1,066,388)
Interest expense	9,421,450	5,312,182
Net gain on financial assets or liabilities at fair value through profit or loss	(20,068,317)	(2,772,573)
Loss (gain) on disposal of investments	1,006,618	(398,731)
Unrealized foreign exchange losses	18,869,090	1,831,363
Other adjustments	451,893	77,467
Changes in operating assets and liabilities		
Increase in due from the Central Bank	(3,869,694)	(9,276,995)
Decrease (increase) in financial assets at fair value through profit or loss	21,274,423	(15,165,376)
Decrease (increase) in receivables	220,470	(4,547,363)
Increase in discounts and loans	(178,622,152)	(100,271,141)
Increase in financial assets at fair value through other comprehensive income	(61,453,049)	(56,502,095)
Decrease (increase) in investments in debt instruments at amortized cost	26,055,927	(33,012,921)
Decrease in other financial assets	986,964	22,340,121
Decrease in other assets	125,856	1,674,828
Decrease in deposits from the Central Bank and banks	(221,898)	(96,670)
Increase in deposits and remittances	136,822,433	126,119,354
(Decrease) increase in payables	(8,800,626)	24,953,592
Decrease in financial liabilities at fair value through profit or loss	(17,924,674)	(1,234,626)
Decrease in reserve for liabilities	(176,208)	(242,429)
Decrease in other financial liabilities	(34,846)	(636,490)
Increase in other liabilities	18,715,775	152,088
Cash flows used in operations	(73,076,340)	(52,924,246)
Interest received	26,623,894	20,962,828
Dividends received	1,362,646	981,990
Interest paid	(7,606,224)	(5,606,681)
Income taxes paid	(987,767)	(1,340,784)
Net cash flows used in operating activities	(53,683,791)	(37,926,893)

(Continued)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	\$ (480,338)	\$ (352,206)
Acquisition of intangible assets	<u>(694,253)</u>	<u>(102,488)</u>
Net cash flows used in investing activities	<u>(1,174,591)</u>	<u>(454,694)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due to the Central Bank and banks	14,667,616	(11,473,517)
Repayments of bank notes	-	(10,000,000)
Cash dividends paid	(5,244,285)	(3,738,501)
Increase in securities sold under repurchase agreement	16,331,002	223,040
Repayments of the principal portion of lease liabilities	<u>(474,953)</u>	<u>(503,359)</u>
Net cash flows generated from (used in) financing activities	<u>25,279,380</u>	<u>(25,492,337)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>3,440,464</u>	<u>(447,811)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(26,138,538)	(64,321,735)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>194,506,675</u>	<u>175,454,685</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 168,368,137</u>	<u>\$ 111,132,950</u>
	September 30	
	2022	2021
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in the balance sheets	\$ 37,907,240	\$ 30,438,264
Call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	<u>130,460,897</u>	<u>80,694,686</u>
Cash and cash equivalents at end of period	<u>\$ 168,368,137</u>	<u>\$ 111,132,950</u>

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

(Concluded)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. ORGANIZATION AND BUSINESS SCOPE

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

The Bank mainly engages in the following business:

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

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank’s board of directors on November 10, 2022.

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

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

Except for the following, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Bank and its subsidiaries (collectively referred to as the “Group”) accounting policies.

1) Annual Improvements to IFRS Standards 2018-2020

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

2) Amendment to IFRS 16 “Covid-19 - Related Rent Concessions beyond June 30, 2021”

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

The Group applied the amendments from January 1, 2022 and recognized the cumulative effect of retrospective application in retained earnings on January 1, 2022.

b. IFRSs approved by the FSC for prospective application in 2023.

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and IAS 34 as endorsed and issued into effect by the FSC. Disclosure information included in these consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

Basis of Preparation

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

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

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

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

Other Significant Accounting Policies

Except for the following, for the summary of other significant accounting policies, refer to the Group's consolidated financial statements for the year ended December 31, 2021.

a. Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

b. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Refer to the summary of critical accounting judgements and key sources of estimation uncertainty in the Group's consolidated financial statements for the year ended December 31, 2021.

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

a. Cash and cash equivalents

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	\$ 12,787,625	\$ 11,986,278	\$ 11,987,074
Checks for clearing	3,655,705	14,552,468	2,746,213
Due from banks	19,923,082	13,433,148	14,171,599
Foreign currencies on hand	<u>1,540,828</u>	<u>1,535,682</u>	<u>1,533,378</u>
	<u>\$ 37,907,240</u>	<u>\$ 41,507,576</u>	<u>\$ 30,438,264</u>

Refer to the consolidated statement of cash flows for the cash and cash equivalents reconciliation information as of September 30, 2022 and 2021. Cash and cash equivalents as of December 31, 2021 as shown in the statement of cash flows can be reconciled to the related items in the consolidated balance sheets as follows:

	December 31, 2021
Cash and cash equivalents	\$ 41,507,576
Call loans to banks	<u>152,999,099</u>
	<u>\$ 194,506,675</u>

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

	September 30, 2022	December 31, 2021	September 30, 2021
Call loans to banks	\$ 130,460,897	\$ 152,999,099	\$ 80,694,686
Reserve for checking accounts	25,263,899	24,508,522	29,859,951
Reserve for demand accounts	59,064,916	54,264,266	54,656,050
Reserve for foreign deposits	695,110	598,428	549,075
Others	<u>15,041,033</u>	<u>16,824,048</u>	<u>10,949,190</u>
	<u>\$ 230,525,855</u>	<u>\$ 249,194,363</u>	<u>\$ 176,708,952</u>

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

c. Due to the Central Bank and banks

	September 30, 2022	December 31, 2021	September 30, 2021
Other dues to the Central Bank	<u>\$ -</u>	<u>\$ 27,667,470</u>	<u>\$ 23,304,950</u>

According to the Central Bank's regulations on capital requirements in response to the COVID-19, the Group set aside \$35,000,000 thousand and \$30,000,000 thousand as of December 31, 2021 and September 30, 2021, respectively.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets mandatorily classified at FVTPL			
Derivative financial assets (not under hedge accounting)			
Futures	\$ 1,137,017	\$ 159,609	\$ 150,675
Forward exchange contracts	133,652	86,476	67,274
Interest rate swaps	258,719	128,448	200,872
Currency swaps	31,133,355	1,728,652	1,622,079
Currency call option premiums	131,065	32,426	23,039
Non-derivative financial assets			
Investment in bills	28,179,733	50,539,806	21,252,064
Domestic listed stock	116,653	23,166	28,955
Domestic unquoted stock	466,244	331,681	292,706
Funds	19,977	12,000	6,000
Government bonds	4,801	440,518	5,625
Corporate bonds	2,860,463	2,269,950	2,330,845
Bank notes	<u>674,824</u>	<u>858,997</u>	<u>354,641</u>
	<u>\$ 65,116,503</u>	<u>\$ 56,611,729</u>	<u>\$ 26,334,775</u>

The par values of notes provided for transactions with repurchase agreements were \$60,300 thousand, \$433,500 thousand and \$477,900 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

Financial Liabilities at FVTPL

	September 30, 2022	December 31, 2021	September 30, 2021
Financial liabilities held for trading			
Derivative financial liabilities (not applying hedge accounting)			
Forward exchange contracts	\$ 387,332	\$ 28,402	\$ 57,852
Interest rate swaps	260,508	128,981	198,141
Currency swaps	13,275,562	2,960,496	1,527,796
Currency put option premiums	<u>131,088</u>	<u>32,430</u>	<u>23,043</u>
	<u>\$ 14,054,490</u>	<u>\$ 3,150,309</u>	<u>\$ 1,806,832</u>

The Group entered into derivative contracts during the nine months ended September 30, 2022 and 2021 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Group is to minimize risks due to changes in fair value and cash flows.

The nominal principal amounts of outstanding derivative contracts as of September 30, 2022, December 31, 2021 and September 30, 2021 were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Currency swaps	\$ 674,863,252	\$ 671,334,286	\$ 612,599,532
Currency options	23,572,968	14,821,235	17,586,479
Forward exchange contracts	17,825,706	14,430,824	22,482,504
Interest rate swaps	79,535,153	107,323,685	125,954,104

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2022	December 31, 2021	September 30, 2021
Investments in equity instruments at FVTOCI			
Domestic listed stock	\$ 13,624,271	\$ 15,814,451	\$ 14,934,197
Domestic unquoted stock	10,120,983	11,494,597	10,665,506
Beneficiary and asset-based securities	<u>227,925</u>	<u>233,100</u>	<u>-</u>
	<u>23,973,179</u>	<u>27,542,148</u>	<u>25,599,703</u>
Investments in debt instruments at FVTOCI			
Government bonds	50,490,699	27,322,940	29,307,146
Corporate bonds	75,209,044	51,529,797	57,118,944
Bank notes	65,113,776	61,181,463	60,851,982
Bonds issued by international organizations	3,089,940	850,502	1,087,710
Beneficiary and asset-based securities	4,113,166	4,651,193	5,063,706
Investments in bills	<u>1,210,885</u>	<u>1,116,960</u>	<u>1,124,072</u>
	<u>199,227,510</u>	<u>146,652,855</u>	<u>154,553,560</u>
	<u>\$ 223,200,689</u>	<u>\$ 174,195,003</u>	<u>\$ 180,153,263</u>

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

- a. Refer to Note 10 for information relating to their credit risk management and impairment.
- b. The par values of bonds provided for transactions with repurchase agreement were \$900,600 thousand, \$852,600 thousand and \$881,300 thousand, as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.
- c. Government bonds placed as deposits in courts amounted to \$218,200 thousand, \$249,300 thousand and \$375,600 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively. Another government bonds placed as operating deposits amounted to \$330,000 thousand; government bonds placed as a reserve fund for trust compensation amounted to \$220,000 thousand; overseas branches' bonds provided as collateral for operations were \$463,676 thousand, \$217,887 thousand and \$220,867 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively. Government bonds placed at the Central Bank as collateral for treasury operations amounted to \$5,600,000 thousand and \$4,600,000 thousand as of December 31, 2021 and September 30, 2021. Refer to Note 37 for information relating to investments in debt instruments at FVTOCI pledged as security.

9. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	September 30, 2022	December 31, 2021	September 30, 2021
Investments in bills	\$ 293,136,448	\$ 360,215,104	\$ 336,539,531
Bank notes	47,028,781	11,339,437	8,560,944
Corporate bonds	4,653,074	3,652,914	2,460,765
Government bonds	11,671,302	11,243,118	11,290,009
Bonds issued by international organizations	6,034,898	5,323,099	5,391,416
Beneficiary and asset-based securities	<u>16,675,985</u>	<u>13,482,657</u>	<u>14,053,703</u>
	<u>\$ 379,200,488</u>	<u>\$ 405,256,329</u>	<u>\$ 378,296,368</u>

- a. Refer to Note 10 for information relating to their credit risk management and impairment.
- b. The amounts of the overseas branches' bonds provided as collateral for operations were \$159,100 thousand, \$138,275 thousand and \$139,250 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.
- c. Certificates of deposit placed as reserves for clearing at the Central Bank amounted to \$36,000,000 thousand; certificates of deposit which were issued by the Central Bank and pledged for call loans from banks amounted to \$5,300,000 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021.
- d. Refer to Note 37 for information relating to investments in debt instruments at amortized cost pledged as security.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

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

September 30, 2022

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 208,141,498	\$ 379,212,866	\$ 587,354,364
Less: Allowance for impairment loss	<u>(55,061)</u>	<u>(12,378)</u>	<u>(67,439)</u>
Amortized cost	208,086,437	<u>\$ 379,200,488</u>	587,286,925
Adjustment to fair value	<u>(8,858,927)</u>		<u>(8,858,927)</u>
	<u>\$ 199,227,510</u>		<u>\$ 578,427,998</u>

December 31, 2021

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 147,412,633	\$ 405,260,925	\$ 552,673,558
Less: Allowance for impairment loss	<u>(53,656)</u>	<u>(4,596)</u>	<u>(58,252)</u>
Amortized cost	147,358,977	<u>\$ 405,256,329</u>	552,615,306
Adjustment to fair value	<u>(706,122)</u>		<u>(706,122)</u>
	<u>\$ 146,652,855</u>		<u>\$ 551,909,184</u>

September 30, 2021

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 154,661,431	\$ 378,299,485	\$ 532,960,916
Less: Allowance for impairment loss	<u>(57,839)</u>	<u>(3,117)</u>	<u>(60,956)</u>
Amortized cost	154,603,592	<u>\$ 378,296,368</u>	532,899,960
Adjustment to fair value	<u>(50,032)</u>		<u>(50,032)</u>
	<u>\$ 154,553,560</u>		<u>\$ 532,849,928</u>

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

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

Category	Description	Basis for Recognizing Expected Credit Losses
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit impaired
Defaulted	There is evidence indicating that the asset is credit impaired	Lifetime ECLs - credit impaired

Gross carrying amount and applicable expected credit loss rate of investments in debt instruments are as follows:

September 30, 2022

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.3076%	<u>\$ 208,141,498</u>	<u>\$ 379,212,866</u>

December 31, 2021

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.3396%	<u>\$ 147,412,633</u>	<u>\$ 405,260,925</u>

September 30, 2021

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.3396%	<u>\$ 154,661,431</u>	<u>\$ 378,299,485</u>

At FVTOCI

Allowance for Impairment Loss	Credit Rating			Total
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	Defaulted (Lifetime ECLs - Credit- impaired)	
Balance at January 1, 2022	\$ 53,656	\$ -	\$ -	\$ 53,656
Purchase of investments in debt instruments	10,214	-	-	10,214
Derecognition	(6,031)	-	-	(6,031)
Change in exchange rates or others	<u>(2,778)</u>	<u>-</u>	<u>-</u>	<u>(2,778)</u>
Balance at September 30, 2022	<u>\$ 55,061</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,061</u>

(Continued)

Allowance for Impairment Loss	Credit Rating			Total
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	Defaulted (Lifetime ECLs - Credit- impaired)	
Balance at January 1, 2021	\$ 39,374	\$ -	\$ -	\$ 39,374
Purchase of investments in debt instruments	27,199	-	-	27,199
Derecognition	(5,282)	-	-	(5,282)
Change in exchange rates or others	<u>(3,452)</u>	<u>-</u>	<u>-</u>	<u>(3,452)</u>
Balance at September 30, 2021	<u>\$ 57,839</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,839</u> (Concluded)

At amortized cost

Allowance for Impairment Loss	Credit Rating			Total
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	Defaulted (Lifetime ECLs - Credit- impaired)	
Balance at January 1, 2022	\$ 4,596	\$ -	\$ -	\$ 4,596
Purchase of investments in debt instruments	8,916	-	-	8,916
Change in exchange rates or others	<u>(1,134)</u>	<u>-</u>	<u>-</u>	<u>(1,134)</u>
Balance at September 30, 2022	<u>\$ 12,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,378</u>
Balance at January 1, 2021	\$ 1,787	\$ -	\$ -	\$ 1,787
Purchase of investments in debt instruments	3,112	-	-	3,112
Derecognition	(1,749)	-	-	(1,749)
Change in exchange rates or others	<u>(33)</u>	<u>-</u>	<u>-</u>	<u>(33)</u>
Balance at September 30, 2021	<u>\$ 3,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,117</u>

11. RECEIVABLES, NET

a. Details of receivables

	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable	\$ 11,332,220	\$ 9,987,264	\$ 12,771,356
Accrued incomes	5,693	11,666	961
Interests receivable	4,422,053	2,987,905	2,685,772
Acceptances receivable	3,804,153	5,033,937	4,741,567
Credit cards accounts receivable	3,057,134	3,565,790	3,238,679
Settlement price	855,323	790,929	628,116
Accounts receivable for settlement	648,875	606,377	739,273
Other receivables	<u>333,531</u>	<u>252,121</u>	<u>1,142,169</u>
	24,458,982	23,235,989	25,947,893
Less: Allowance for bad debts, receivables	<u>(379,769)</u>	<u>(307,253)</u>	<u>(326,668)</u>
	<u>\$ 24,079,213</u>	<u>\$ 22,928,736</u>	<u>\$ 25,621,225</u>

b. Allowance for receivables

1) Movements in the allowance for receivables

For the Nine Months Ended September 30, 2022						
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing Loans and Bad Debts	Total
Receivables						
Beginning balance	\$ 10,978	\$ 2,223	\$ 153,817	\$ 167,018	\$ 140,235	\$ 307,253
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(992)	1,003	(11)	-	-	-
Transfers to credit-impaired financial assets	(326)	(4)	330	-	-	-
Transfers to 12-month expected credit losses	263	(103)	(160)	-	-	-
Financial assets derecognized for the period	(9,598)	(840)	(137,231)	(147,669)	-	(147,669)
Purchase or originated financial assets	9,188	1,195	135,818	146,201	-	146,201

(Continued)

For the Nine Months Ended September 30, 2022

	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing Loans and Bad Debts	Total
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	\$ -	\$ -	\$ -	\$ -	\$ 85,302	\$ 85,302
Doubtful debts written off	-	-	(11,668)	(11,668)	-	(11,668)
Changes in exchange rates or others	<u>82</u>	<u>17</u>	<u>251</u>	<u>350</u>	<u>-</u>	<u>350</u>
Ending balance	<u>\$ 9,595</u>	<u>\$ 3,491</u>	<u>\$ 141,146</u>	<u>\$ 154,232</u>	<u>\$ 225,537</u>	<u>\$ 379,769</u>

(Concluded)

For the Nine Months Ended September 30, 2021

	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing Loans and Bad Debts	Total
Receivables						
Beginning balance	\$ 20,940	\$ 5,234	\$ 28,420	\$ 54,594	\$ 245,993	\$ 300,587
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(9)	142	(133)	-	-	-
Transfers to credit-impaired financial assets	(2)	(435)	437	-	-	-
Transfers to 12-month expected credit losses	314	(223)	(91)	-	-	-
Financial assets derecognized for the period	(19,700)	(2,791)	(7,987)	(30,478)	-	(30,478)
Purchase or originated financial assets	10,395	1,078	32,791	44,264	-	44,264

(Continued)

For the Nine Months Ended September 30, 2021

	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing Loans and Bad Debts	Total
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	\$ -	\$ -	\$ -	\$ -	\$ 29,176	\$ 29,176
Doubtful debts written off	-	-	(16,827)	(16,827)	-	(16,827)
Changes in exchange rates or others	(4)	(1)	(49)	(54)	-	(54)
Ending balance	<u>\$ 11,934</u>	<u>\$ 3,004</u>	<u>\$ 36,561</u>	<u>\$ 51,499</u>	<u>\$ 275,169</u>	<u>\$ 326,668</u>

(Concluded)

2) Movements in the total carrying amount of receivables

For the Nine Months Ended September 30, 2022

	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	\$ 22,630,646	\$ 172,155	\$ 433,188	\$ 23,235,989
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(29,818)	29,963	(145)	-
Transfers to credit-impaired financial assets	(4,975)	(151)	5,126	-
Transfers to 12-month expected credit losses	9,926	(5,234)	(4,692)	-
Purchase or originated financial assets	14,022,588	72,522	215,204	14,310,314
Derecognized	(12,578,094)	(141,979)	(390,986)	(13,111,059)
Doubtful debts written off	-	-	(11,668)	(11,668)
Changes in exchange rates or others	<u>33,524</u>	<u>1,501</u>	<u>381</u>	<u>35,406</u>
Ending balance	<u>\$ 24,083,797</u>	<u>\$ 128,777</u>	<u>\$ 246,408</u>	<u>\$ 24,458,982</u>

For the Nine Months Ended September 30, 2021				
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	\$ 21,406,829	\$ 253,128	\$ 121,968	\$ 21,781,925
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(10,052)	10,351	(299)	-
Transfers to credit-impaired financial assets	(2,019)	(7,172)	9,191	-
Transfers to 12-month expected credit losses	10,425	(10,342)	(83)	-
Purchase or originated financial assets	16,070,854	88,307	181,693	16,340,854
Derecognized	(11,875,184)	(202,003)	(77,466)	(12,154,653)
Doubtful debts written off	-	-	(16,827)	(16,827)
Changes in exchange rates or others	(2,943)	(373)	(90)	(3,406)
Ending balance	<u>\$ 25,597,910</u>	<u>\$ 131,896</u>	<u>\$ 218,087</u>	<u>\$ 25,947,893</u>

12. DISCOUNTS AND LOANS, NET

a. Details of discounts and loans

	September 30, 2022	December 31, 2021	September 30, 2021
Negotiated and discounted	\$ 2,824,474	\$ 3,844,746	\$ 3,483,353
Overdrafts	1,100,259	1,239,708	1,191,664
Short-term loans	423,097,598	364,723,764	415,190,414
Margin loans receivable	235,522	400,141	373,066
Medium-term loans	567,145,277	461,290,174	454,958,441
Long-term loans	754,928,854	739,420,363	716,916,637
Overdue loans	<u>3,350,095</u>	<u>4,152,236</u>	<u>4,139,370</u>
	1,752,682,079	1,575,071,132	1,596,252,945
Less: Allowance for loan losses	<u>(21,291,381)</u>	<u>(20,296,045)</u>	<u>(19,734,708)</u>
	<u>\$ 1,731,390,698</u>	<u>\$ 1,554,775,087</u>	<u>\$ 1,576,518,237</u>

Loans of which the accrual of interest income was ceased internally as of September 30, 2022, December 31, 2021 and September 30, 2021 were \$3,350,095 thousand, \$4,152,236 thousand and \$4,139,370 thousand, respectively. The amounts of interest income that would have been accrued on these loans for the nine months ended September 30, 2022 and 2021 were \$70,352 thousand and \$80,997 thousand, respectively.

The Group did not write off any loans without legal claims process during the nine months ended September 30, 2022 and 2021.

b. Allowance for discounts and loans

1) Movements in the allowance for discounts and loans

For the Nine Months Ended September 30, 2022						
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	Total
Loans						
Beginning balance	\$ 2,104,357	\$ 2,116,708	\$ 5,294,105	\$ 9,515,170	\$ 10,780,875	\$ 20,296,045
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(63,716)	67,880	(4,164)	-	-	-
Transfers to credit impaired financial assets	(510)	(11,780)	12,290	-	-	-
Transfers to 12-month expected credit losses	487,591	(486,462)	(1,129)	-	-	-
Financial assets derecognized for the period	(988,471)	(701,024)	(1,353,584)	(3,043,079)	-	(3,043,079)
Purchased or originated financial assets	1,077,385	1,525,527	1,524,539	4,127,451	-	4,127,451
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	-	-	1,581,705	1,581,705
Doubtful debts written off	-	-	(1,861,967)	(1,861,967)	-	(1,861,967)
Change in exchange rates or others	28,400	11,450	151,376	191,226	-	191,226
Ending balance	<u>\$ 2,645,036</u>	<u>\$ 2,522,299</u>	<u>\$ 3,761,466</u>	<u>\$ 8,928,801</u>	<u>\$ 12,362,580</u>	<u>\$ 21,291,381</u>

For the Nine Months Ended September 30, 2021						
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	Total
Loans						
Beginning balance	\$ 1,595,328	\$ 2,099,425	\$ 5,742,200	\$ 9,436,953	\$ 9,511,321	\$ 18,948,274
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(12,761)	570,433	(557,672)	-	-	-
Transfers to credit impaired financial assets	(1,548)	(42,987)	44,535	-	-	-
Transfers to 12-month expected credit losses	583,548	(578,059)	(5,489)	-	-	-
Financial assets derecognized for the period	(1,209,028)	(1,186,189)	(794,874)	(3,190,091)	-	(3,190,091)
Purchased or originated financial assets	1,132,162	1,006,133	2,833,204	4,971,499	-	4,971,499
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	-	-	843,069	843,069
Doubtful debts written off	-	-	(1,812,505)	(1,812,505)	-	(1,812,505)
Change in exchange rates or others	(2,168)	(2,438)	(20,932)	(25,538)	-	(25,538)
Ending balance	<u>\$ 2,085,533</u>	<u>\$ 1,866,318</u>	<u>\$ 5,428,467</u>	<u>\$ 9,380,318</u>	<u>\$ 10,354,390</u>	<u>\$ 19,734,708</u>

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

For the Nine Months Ended September 30, 2022				
	12-month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	\$ 1,500,208,565	\$ 60,475,732	\$ 14,386,835	\$ 1,575,071,132
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit losses	(17,834,583)	17,860,648	(26,065)	-
Transfers to credit-impaired financial assets	(572,184)	(223,733)	795,917	-
Transfers to 12-month expected credit losses	7,099,241	(7,086,992)	(12,249)	-
Financial assets derecognized for the period	(566,198,710)	(30,358,399)	(6,047,846)	(602,604,955)
Purchase or originated financial assets	734,243,454	32,938,458	3,537,055	770,718,967
Doubtful debts written off	-	-	(1,861,967)	(1,861,967)
Changes in exchange rates or others	10,391,649	728,585	238,668	11,358,902
Ending balance	<u>\$ 1,667,337,432</u>	<u>\$ 74,334,299</u>	<u>\$ 11,010,348</u>	<u>\$ 1,752,682,079</u>

	For the Nine Months Ended September 30, 2021			
	12-month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	\$ 1,412,549,836	\$ 69,691,173	\$ 14,594,110	\$ 1,496,835,119
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit losses	(8,927,062)	9,738,681	(811,619)	-
Transfers to credit-impaired financial assets	(711,391)	(1,878,779)	2,590,170	-
Transfers to 12-month expected credit losses	9,827,229	(9,784,010)	(43,219)	-
Financial assets derecognized for the period	(544,911,576)	(32,282,803)	(4,476,203)	(581,670,582)
Purchase or originated financial assets	651,542,045	28,776,202	4,613,326	684,931,573
Doubtful debts written off	-	-	(1,812,505)	(1,812,505)
Changes in exchange rates or others	(1,795,835)	(200,072)	(34,753)	(2,030,660)
Ending balance	<u>\$ 1,517,573,246</u>	<u>\$ 64,060,392</u>	<u>\$ 14,619,307</u>	<u>\$ 1,596,252,945</u>

- c. Details of provision for bad debts expense, commitment and guarantee for the three months and the nine months ended September 30, 2022 and 2021

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Provision for receivable and loan (including overdue loan) losses	\$ 833,014	\$ 459,287	\$ 2,077,340	\$ 1,551,799
(Reversal) provision for loan commitment	(31,588)	(12,970)	36,527	(144,125)
(Reversal) provision for guarantee liability	(42,577)	10,317	26,117	(19,650)
(Reversal) provision for others	(1,922)	(1,041)	(1,807)	6,936
	<u>\$ 756,927</u>	<u>\$ 455,593</u>	<u>\$ 2,138,177</u>	<u>\$ 1,394,960</u>

13. FINANCIAL ASSETS FOR HEDGING

	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets for hedging			
Fair value hedges - interest rate swaps	<u>\$ -</u>	<u>\$ 147,321</u>	<u>\$ 182,088</u>

The Group used interest rate swaps to minimize its exposure to the fair value fluctuations of its fixed-rate borrowings by entering into fixed-to-floating interest rate swap contracts. The interest swaps and the corresponding borrowings have the same terms, and management believes that the interest rate swaps are highly effective hedging instruments. The respective, nominal principal amount of the Bank's outstanding interest rate swaps as of December 31, 2021 and September 30, 2021 were \$6,000,000 thousand. The maturity period is from April 19, 2021 to September 27, 2026.

The fixed-to-floating interest swaps were designated and effective fair value hedging instruments. During the nine months ended September 30, 2021, the swaps were effective in hedging the fair value exposure to interest rate movements, and as a result, the carrying amounts of the fixed-rate borrowings were adjusted by \$178,335 thousand and \$211,389 thousand as of December 31, 2021 and September 30, 2021, respectively; these amounts were included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.

The information of hedging transactions is as follows:

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Hedging instrument profit	\$ -	\$ 7,278	\$ -	\$ 7,182
Fair-value hedging profit	\$ -	\$ 6,565	\$ -	\$ 39,643

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

14. OTHER FINANCIAL ASSETS

	September 30, 2022	December 31, 2021	September 30, 2021
Time deposits with original maturities of more than 3 months	\$ 2,678,400	\$ 3,689,850	\$ 3,225,750
Exchange bills negotiated	27,811	21,242	12,934
Overdue receivables	4,098	12,557	4,456
Call loan to security brokers	159,100	138,275	139,250
Less: Allowance for bad debts	(3,265)	(4,249)	(3,913)
	<u>\$ 2,866,144</u>	<u>\$ 3,857,675</u>	<u>\$ 3,378,477</u>

The market rates of time deposits with original maturities of more than 3 months were ranging from 2.35%-3.15% and 2.65%-3.05% for the nine months ended September 30, 2022 and 2021, respectively.

Refer to Note 37 for information relating to other miscellaneous financial assets pledged as security.

15. SUBSIDIARIES

Subsidiaries Included in Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership		
			September 30, 2022	December 31, 2021	September 30, 2021
The Bank	Chang Hua Commercial Bank, Ltd.	Banking	100	100	100
The Bank	Chang Hwa Bank Venture Capital Co., Ltd.	Investing	100	100	100

16. PROPERTY AND EQUIPMENT

	September 30, 2022	December 31, 2021	September 30, 2021
Assets used by the Group	\$ 20,757,246	\$ 20,769,319	\$ 20,674,699
Assets leased under operating leases	<u>204,201</u>	<u>210,061</u>	<u>212,021</u>
	<u>\$ 20,961,447</u>	<u>\$ 20,979,380</u>	<u>\$ 20,886,720</u>

a. Asset used by the Group

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvements	Construction in Progress and Prepayment for Buildings and Equipment	Total
Cost								
Balance at January 1, 2022	\$ 14,817,873	\$ 9,335,623	\$ 4,810,890	\$ 738,067	\$ 1,521,271	\$ 991,535	\$ 349,782	\$ 32,565,041
Additions	-	12,005	227,032	15,219	24,399	5,218	196,465	480,338
Disposals	-	(179,599)	(518,069)	(11,156)	(18,367)	-	-	(727,191)
Reclassification	-	640	32,305	-	2,527	7,216	(105,404)	(62,716)
Effect of foreign currency exchange differences	-	20,417	4,612	953	3,044	6,564	738	36,328
Balance at September 30, 2022	<u>\$ 14,817,873</u>	<u>\$ 9,189,086</u>	<u>\$ 4,556,770</u>	<u>\$ 743,083</u>	<u>\$ 1,532,874</u>	<u>\$ 1,010,533</u>	<u>\$ 441,581</u>	<u>\$ 32,291,800</u>
Accumulated depreciation and impairment								
Balance at January 1, 2022	\$ -	\$ 4,768,940	\$ 4,109,168	\$ 648,891	\$ 1,374,975	\$ 893,748	\$ -	\$ 11,795,722
Disposals	-	(105,912)	(517,968)	(11,124)	(18,215)	-	-	(653,219)
Depreciation expense	-	140,213	163,322	18,567	32,579	21,987	-	376,668
Effect of foreign currency exchange differences	-	2,484	3,076	722	2,837	6,264	-	15,383
Balance at September 30, 2022	<u>\$ -</u>	<u>\$ 4,805,725</u>	<u>\$ 3,757,598</u>	<u>\$ 657,056</u>	<u>\$ 1,392,176</u>	<u>\$ 921,999</u>	<u>\$ -</u>	<u>\$ 11,534,554</u>
Carrying amount at September 30, 2022	<u>\$ 14,817,873</u>	<u>\$ 4,383,361</u>	<u>\$ 799,172</u>	<u>\$ 86,027</u>	<u>\$ 140,698</u>	<u>\$ 88,534</u>	<u>\$ 441,581</u>	<u>\$ 20,757,246</u>
Carrying amount at December 31, 2021 and January 1, 2022	<u>\$ 14,817,873</u>	<u>\$ 4,566,683</u>	<u>\$ 701,722</u>	<u>\$ 89,176</u>	<u>\$ 146,296</u>	<u>\$ 97,787</u>	<u>\$ 349,782</u>	<u>\$ 20,769,319</u>
Cost								
Balance at January 1, 2021	\$ 14,814,573	\$ 9,353,976	\$ 4,726,106	\$ 715,939	\$ 1,501,196	\$ 974,085	\$ 110,107	\$ 32,195,982
Additions	-	15,495	73,184	21,993	24,826	3,831	212,877	352,206
Disposals	-	-	(61,475)	(6,902)	(12,302)	(8,780)	-	(89,459)
Transfers to assets leased under operating leases	-	(41,279)	-	-	-	-	-	(41,279)
Reclassification	-	-	1,775	-	1,703	15,462	(19,752)	(812)
Effect of foreign currency exchange differences	-	(3,984)	(1,710)	(556)	(691)	(1,557)	(311)	(8,809)
Balance at September 30, 2021	<u>\$ 14,814,573</u>	<u>\$ 9,324,208</u>	<u>\$ 4,737,880</u>	<u>\$ 730,474</u>	<u>\$ 1,514,732</u>	<u>\$ 983,041</u>	<u>\$ 302,921</u>	<u>\$ 32,407,829</u>
Accumulated depreciation and impairment								
Balance at January 1, 2021	\$ -	\$ 4,595,870	\$ 4,011,555	\$ 633,634	\$ 1,347,551	\$ 891,421	\$ -	\$ 11,480,031
Disposals	-	-	(61,216)	(6,796)	(11,731)	(8,780)	-	(88,523)
Depreciation expense	-	141,822	148,966	17,564	33,547	19,149	-	361,048
Transfers to assets leased under operating leases	-	(15,955)	-	-	-	-	-	(15,955)
Effect of foreign currency exchange differences	-	(392)	(1,136)	(361)	(602)	(980)	-	(3,471)
Balance at September 30, 2021	<u>\$ -</u>	<u>\$ 4,721,345</u>	<u>\$ 4,098,169</u>	<u>\$ 644,041</u>	<u>\$ 1,368,765</u>	<u>\$ 900,810</u>	<u>\$ -</u>	<u>\$ 11,733,130</u>
Carrying amount at September 30, 2021	<u>\$ 14,814,573</u>	<u>\$ 4,602,863</u>	<u>\$ 639,711</u>	<u>\$ 86,433</u>	<u>\$ 145,967</u>	<u>\$ 82,231</u>	<u>\$ 302,921</u>	<u>\$ 20,674,699</u>

b. Assets leased under operating leases

	Buildings
<u>Cost</u>	
Balance at January 1, 2022 and September 30, 2022	\$ <u>426,505</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2022	\$ 216,444
Depreciation expense	<u>5,860</u>
Balance at September 30, 2022	\$ <u>222,304</u>
Carrying amount at September 30, 2022	\$ <u>204,201</u>
Carrying amount at December 31, 2021 and January 1, 2022	\$ <u>210,061</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 385,210
Transfers from assets used by the Group	<u>41,279</u>
Balance at September 30, 2021	\$ <u>426,489</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2021	\$ 192,558
Depreciation expense	5,955
Transfers from assets used by the Group	<u>15,955</u>
Balance at September 30, 2021	\$ <u>214,468</u>
Carrying amount at September 30, 2021	\$ <u>212,021</u>

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
Year 1	\$ 64,869	\$ 58,417	\$ 68,678
Year 2	59,236	52,096	54,442
Year 3	27,280	15,014	28,775
Year 4	16,918	8,060	8,932
Year 5	9,987	6,405	6,451
Year 6 onwards	<u>9,251</u>	<u>13,878</u>	<u>15,479</u>
	\$ <u>187,541</u>	\$ <u>153,870</u>	\$ <u>182,757</u>

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

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

17. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Carrying amount</u>			
Land	\$ 2,008	\$ 2,045	\$ 2,275
Buildings	1,937,123	1,854,103	1,902,775
Transportation equipment	68,690	71,645	67,972
Miscellaneous equipment	<u>12,853</u>	<u>13,717</u>	<u>11,468</u>
	<u>\$ 2,020,674</u>	<u>\$ 1,941,510</u>	<u>\$ 1,984,490</u>
	For the Nine Months Ended September 30		
	2022	2021	
Additions to right-of-use assets		<u>\$ 570,301</u>	<u>\$ 985,825</u>
	For the Three Months Ended September 30		For the Nine Months Ended September 30
	2022	2021	2022
			2021
Depreciation charge for right-of-use assets			
Land	\$ 299	\$ 230	\$ 692
Buildings	164,353	155,130	490,075
Machinery equipment	-	11	-
Transportation equipment	9,370	9,733	28,492
Miscellaneous equipment	<u>2,176</u>	<u>2,146</u>	<u>6,518</u>
	<u>\$ 176,198</u>	<u>\$ 167,250</u>	<u>\$ 525,777</u>
			<u>\$ 505,466</u>

In addition to the additions and recognition of depreciation expenses mentioned above, the Group's right-of-use assets did not undergo significant sublease and impairment during the nine months ended September 30, 2022 and 2021.

b. Lease liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
Carrying amount	\$ <u>1,863,505</u>	\$ <u>1,770,490</u>	\$ <u>1,821,750</u>

Range of discount rates for lease liabilities was as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Land	0.30%-1.23%	0.30%-0.91%	0.31%-0.91%
Buildings	0.20%-4.32%	0.20%-3.53%	0.20%-3.53%
Machinery equipment	0.31%-2.89%	0.31%-2.89%	0.20%-2.89%
Transportation equipment	0.26%-3.53%	0.34%-3.53%	0.35%-3.53%
Miscellaneous equipment	0.26%-3.54%	0.26%-2.89%	0.28%-2.89%

c. Material lease-in activities and terms

The Group leases certain buildings for operations of branches with lease terms from 3 to 15 years. The lease contract for offices located in New York specifies that lease payments are subject to 4 modifications during the lease terms and the Group can sublease the underlying assets. The lease contracts for offices located in Hong Kong and Taiwan specify that the premium for lease was \$47,498 thousand and lease payments will be adjusted each year. In addition, the Group was prohibited from subleasing all or any portion of the underlying assets.

The Group did not have significant acquisition of lease contracts for the nine months ended September 30, 2022 and 2021.

d. Other lease information

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Expenses relating to short-term leases	\$ <u>9,481</u>	\$ <u>12,871</u>	\$ <u>29,569</u>	\$ <u>34,600</u>
Expenses relating to low-value asset leases	\$ <u>4,116</u>	\$ <u>6,049</u>	\$ <u>13,880</u>	\$ <u>17,859</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ <u>45,588</u>	\$ <u>40,906</u>	\$ <u>136,380</u>	\$ <u>133,685</u>
Total cash outflow for leases			\$ <u>(179,829)</u>	\$ <u>(186,144)</u>

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
Lease commitments	<u>\$ 25,318</u>	<u>\$ 28,083</u>	<u>\$ 24,499</u>

18. INVESTMENT PROPERTY

	September 30, 2022	December 31, 2021	September 30, 2021
Completed investment property	<u>\$ 13,847,189</u>	<u>\$ 13,852,096</u>	<u>\$ 13,853,705</u>

Except for depreciation recognized, the Group had no significant additions, disposals, and impairment of investment property during the nine months ended September 30, 2022 and 2021.

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

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Year 1	\$ 179,356	\$ 183,334	\$ 184,730
Year 2	170,374	175,262	165,257
Year 3	116,934	129,046	135,163
Year 4	98,730	103,365	109,612
Year 5	91,986	97,836	97,804
Year 6 onwards	<u>136,253</u>	<u>140,988</u>	<u>157,450</u>
	<u>\$ 793,633</u>	<u>\$ 829,831</u>	<u>\$ 850,016</u>

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

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

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

All investment properties are own right and interest.

Rental income and direct operating expenses generated by the investment property for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Rental incomes	<u>\$ 40,621</u>	<u>\$ 37,562</u>	<u>\$ 115,320</u>	<u>\$ 118,692</u>
Direct operating expenses	<u>\$ 32,125</u>	<u>\$ 25,172</u>	<u>\$ 92,923</u>	<u>\$ 76,121</u>

19. INTANGIBLE ASSETS

	September 30, 2022	December 31, 2021	September 30, 2021
Computer software	<u>\$ 1,094,611</u>	<u>\$ 595,639</u>	<u>\$ 597,069</u>
			Computer Software
Balance at January 1, 2022			\$ 595,639
Additions			694,253
Amortization expense			(258,802)
Reclassification			62,053
Effect of foreign currency exchange differences and others			<u>1,468</u>
Balance at September 30, 2022			<u>\$ 1,094,611</u>
Balance at January 1, 2021			\$ 687,613
Additions			102,488
Amortization expense			(193,398)
Reclassification			812
Effect of foreign currency exchange differences and others			<u>(446)</u>
Balance at September 30, 2021			<u>\$ 597,069</u>

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

20. OTHER ASSETS

	September 30, 2022	December 31, 2021	September 30, 2021
Refundable deposits	\$ 1,013,750	\$ 1,325,277	\$ 801,941
Assumed collateral and residuals	23,418	23,418	23,418
Less: Accumulated impairment	(23,418)	(23,418)	(23,418)
Prepayments	331,762	138,022	272,190
Others	<u>1,238</u>	<u>754</u>	<u>843</u>
	<u>\$ 1,346,750</u>	<u>\$ 1,464,053</u>	<u>\$ 1,074,974</u>

21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	September 30, 2022	December 31, 2021	September 30, 2021
Deposits from the Central Bank	\$ 27,762	\$ 27,112	\$ 25,192
Deposits from banks	162,193	335,965	296,855
Overdrafts on banks	181,515	19,725	395,635
Call loans from banks	113,760,651	71,587,355	82,203,116
Deposits transferred from Chunghwa Post Co., Ltd.	<u>202,965</u>	<u>251,741</u>	<u>254,742</u>
	<u>\$ 114,335,086</u>	<u>\$ 72,221,898</u>	<u>\$ 83,175,540</u>

22. PAYABLES

	September 30, 2022	December 31, 2021	September 30, 2021
Checks issued to payees for clearing	\$ 7,645,089	\$ 15,243,021	\$ 6,484,505
Accounts payable	2,576,731	3,721,750	6,384,041
Accrued expenses	1,979,829	2,402,083	2,083,888
Accrued interests	3,284,208	1,416,572	1,501,677
Acceptances	4,311,650	5,248,034	5,099,000
Others	<u>10,039,571</u>	<u>8,738,608</u>	<u>25,346,589</u>
	<u>\$ 29,837,078</u>	<u>\$ 36,770,068</u>	<u>\$ 46,899,700</u>

23. DEPOSITS AND REMITTANCES

	September 30, 2022	December 31, 2021	September 30, 2021
Checking account deposits	\$ 36,760,618	\$ 48,561,432	\$ 36,398,321
Demand deposits	598,092,275	601,485,748	571,721,187
Time deposits	624,103,808	488,772,705	424,989,799
Negotiable certificates of deposit	3,591,440	2,793,315	3,245,015
Savings account deposits	1,040,407,778	1,024,182,439	1,006,461,761
Remittances	<u>1,307,746</u>	<u>1,645,593</u>	<u>1,290,420</u>
	<u>\$ 2,304,263,665</u>	<u>\$ 2,167,441,232</u>	<u>\$ 2,044,106,503</u>

24. BANK NOTES PAYABLE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Bank Note, Interest Rate and Maturity Date	September 30, 2022	December 31, 2021	September 30, 2021
<u>Hedged financial liabilities at fair value</u>			
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	\$ -	\$ 3,000,000	\$ 3,000,000
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	-	1,000,000	1,000,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	-	2,000,000	2,000,000
Valuation adjustment	-	<u>178,335</u>	<u>211,389</u>
	-	<u>6,178,335</u>	<u>6,211,389</u>
<u>Non-hedged bank notes payable</u>			
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	5,300,000	2,300,000	2,300,000
103-1 Note C, 10-year term, interest payable annually, floating rate, maturity date: April 16, 2024	2,500,000	2,500,000	2,500,000

(Continued)

Bank Note, Interest Rate and Maturity Date	September 30, 2022	December 31, 2021	September 30, 2021
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	\$ 3,000,000	\$ 2,000,000	\$ 2,000,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	3,300,000	1,300,000	1,300,000
106-1 Note A, 7-year term, interest payable annually, interest rate 1.50%, maturity date: March 29, 2024	1,530,000	1,530,000	1,530,000
106-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: March 29, 2027	8,670,000	8,670,000	8,670,000
107-1, no maturity date, interest payable annually, interest rate 2.66%	7,000,000	7,000,000	7,000,000
107-2, no maturity date, interest payable annually, interest rate 2.30%	3,000,000	3,000,000	3,000,000
108-1, no maturity date, interest payable annually, interest rate 1.90%	5,960,000	5,960,000	5,960,000
109-1, no maturity date, interest payable annually, interest rate 1.40%	4,040,000	4,040,000	4,040,000
109-2, no maturity date, interest payable annually, interest rate 1.25%	6,800,000	6,800,000	6,800,000
Valuation adjustment	<u>134,182</u>	<u>-</u>	<u>-</u>
	<u>51,234,182</u>	<u>45,100,000</u>	<u>45,100,000</u>
	<u>\$ 51,234,182</u>	<u>\$ 51,278,335</u>	<u>\$ 51,311,389</u> (Concluded)

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

25. OTHER FINANCIAL LIABILITIES

	September 30, 2022	December 31, 2021	September 30, 2021
Principal received on structured notes	\$ 671,950	\$ 576,199	\$ 834,624
Appropriations for loans	<u>295,106</u>	<u>425,703</u>	<u>478,035</u>
	<u>\$ 967,056</u>	<u>\$ 1,001,902</u>	<u>\$ 1,312,659</u>

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

26. OTHER LIABILITIES

	September 30, 2022	December 31, 2021	September 30, 2021
Advance receipts	\$ 825,411	\$ 634,407	\$ 599,231
Guarantee deposits	21,065,000	2,504,955	2,023,827
Deferred revenue	<u>11,854</u>	<u>9,218</u>	<u>12,644</u>
	<u>\$ 21,902,265</u>	<u>\$ 3,148,580</u>	<u>\$ 2,635,702</u>

27. RESERVE FOR LIABILITIES

	September 30, 2022	December 31, 2021	September 30, 2021
Reserve for employee benefits (Note 28)	\$ 3,595,833	\$ 3,769,721	\$ 3,969,634
Reserve for guarantee liabilities	704,617	657,449	658,883
Reserve for loan commitments	192,546	156,217	170,058
Reserve for decommissioning restoration and rehabilitation costs	53,395	49,959	61,418
Reserve for contingencies	579	-	926
Others	<u>31,785</u>	<u>60,780</u>	<u>55,851</u>
	<u>\$ 4,578,755</u>	<u>\$ 4,694,126</u>	<u>\$ 4,916,770</u>

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

	For the Nine Months Ended September 30, 2022					
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on the Laws	Total
Beginning balance	\$ 361,875	\$ 13,495	\$ 23,531	\$ 398,901	\$ 475,545	\$ 874,446
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(763)	763	-	-	-	-
Transfers to 12-month expected credit losses	1,720	(1,720)	-	-	-	-
Financial assets derecognize for the period	(170,554)	(8,950)	(2,729)	(182,233)	-	(182,233)
Purchase or originated financial assets	168,530	36,408	101	205,039	-	205,039
Recognized impairment difference based on the Laws	-	-	-	-	30,545	30,545
Changes in exchange rates or others	<u>1,139</u>	<u>12</u>	<u>-</u>	<u>1,151</u>	<u>-</u>	<u>1,151</u>
Ending balance	<u>\$ 361,947</u>	<u>\$ 40,008</u>	<u>\$ 20,903</u>	<u>\$ 422,858</u>	<u>\$ 506,090</u>	<u>\$ 928,948</u>

For the Nine Months Ended September 30, 2021						
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on the Laws	Total
Beginning balance	\$ 416,984	\$ 82,185	\$ 33,457	\$ 532,626	\$ 517,416	\$1,050,042
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(273)	273	-	-	-	-
Transfers to 12-month expected credit losses	13,325	(13,325)	-	-	-	-
Financial assets derecognize for the period	(245,357)	(54,817)	(11,015)	(311,189)	-	(311,189)
Purchase or originated financial assets	136,556	16,634	5,916	159,106	-	159,106
Recognized impairment difference based on the Laws	-	-	-	-	(12,969)	(12,969)
Changes in exchange rates or others	(150)	(47)	(1)	(198)	-	(198)
Ending balance	<u>\$ 321,085</u>	<u>\$ 30,903</u>	<u>\$ 28,357</u>	<u>\$ 380,345</u>	<u>\$ 504,447</u>	<u>\$ 884,792</u>

28. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined benefit retirement plans was calculated using the prior year's actuarially determined pension cost discount rate as of December 31, 2021 and 2020 and the amounts were \$75,507 thousand, \$76,149 thousand, \$229,896 thousand and \$231,618 thousand for the three months ended and for the nine months ended September 30, 2022 and 2021, respectively.

29. EQUITY

a. Capital

Common stock

	September 30, 2022	December 31, 2021	September 30, 2021
Shares granted (in thousands)	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>
Capital stock granted	<u>\$ 120,000,000</u>	<u>\$ 120,000,000</u>	<u>\$ 120,000,000</u>
Shares issued and fully paid (in thousands)	<u>10,593,457</u>	<u>10,488,571</u>	<u>10,488,571</u>
Capital stock issued	<u>\$ 105,934,566</u>	<u>\$ 104,885,708</u>	<u>\$ 104,885,708</u>

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

As of January 1, 2021, the Bank's authorized and registered capital was \$110,000,000 thousand divided into 11,000,000 thousand shares at \$10 par value; the total paid-in capital was \$103,847,236 thousand. The Bank's authorized capital was increased by \$10,000,000 thousand in August 2021, and completed the capital increase from surplus in August 2022 and September 2021; the paid-in capital increased by \$1,048,858 thousand and \$1,038,472 thousand, respectively. As of September 30, 2022 and 2021, the Bank's authorized capital were both \$120,000,000 thousand divided into 12,000,000 thousand shares, respectively, and also on that date, the total amounts of paid-in capital amounted to \$105,934,566 thousand and \$104,885,708 thousand divided into 10,593,457 thousand and 10,488,571 thousand outstanding shares at \$10 par value, respectively.

b. Distribution of earnings and dividend policy

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

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

Appropriation of earnings to legal reserve shall be made until the balance of legal reserve reaches the Bank's paid-in capital. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

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

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

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

The restriction of the cash dividends stated above does not apply if the Bank's capital surplus exceeds the capital or the Bank's financial position satisfied the criteria from the authority and also the Bank appropriates the legal reserve based on the Banking Law.

The appropriations of earnings for 2021 and 2020 were approved in the stockholders' meetings on June 17, 2022 and July 20, 2021, respectively. The appropriations of earnings and dividends per stock were as follows:

	Appropriation of Earnings	
	2021	2020
Legal reserve	<u>\$ 2,723,151</u>	<u>\$ 2,053,667</u>
Cash dividends	<u>\$ 5,244,285</u>	<u>\$ 3,738,501</u>
Share dividends	<u>\$ 1,048,858</u>	<u>\$ 1,038,472</u>
Cash dividends per share (NT\$)	\$0.50	\$0.36
Share dividends per share (NT\$)	\$0.10	\$0.10

c. Special reserve

	September 30, 2022	December 31, 2021	September 30, 2021
Initial application of IFRSs	\$ 12,201,590	\$ 12,201,590	\$ 11,778,829
Reversals			
Disposal of investment properties	-	-	(3,058)
Others	<u>-</u>	<u>-</u>	<u>425,819</u>
	<u>\$ 12,201,590</u>	<u>\$ 12,201,590</u>	<u>\$ 12,201,590</u>

The special reserve relating to land may be reversed on the disposal or reclassification of the related assets. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

30. NET INCOME

a. Net income of interest

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Interest income				
Loans	\$ 8,897,087	\$ 5,915,368	\$ 22,199,846	\$ 17,241,871
Due from and call loans to banks	661,621	165,327	1,088,464	609,493
Investments in marketable securities	1,836,379	893,704	4,380,072	2,480,222
Others	<u>46,505</u>	<u>28,216</u>	<u>102,865</u>	<u>82,370</u>
	<u>11,441,592</u>	<u>7,002,615</u>	<u>27,771,247</u>	<u>20,413,956</u>
Interest expense				
Deposits	(4,002,320)	(1,441,934)	(7,957,432)	(4,432,608)
Due to Central Bank and call loans from banks	(480,159)	(38,421)	(729,959)	(142,080)
Others	<u>(285,998)</u>	<u>(237,165)</u>	<u>(734,059)</u>	<u>(737,494)</u>
	<u>(4,768,477)</u>	<u>(1,717,520)</u>	<u>(9,421,450)</u>	<u>(5,312,182)</u>
Net income of interest	<u>\$ 6,673,115</u>	<u>\$ 5,285,095</u>	<u>\$ 18,349,797</u>	<u>\$ 15,101,774</u>

b. Net service fee income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Service fee income				
Fees from import and export	\$ 63,991	\$ 71,376	\$ 194,655	\$ 209,599
Remittance fees	88,353	90,957	259,940	267,222
Loan fees	147,281	162,684	576,758	434,426
Fees from trust	204,455	290,796	631,256	876,488
Fees from trust business	106,104	115,860	324,893	336,314
Fees from insurance agency	398,054	345,481	1,280,089	1,156,707
Others	<u>328,889</u>	<u>310,679</u>	<u>998,884</u>	<u>916,662</u>
	<u>1,337,127</u>	<u>1,387,833</u>	<u>4,266,475</u>	<u>4,197,418</u>
Service charge				
Interbank fees	(42,053)	(35,752)	(122,880)	(110,829)
Charges from trust	(305)	(1,528)	(1,863)	(10,446)
Custodian fees	(29,289)	(33,508)	(92,573)	(98,100)
Charges from insurance agency	(48,786)	(38,297)	(147,503)	(114,663)
Others	<u>(192,393)</u>	<u>(165,183)</u>	<u>(561,602)</u>	<u>(469,027)</u>
	<u>(312,826)</u>	<u>(274,268)</u>	<u>(926,421)</u>	<u>(803,065)</u>
Net service fee income	<u>\$ 1,024,301</u>	<u>\$ 1,113,565</u>	<u>\$ 3,340,054</u>	<u>\$ 3,394,353</u>

c. Gain (loss) on financial assets or liabilities measured at FVTPL

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Realized gain (loss) on financial assets or liabilities measured at FVTPL				
Stock	\$ 13,952	\$ 26,004	\$ 7,664	\$ 22,766
Bonds	3,462	44	(583)	2,861
Bills	(480)	-	(492)	(69)
Derivative financial instruments	315,784	83,974	1,040,500	552,088
Net interest gain	82,561	33,227	248,885	101,178
Stock dividends and bonus	<u>7,123</u>	<u>1,815</u>	<u>8,253</u>	<u>2,068</u>
	<u>422,402</u>	<u>145,064</u>	<u>1,304,227</u>	<u>680,892</u>
Valuation gain (loss) on financial assets or liabilities measured at FVTPL				
Stock and mutual funds	(45,958)	(3,926)	34,469	47,479
Bonds	22,438	40,891	82,523	187,232
Bills	1,326	15,421	10,045	(5,673)
Derivative financial instruments	<u>134,566</u>	<u>39,185</u>	<u>(232,037)</u>	<u>31,280</u>
	<u>112,372</u>	<u>91,571</u>	<u>(105,000)</u>	<u>260,318</u>
	<u>\$ 534,774</u>	<u>\$ 236,635</u>	<u>\$ 1,199,227</u>	<u>\$ 941,210</u>

d. Realized gain (loss) on financial assets at FVTOCI

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Stock dividends and bonus	\$ 790,463	\$ 822,171	\$ 1,359,149	\$ 1,064,320
Disposal gains				
Beneficiary securities	-	2,331	-	9,091
Bonds	23,244	37,442	199,593	509,558
Disposal losses				
Beneficiary securities	-	-	-	(3,867)
Bonds	<u>(843,098)</u>	<u>(1,254)</u>	<u>(1,204,571)</u>	<u>(116,052)</u>
	<u>\$ (29,391)</u>	<u>\$ 860,690</u>	<u>\$ 354,171</u>	<u>\$ 1,463,050</u>

e. Depreciation and amortization expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Property and equipment	\$ 130,441	\$ 121,212	\$ 382,528	\$ 367,003
Investment property	1,629	1,734	4,907	5,206
Right-of-use assets	176,198	167,250	525,777	505,466
Intangible assets and other deferred assets	<u>95,734</u>	<u>65,756</u>	<u>259,168</u>	<u>193,665</u>
	<u>\$ 404,002</u>	<u>\$ 355,952</u>	<u>\$ 1,172,380</u>	<u>\$ 1,071,340</u>

f. Employee benefits expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 2,788,419	\$ 2,775,999	\$ 7,702,247	\$ 7,655,663
Post-employment benefits				
Defined contribution plans	59,553	55,438	181,265	169,166
Defined benefit plans (Note 28)	75,507	76,149	229,896	231,618
High-yield savings account for employees	145,953	145,624	432,433	426,268
Other post-employment benefits	28,196	27,925	84,624	84,556
Termination benefits	<u>28</u>	<u>23</u>	<u>4,819</u>	<u>13,920</u>
	<u>\$ 3,097,656</u>	<u>\$ 3,081,158</u>	<u>\$ 8,635,284</u>	<u>\$ 8,581,191</u>

g. Employees' compensation and remuneration of directors

The Bank accrued employees' compensation and remuneration of directors at the rates of 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the three months and the nine months ended September 30, 2022 and 2021, are as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2022	2021
Employees' compensation	5.00%	5.00%
Remuneration of directors	0.40%	0.40%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
	Cash	Cash	Cash	Cash
Employees' compensation	<u>\$ 207,935</u>	<u>\$ 154,423</u>	<u>\$ 532,435</u>	<u>\$ 411,423</u>
Remuneration of directors	<u>\$ 17,000</u>	<u>\$ 12,300</u>	<u>\$ 43,400</u>	<u>\$ 32,800</u>

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

The appropriations of employees' compensation and remuneration of directors for 2021 and 2020 having been resolved by the board of directors on March 29, 2022 and March 26, 2021, respectively, were as below:

	For the Year Ended December 31	
	2021	2020
	Cash	Cash
Employees' compensation	\$ 534,849	\$ 360,242
Remuneration of directors	42,788	28,995

Due to changes in accounting estimates, the actual amount of compensation of employees and directors' remuneration, which was resolved in the meeting of the board of directors dated on March 29, 2022 and March 26, 2021 differs from what was accrued in the consolidated financial statements for 2021 and 2020. The difference was then adjusted to profit and loss for 2022 and 2021.

	For the Year Ended December 31			
	2021		2020	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amounts approved in the board of directors' meeting	<u>\$ 534,849</u>	<u>\$ 42,788</u>	<u>\$ 360,242</u>	<u>\$ 28,995</u>
Amounts recognized in the annual consolidated financial statements	<u>\$ 537,415</u>	<u>\$ 42,707</u>	<u>\$ 447,199</u>	<u>\$ 35,200</u>
Differences	<u>\$ (2,566)</u>	<u>\$ 81</u>	<u>\$ (86,957)</u>	<u>\$ (6,205)</u>

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

31. INCOME TAX

a. Major components of tax expense recognized in profit or loss

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Current income tax				
In respect of the current period	\$ 535,660	\$ 160,149	\$ 1,244,493	\$ 822,573
Income tax on unappropriated earnings	-	-	3,044	746
Deferred income tax				
In respect of the current period	<u>66,240</u>	<u>140,318</u>	<u>204,262</u>	<u>188,419</u>
Income tax expense recognized in profit or loss	<u>\$ 601,900</u>	<u>\$ 300,467</u>	<u>\$ 1,451,799</u>	<u>\$ 1,011,738</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
<u>Deferred tax</u>				
In respect of the current year:				
Exchange differences on translation	\$ 110,564	\$ (23,513)	\$ 188,714	\$ (54,466)
Unrealized (losses) gains of financial assets at FVTOCI	<u>(29,443)</u>	<u>4,334</u>	<u>(140,354)</u>	<u>5,783</u>
Total income tax benefit (loss) recognized in other comprehensive income	<u>\$ 81,121</u>	<u>\$ (19,179)</u>	<u>\$ 48,360</u>	<u>\$ (48,683)</u>

c. Income tax assessments

The Bank's income tax returns through 2019 had been examined and cleared by the tax authority.

The income tax returns of Chang Hwa Bank Venture Capital Co., Ltd. through 2020 had been examined and cleared by the tax authority.

32. EARNINGS PER SHARE

The computation of earnings per share was retrospectively adjusted for the effects of adjustments resulting from bonus stock issues on August 17, 2022. The basic and diluted after-tax earnings per stock of three months and nine months ended September 30, 2021 were adjusted retrospectively as follows:

Unit: NT\$ Per Stock

	Before Adjusted Retrospectively		After Adjusted Retrospectively	
	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2021	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2021
Basic earnings per stock	<u>\$ 0.25</u>	<u>\$ 0.65</u>	<u>\$ 0.25</u>	<u>\$ 0.64</u>
Diluted earnings per stock	<u>\$ 0.25</u>	<u>\$ 0.64</u>	<u>\$ 0.25</u>	<u>\$ 0.64</u>

The earnings and weighted average number of common stock outstanding in the computation of earnings per stock were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Net profit for the period	<u>\$ 3,200,661</u>	<u>\$ 2,607,025</u>	<u>\$ 8,520,518</u>	<u>\$ 6,774,475</u>

The weighted average number of common stocks outstanding (in thousands of stocks) is as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Weighted average number of common stock used in computation of basic earnings per share	10,593,457	10,593,457	10,593,457	10,593,457
Effect of potentially dilutive common stock:				
Employees' compensation	<u>31,046</u>	<u>25,011</u>	<u>40,131</u>	<u>33,010</u>
Weighted average number of common stock used in the computation of diluted earnings per share	<u>10,624,503</u>	<u>10,618,468</u>	<u>10,633,588</u>	<u>10,626,467</u>

The Group may settle compensation or bonuses paid to employees in cash or stock; therefore, the Group assumes that the entire amount of the compensation or bonus will be settled in stock and the resulting potential stock will be included in the weighted average number of stock outstanding used in the computation of diluted earnings per stock, as the effect is dilutive. Such dilutive effect of the potential stock is included in the computation of diluted earnings per stock until the number of stock to be distributed to employees is resolved in the following year.

33. CAPITAL RISK MANAGEMENT

The description of the goals and procedures of the capital risk management of the Group is the same as the description in the Group's consolidated financial statements for the year ended December 31, 2021.

34. FINANCIAL INSTRUMENTS

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

Fair value of financial instruments not measured at fair value

September 30, 2022

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 379,200,488	\$ 62,828,206	\$ 304,986,530	\$ -	\$ 367,814,736
<u>Financial liabilities</u>					
Bank notes payable	51,234,182	-	134,182	51,343,343	51,477,525

December 31, 2021

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 405,256,329	\$ 38,553,326	\$ 366,213,556	\$ -	\$ 404,766,882
<u>Financial liabilities</u>					
Bank notes payable	51,278,335	-	6,178,335	46,595,019	52,773,354

September 30, 2021

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 378,296,368	\$ 36,083,652	\$ 342,081,875	\$ -	\$ 378,165,527
<u>Financial liabilities</u>					
Bank notes payable	51,311,389	-	6,211,389	46,742,980	52,954,369

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

September 30, 2022

Fair Value Measurement of Financial Instruments	Level 1	Level 2	Level 3	Total
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ 812,867	\$ 31,285,171	\$ 224,657	\$ 32,322,695
Financial assets mandatorily measured at FVTPL				
Stock and fund investments	138,043	240,174	224,657	602,874
Bond investments	674,824	2,865,264	-	3,540,088
Others	-	28,179,733	-	28,179,733
Financial assets at FVTOCI	127,118,401	86,008,500	10,073,788	223,200,689
Stock investments	13,671,466	-	10,073,788	23,745,254
Bond investments	107,894,959	86,008,500	-	193,903,459
Others	5,551,976	-	-	5,551,976
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	1,137,017	31,656,791	-	32,793,808
Liabilities				
Financial liabilities at FVTPL	-	14,054,490	-	14,054,490

December 31, 2021

Fair Value Measurement of Financial Instruments	Level 1	Level 2	Level 3	Total
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ 1,416,228	\$ 52,828,375	\$ 231,515	\$ 54,476,118
Financial assets mandatorily measured at FVTPL				
Stock and fund investments	122,247	13,085	231,515	366,847
Bond investments	1,293,981	2,275,484	-	3,569,465
Others	-	50,539,806	-	50,539,806
Financial assets at FVTOCI	101,558,129	61,184,018	11,452,856	174,195,003
Stock investments	15,856,192	-	11,452,856	27,309,048
Bond investments	79,700,684	61,184,018	-	140,884,702
Others	6,001,253	-	-	6,001,253
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	159,609	1,976,002	-	2,135,611
Other financial assets				
Financial assets for hedging	-	147,321	-	147,321
Liabilities				
Financial liabilities at FVTPL	-	3,150,309	-	3,150,309

September 30, 2021

Fair Value Measurement of Financial Instruments	Level 1	Level 2	Level 3	Total
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ 480,115	\$ 23,588,534	\$ 202,187	\$ 24,270,836
Financial assets mandatorily measured at FVTPL				
Stock investments	125,474	-	196,187	321,661
Bond investments	354,641	2,336,470	-	2,691,111
Others	-	21,252,064	6,000	21,258,064
Financial assets at FVTOCI	107,109,541	62,416,138	10,627,584	180,153,263
Stock investments	14,972,119	-	10,627,584	25,599,703
Bond investments	85,949,644	62,416,138	-	148,365,782
Others	6,187,778	-	-	6,187,778
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	150,675	1,913,264	-	2,063,939
Other financial assets				
Financial assets for hedging	-	182,088	-	182,088
Liabilities				
Financial liabilities at FVTPL	-	1,806,832	-	1,806,832

Based on the market information and liquidity, the Group's shares were considered to have an active market and were transferred from Level 2 to Level 1 for \$13,085 thousand for the nine months ended September 30, 2022.

There were no transfers between Levels 1 and 2 for the nine months ended September 30, 2021.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the nine months ended September 30, 2022

Financial Assets	Financial Assets at FVTPL Equity Instrument	Financial Assets at FVTOCI Equity Instrument
Beginning balance	\$ 231,515	\$ 11,452,856
Recognized in profit or loss (loss on financial assets or liabilities at FVTPL)	(15,531)	-
Recognized in other comprehensive income (unrealized loss on financial assets at FVTOCI)	-	(1,358,528)
Purchase	114,673	-
Sell	-	(20,540)
Transfer out of Level 3	<u>(106,000)</u>	<u>-</u>
Ending balance	<u>\$ 224,657</u>	<u>\$ 10,073,788</u>

For the nine months ended September 30, 2021

	Financial Assets at FVTPL	Financial Assets at FVTOCI
Financial Assets	Equity Instrument	Equity Instrument
Beginning balance	\$ 110,525	\$ 8,830,725
Recognized in profit or loss (loss on financial assets or liabilities at FVTPL)	(22,888)	-
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	1,764,813
Purchase	144,500	32,046
Transfer out of Level 3	<u>(29,950)</u>	<u>-</u>
Ending balance	<u>\$ 202,187</u>	<u>\$ 10,627,584</u>

3) Definition for the hierarchy classifications of fair value measurements

a) Level 1

Level 1 inputs are quoted prices unadjusted in active markets for identical financial instruments. An active market indicates the market that is in conformity with all of the following conditions: The products in the market are identical; it is easy to find a knowledgeable and willing transaction counterparty; and price information is available to the public.

The fair values of the Group investments in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices are included in Level 1.

b) Level 2

Level 2 inputs are inputs other than quoted prices with reference to an active market that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair values of the Group's investments in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative bank debentures issued by the Group are included in Level 2.

c) Level 3

The input parameters used are not based on observable market data (unobservable input parameters are those such as option pricing models using historical volatility which cannot represent the expected value of all market participants). The fair values of the Group's investments in derivatives and equity investments without an active market are included in Level 3.

4) Valuation techniques and assumptions applied for the purpose of measuring fair value

a) Determination of fair value

A quoted market price is used as the fair value when a financial instrument has an active market. Such market prices are provided by the Stock Exchange Corporation, Bloomberg and Reuters, which are all the foundation of fair values for listed equity securities and debt instruments with a quoted market price in an active market.

If the market quotation from the Stock Exchange Corporation, commission merchants, underwriters or pricing service institutions can be frequently and readily obtained and the price represents actual and frequent at arm's length transactions, then a financial instrument is deemed to have an active market. If the above conditions are not met, the market is deemed inactive. In general, a significant price variance between the purchase price and selling price or a significantly increasing price variance are both indicators of an inactive market.

In addition to the above financial instruments with an active market, other financial instruments at fair value are assessed by valuation techniques or by referencing counterparties with other financial instruments at fair value with similar conditions and characteristics in actual practice, including market information obtained by exercising valuation models at the balance sheet date (such as yield curves used by TPEX and TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation).

When a financial instrument has no standardized valuation and has a greater level of complexity, such as interest rate swaps, currency swaps and options, the Group usually adopts the valuation generally accepted by market users. The inputs used for these financial instruments' valuations are usually observable information in the market.

For financial instruments with greater complexity, the fair value is assessed through the valuation model developed by valuation methods and techniques generally accepted by competitors. These kinds of valuation models are usually applicable for derivative instruments, debt instruments without quoted market price (including debt instruments of embedded derivatives) or other debt instruments with low market liquidity. Certain inputs used in these valuation models are not observable in the market, and the Group need to make appropriate estimates based on assumptions.

- b) The types and nature of the valuation methods for financial instruments used by the Bank and its subsidiaries are as follows:
- i. NTD central government bonds: The bond market rate and theoretical interest rate are price-per-hundred conversions announced by TPEX.
 - ii. NTD corporate bonds and bank notes: The corporate bond reference rate is announced by TPEX, and the Group uses the appropriate credit rate and the remaining period to calculate the yield rate and convert it to price-per-hundred.
 - iii. NTD convertible corporate bonds: The closing prices of outright purchase/sale trading are listed on TPEX on the valuation day. If the price is not available, the price is referenced from the outright purchase/sale trading information listed on TPEX.
 - iv. Securitization instruments: Prices are those quoted from Bloomberg.
 - v. NTD short-term bills: The TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation are discounted from future cash flows.
 - vi. Foreign securities: The latest prices quoted from Bloomberg, Reuters or other systems on the valuation day are used, if there is no available price or valuation, then the price used is that which is quoted from counterparties.
 - vii. Listed stock, call/put warrants and depositary receipts: The closing price listed on TWSE or TPEX is adopted.
 - viii. Unlisted stock: The fair value is referenced from related financial information or estimated using the price and parameters of listed companies which have similar service attributes.

- ix. Beneficiary certificates: Closed-end funds use the closing price in an active market as the fair value and open-end funds use the net asset value of the fund as the fair value.
- x. Derivatives:
 - i) Call/put warrants and stock index futures: Prices quoted from an active market are deemed the fair values.
 - ii) Foreign currency forward contracts, currency swaps, interest rate swaps, cross currency swaps and operating deposits of transactions: Discounted future cash flows are adopted.
 - iii) Options: The Black-Scholes model, binomial tree model and Monte Carlo method are mainly adopted for valuation.
 - iv) Certain derivatives use the quoted price from counterparties.
- xi. Mixing Tools: The price from the active market, deal brokers and valuation models is used.
- c) Adjustments for credit risks and the definitions are as follows:

Credit valuation adjustment (CVA) is a measurement for derivatives which are not transacted through the stock market, or for over-the-counter derivatives. CVA reflects the fair value should a counterparty default and the possibility of not collecting the derivative's full market value.

CVA is calculated by applying the loss given default (LGD) to the exposure at default (EAD), along with the consideration of the counterparty's probability of default (PD), assuming the condition that the Group does not default.

c. The impact of the interest rate benchmark reform

The financial instruments of the Group affected by the interest rate benchmark reform include loan, floating-rate bonds and asset exchanges. The link of interest rate benchmark is London Interbank Offered Rate (LIBOR). It is expected that LIBOR will be replaced by the alternative interest rate recommended by the interest rate reform group of various countries; the differences of the two rates are discussed in the next paragraph.

LIBOR is a forward-looking interest rate indicator that implies market expectations for future interest rate trends, and includes inter-bank credit discounts. The alternative interest rate recommended by the interest rate reform group of various countries is Overnight Financing Rate (secured or unsecured), which is a retrospective interest rate indicator calculated using actual transaction data, and does not include credit discounts. Therefore, when an existing contract is modified from a linked LIBOR to a linked Overnight Financing Rate, additional adjustments must be made to the aforementioned differences to ensure that the interest rate basis before and after the modification is economically equivalent.

The Group has formulated a plan for LIBOR conversion and exit and has handled risk management policy adjustments, internal process adjustments, information system updates, financial instrument evaluation model adjustments, and related accounting or tax issues required to match the interest benchmark reform. The Group has identified all the information systems and internal processes that need to be updated, and has updated some of them. The Group has started to discuss with the counterparties of the financial instruments how to amend the affected contracts, which is expected to be completed by December 31, 2021 for the position other than U.S. dollars and by December 31, 2022 for U.S. dollars.

Due to the interest benchmark reform, the Group faces interest rate basis risks. If the Group fails to complete the negotiation with the counterparty in the financial instrument, it will bring about material uncertainty, and trigger exposure to interest rate risk that the Group had not expected.

September 30, 2022

	Projects Affected by Interest Rate Benchmark Reform Indicators							
	USD LIBOR		GBP LIBOR		JPY LIBOR		EUR LIBOR	
	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts
Non-derivative financial assets								
Loans - syndicated loans	\$ 128,570,429	265	\$ -	-	\$ -	-	\$ -	-
Loans - other loans	12,703,184	29	-	-	-	-	-	-
Holding bonds	6,852,226	28	-	-	-	-	-	-
Derivative financial assets								
ECB asset exchange and structured products	2,545,600	1	-	-	-	-	-	-

September 30, 2021

	Projects Affected by Interest Rate Benchmark Reform Indicators							
	USD LIBOR		GBP LIBOR		JPY LIBOR		EUR LIBOR	
	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts
Non-derivative financial assets								
Loans - syndicated loans	\$ 102,364,028	279	\$ 1,478,557	3	\$ 760,611	1	\$ -	-
Loans - other loans	33,830,111	672	5,845	3	549,680	53	1,407,044	65
Holding bonds	13,762,692	64	-	-	-	-	-	-
Derivative financial assets								
ECB asset exchange and structured products	2,228,000	1	-	-	-	-	-	-

d. Financial risk management objectives and policies

1) Market risk

a) The source and definition of market risk

Market risk is the uncertainty of changes in fair value of on- and off-balance sheet financial instruments due to changes in market risk factors. Market risk factors include interest rates, exchange rates, equity security prices and commodity prices.

The major market risks of the Group are equity securities price risks, interest rate risks, and exchange rate risks. The majority of equity securities risk includes domestic public stock, over-the-counter stock, emerging market stock, domestic stock index options and stock index futures. The main position of interest rate risk includes bonds and interest derivative instruments, such as interest rate swap. The main position of exchange rate risk includes the Group's investments denominated in foreign currencies, such as foreign currency spots, currency futures and foreign currency options.

b) Market risk management policy

The Group classifies the financial instruments held by the Group as trading book and banking book, and determines the market risk as interest rate risk, exchange rate risk, and equity security price risk. The Group establishes "Market Risk Management Regulation", "Derivative Financial Trading Process" and various financial instrument related regulations to manage the market risk of overall foreign exchange position, normal position, interest rate position of trading book and equity security position. The overall interest rate risk management of banking book belongs to assets and liabilities management committee.

The market risk management regulations are as follows:

- i. Establish the market risk management process to ensure the risk would be identified, measured, monitored and reported.
 - ii. Measure and monitor the market risk and keep it under the risk limit and minimize unexpected loss from market risk.
 - iii. Follow the regulations of Basel Accord.
 - iv. Establish the market risk management system and economic capital allocation process.
 - v. Monitor the credit line management of financial instrument, sensitivity analysis, stress testing and the calculation of VaR. Report the result of market risk monitoring to Risk Management Committee periodically and Board of Director quarterly.
- c) Market risk management procedures

According to “Whole Risk Management Policy”, risk management department is the second line of defense against the market risk. Risk management department performs the market risk management, establishes related management process, and reports to the appropriate level of the management. Besides, risk management department establishes independent risk management process and ensures its effectiveness.

- i. Identifying and measuring

The effective market risk management process begins with identifying the inherent risk of operating activities and financial instruments. The Group reviews the risk identifying method timely when the market environment changes and makes necessary adjustment to ensure the effective operation of the market risk management process. The Group’s risk management department identifies market risk factors and measures the market risk. The market risk factors refer to the factors which affect the interest rate, exchange rate or the fair value of equity instruments. The market risk factors include the position, profits and loss, loss from stress testing, PVO1, Delta, VaR, etc.

- ii. Monitoring and reporting

The Group controls market risk by managing risk limits. The risk management department sets various trading limits, such as position limits, stop-loss limits, and maximum potential loss. The trading limits are implemented only after they are reported to and approved by the board of directors.

The risk management department calculates exposures and estimated gains and losses on positions daily to make sure that the positions held and losses do not exceed the limits approved by the board of directors and prepares reports to the high-level management and the board of directors periodically for their sufficient understanding of the implementation of the market risk management and, if necessary, issuance of additional guidance.

The risk management department reports important market risk issues, such as discovery of possible loss on positions in each trading book or identification of weakness in the market risk management system, to the Risk Management Committee in order to improve the effectiveness of the market risk management.

iii. Stress testing

The stress testing is one of the important tools for risk management. It is used for verifying effects on the investment portfolio due to some extremely disadvantageous but possible stressful events and for analyzing exposure level and risk tolerance in such situations and furthermore evaluating the portfolio loss or the impact on the capital. Chang Hwa Bank performs stress testing for forecasting risk and for assessment and reinforcement of statistical models or historical data limitations.

d) Trading book market risk management

The trading book refers to the position of financial instruments held for trading or hedging. The position of financial instruments held for trading refers to the position which earns profits from actual or expected short-term price fluctuations.

i. Strategy

The Group determines the risk limitation of the investment portfolio of trading book by evaluating trading strategy, trading category, and annual performance.

ii. Management policy and procedures

The Group follows “Market Risk Management Rules”, “Derivative Financial Trading Process” and various financial instrument related regulations as the important management rules of trading book.

iii. Valuation policy

The trading positions are valued on a real time or daily basis. The hedging derivatives are valued at least twice a month. The resources of fair value of financial instruments are categorized as: (1) those derived from quoted prices in active markets; (2) the latest price without active market; (3) valuation without active market.

iv. Risk measuring methods

i) The sensitivity of the interest rate changes of investment portfolio is measured by DVO1. The sensitivity of the foreign exchange derivatives is measured by the sensitivity factors (Delta, Gamma, and Vega).

ii) With regard to the Group’s Value at Risk assumptions and calculation methods, refer to item i.

iii) The Group performs the stress test quarterly and report the result to Risk Management Committee periodically.

e) Trading book interest rate risk management

i. Definition of interest rate risk

Interest rate risk is fair value changes in interest rate risk position held by the Group due to interest rate changes. The risks are mainly in debt securities and interest rate derivatives.

ii. Management procedures on trading book interest rate risk

The Group defines the trading limit of trading book and the stop-loss limit of different financial instruments by assessing the credit and the financial position of the issuers.

iii. Measuring methods

The interest rate factor sensitivity of debt securities and interest rate derivatives is measured by DVO1. With regard to the Group's Value at Risk assumptions and calculation methods, refer to Item i.

f) Banking book interest rate risk management

i. Definition of banking book interest rate risk

The Group's banking book interest rate risk means the unfavorable change of interest rate of non-trading-book interest rate position which changes the present value of revenue and costs or assets and liabilities and causes decrease of earnings or impairment of economic value.

ii. Management strategy on banking book interest rate risk

According to the Group's interest rate risk management policy, the Group has set various measurement indicators and limits on banking book interest rate risk. To pursue profits and steady growth of stockholder value without exposure to extreme loss risks, the Group applies appropriate management strategy including on- and off-balance sheet adjustments and maintains appropriate amounts of assets and liabilities.

iii. Banking book interest rate risk report/range of measuring system

The Group mainly applies standard method for interest rate risk sensitivity gap analysis to measure banking book interest rate risks. The responsible department periodically measures banking book interest rate risks and reports to related departments and to the asset and liability management committee in order to adopt appropriate strategies for adjusting banking book interest rate risk combinations. Assessment information of banking book interest rate risk would be presented to the board of directors periodically to let the high-level management controls such risks.

g) Exchange rate risk management

i. Definition of exchange rate risk

Exchange rate risk is the gain or loss resulting from exchange or translation of two different foreign currencies at different times. The Group's exchange rate risk mainly comes from spot and forward exchange positions.

ii. Exchange rate risk management policy, procedures and measuring methods

The risk management department sets the position limit and stop-loss limit of trading book investment combinations in order to control exchange rate risk. If the losses reach the stop-loss limit, the trading department should decrease risk exposure positions so as to control losses.

The risk management department applies sensitivity analysis or Value at Risk to measure exchange rate risk and calculates stress loss of risk position held. In sensitivity analysis, Delta is applied to measure the exchange rate risk of the first order change and Gamma is applied to measure the exchange rate risk of the second order change. In addition, Vega is used to measure the first order risk of implied volatility rate. With regard to the Group's Value at Risk assumptions and calculation methods, refer to Item i.

h) Equity security price risk management

i. Definition of equity security price risk

Equity security price risk is the valuation effect on the position held by the Group when the equity security price changes. The Group's equity security price risk mainly comes from public and over-the-counter stock, index futures and options.

ii. Equity security price risk management purpose

To avoid drastic fluctuations in the price of equity securities, which may adversely affect the Bank's financial position or suffer loss of earnings, the Group improves the efficiency of capital utilization, and business operations.

iii. Equity security price risk management procedures

The Group sets restrictions on credit extensions with the same person, the same concerned party or the same affiliate to control the risk concentration. Risk management department monitors unrealized gain or loss of the holding position daily. If unrealized loss is over the stop-loss threshold, risk management department would notice the department which holds the position to subject to the related regulations. The department which holds the position should report to risk management committee if unrealized loss is over the stop-loss threshold but the department still holds the position.

iv. Measuring methods

The equity security price risk of trading book is monitored and controlled by VaR, please refer to item i.

The Group would perform stress testing for the equity security price risk of non-trading position and report the result to risk management committee.

i) Market risk measuring method

i. Value at Risk, "VaR"

The Group uses VaR model and stress testing to evaluate the risk of trading portfolio the market risk and the maximum expected loss of positions held through assumptions of changing market situation. VaR is the statistical estimation of potential losses of existing positions arising from unfavorable market changes. VaR refers to the maximum potential loss that Chang Hwa Bank might be exposed to within the confidence interval (99%), which means there is a certain probability (1%) that the actual loss would exceed VaR. Significant loss caused by excessive market volatility could not be avoided by using VaR.

The Group has been using historical simulation method to calculate VaR. The historical simulation method is based on historical data to estimate the future cash flow and assess the market risk of financial instrument. There are more and more financial institutions using the historical simulation method. However, there are some limitations for using the method. One of the limitations is that the assumption used in the method may not reflect the real situation. Besides, the simulation result may not be representative if the historical data used are too small. The Group would use proxy to respond to the limitations mentioned above.

According to the Group's "Risk Management Committee Establishment Points", the risk appetite of trading book market risk, operating limits and VaR limits should be approved by the risk management committee. VaR is an important internal risk control in the Group. The VaR limits of investment portfolio are approved annually by the risk management committee and reported to the board of directors. In addition, the daily actual VaR is monitored by the Group's risk management department.

- ii. As of September 30, 2022 and 2021, the Group's VaR factors based on historical simulation method were as follows:

For the Nine Months Ended September 30, 2022				
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 191,176	\$ 211,182	\$ 169,170	\$ 206,871
Interest rate VaR	3,398	5,283	1,486	4,210
Equity securities VaR	<u>1,395</u>	<u>2,173</u>	<u>726</u>	<u>748</u>
Value at risk	<u>\$ 195,969</u>	<u>\$ 218,638</u>	<u>\$ 171,382</u>	<u>\$ 211,829</u>
For the Nine Months Ended September 30, 2021				
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 165,101	\$ 204,762	\$ 134,063	\$ 181,711
Interest rate VaR	4,222	9,313	982	2,619
Equity securities VaR	<u>423</u>	<u>1,033</u>	<u>-</u>	<u>452</u>
Value at risk	<u>\$ 169,746</u>	<u>\$ 215,108</u>	<u>\$ 135,045</u>	<u>\$ 184,782</u>

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of September 30, 2022, December 31, 2021 and September 30, 2021 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

September 30, 2022			
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 9,381,235	31.8200	\$ 298,510,898
GBP	108,141	35.4900	3,837,924
AUD	2,515,534	20.6700	51,996,088
HKD	721,570	4.0530	2,924,523
CAD	116,097	23.2400	2,698,094
ZAR	4,277,979	1.7690	7,567,745
JPY	76,449,105	0.2200	16,818,803
EUR	1,048,302	31.2200	32,727,988
NZD	266,030	18.2100	4,844,406
RMB	12,959,198	4.4640	57,849,860

(Continued)

September 30, 2022			
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 15,756,823	31.8200	\$ 501,382,108
GBP	94,329	35.4900	3,347,736
AUD	1,486,696	20.6700	30,730,006
HKD	567,960	4.0530	2,301,942
CAD	99,600	23.2400	2,314,704
ZAR	4,163,211	1.7690	7,364,720
JPY	121,605,342	0.2200	26,753,175
EUR	1,028,425	31.2200	32,107,429
NZD	185,735	18.2100	3,382,234
RMB	11,678,547	4.4640	52,133,034
			(Concluded)

(In Thousands of Foreign Currencies/New Taiwan Dollars)

December 31, 2021			
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,390,390	27.6550	\$ 232,036,235
GBP	59,616	37.3600	2,227,254
AUD	1,732,166	20.0900	34,799,215
HKD	962,619	3.5460	3,413,447
CAD	107,092	21.6600	2,319,613
ZAR	4,358,966	1.7340	7,558,447
JPY	101,770,867	0.2405	24,475,894
EUR	776,810	31.3800	24,376,298
RMB	10,750,297	4.3410	46,667,039

Financial liabilities

Monetary items			
USD	14,943,696	27.6550	413,267,913
GBP	61,173	37.3600	2,285,423
AUD	1,147,194	20.0900	23,047,127
HKD	755,514	3.5460	2,679,053
CAD	105,834	21.6600	2,292,364
ZAR	4,139,630	1.7340	7,178,118
JPY	96,515,340	0.2405	23,211,939
EUR	805,792	31.3800	25,285,753
RMB	11,735,341	4.3410	50,943,115

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	September 30, 2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 9,131,659	27.8500	\$ 254,316,703
GBP	45,456	37.4500	1,702,327
AUD	1,294,254	20.0300	25,923,908
HKD	571,826	3.5770	2,045,422
CAD	94,527	21.8600	2,066,360
ZAR	4,167,562	1.8360	7,651,644
JPY	78,862,630	0.2491	19,644,681
EUR	574,683	32.3200	18,573,755
RMB	9,925,449	4.3010	42,689,356
<u>Financial liabilities</u>			
Monetary items			
USD	13,632,494	27.8500	379,664,958
GBP	48,691	37.4500	1,823,478
AUD	922,218	20.0300	18,472,027
HKD	571,119	3.5770	2,042,893
CAD	93,387	21.8600	2,041,440
ZAR	3,897,120	1.8360	7,155,112
JPY	84,406,654	0.2491	21,025,698
EUR	635,607	32.3200	20,542,818
NZD	47,944	19.1500	918,128
RMB	11,220,485	4.3010	48,259,306

For the three months ended September 30, 2022 and 2021, net foreign exchange gains were \$981,878 thousand and \$168,295 thousand, respectively. For the nine months ended September 30, 2022 and 2021, net foreign exchange gains were \$1,763,043 thousand and \$410,499 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Bank and entities under its control.

3) Credit risk

a) Credit risk source and definition

Credit risk means the possible loss due to failure of debtors or counterparties to fulfill their contractual obligations or their ability to fulfill contractual obligations is impaired. Credit risk arises from the operation, on- and off-balance sheet items, including credit loans, derivatives transactions and securities investment, etc. Because the business becomes more complex, the credit risk is often generated with other risks that affect one another. For example, exchange rate risk also exists in foreign currency debt investment. Secured loans will be affected by the price volatility of the collateral and market liquidity risk of the collateral.

b) Credit risk management policy

- i. The Group continuously improves its credit risk management technology and its efficiency to meet the requirements of internal operations, business scale and management objectives and buildup the risk management system that fits the requirement of accuracy and completeness of the Group's risk management technology.
- ii. The Group is building a complete monitoring mechanism, setting up a loan early warning system to track down bad indications and risk changes of high-risk credits, setting up "corporate clients' risk exposure and credit risk quick-search system" to understand the negative reporting and transactions with the Group in order to enhance the credit risk's identification, measurement and monitoring and improve the quality of risk management.
- iii. "Chang Hwa Bank Customer Credit Deterioration Notice and Control Indicators Notice" has been developed. To strengthen the control of customer credit risk and to prevent the Bank's debts from being damaged.
- iv. To control concentration risk, the Company sets limits for single creditors, related/group companies, industries, real estate, the Group's stakeholders, and high-risk industries in mainland China to monitor and control the overall credit risk.
- v. The Group actively utilizes the database system and related risk quantification tools to identify, measure and monitor risks. It also adjusts risk management policies and procedures in a timely manner to implement an independent and professional risk management mechanism, which enhances risk management effectiveness.
- vi. The Group implements strict and forward-looking credit risk stress testing to respond to the events or changes which may be unfavorable to the Group and in compliance with the requirements of the competent authority supervising risk management.
- vii. The Group is holding sessions and training in risk management to strengthen risk management intelligence and increase the Group's financial institution of loan.
- viii. Information on credit risk would be presented to the high-level management periodically.

The Group's credit risk management procedures and measuring methods for major business are described as follows:

- i. Credit business (including loan commitments and guarantees)

The various types credit assets of the Group are classified as follows based on credit quality and internal and external ratings.

- i) A determined signification increase in credit risk since initial recognition.

At the end of every reporting period, the Group evaluates the risk of default on credit assets occurring over their expected lifetime to determine whether the credit risk has increased significantly since their initial recognition.

For this credit risk evaluation, the Group corroborate information (including forward-looking information) which indicates a significant increase in credit risk since initial recognition of the credit assets. The key indicators include:

- Quantitative indicators

A change in internal credit rating

A financial instrument is determined as having a significant increase in credit risk since initial recognition if its internal credit rating is at the level of 16-18 or if the scoring of a housing loan debtor is lower than 340.

- Qualitative indicators

A credit account is rated as ordinary-overdue in accordance with the Group's "Detailed Rules for the Processing of Ordinary-overdue Accounts".

The result of the credit review shows that the credit application and the loan application are inconsistent.

The listed early warning accounts and the latest financial statements show a net worth of less than three-fourths of the share capital.

ii) Definition of the credit-impaired financial assets

A credit account that meets one of the following conditions is classified under Stage 3 (Credit impaired):

- The debtor's payment of the principal or interest is past due for more than 3 months from the end of the credit term; or the Group has already petitioned or withdrawn the debtor's collateral.
- The case has been agreed to be repaid in installments and is exempt from being listed as an overdue loan.
- The case was negotiated and adopted in accordance with the debt negotiation mechanism set by the Association of Banks in 2006.
- The case has been negotiated and agreed upon in accordance with "The Statute for Consumer Debt Clearance" (excluding secured debt fulfilled under the original contractual conditions).
- The case is ruled to undergo restructuring or liquidation by the court.
- The case is ruled to be restricted by the court.
- The case is declared bankrupt by the court.
- The case involves credit accounts of a debtor, excluding credit card accounts, which is partly transferred to class A and B non-performing loans (excluding the sixth item of class B: The credit account is totally guaranteed and the interest payment is not past due during the inheritance period after the death of the debtor and the collateral provider), as well as overdue loans or bad debt loans.

- Enterprises apply to the Ministry of Economic Affairs for credit and debt negotiation in accordance with the “Operating Guidelines for Assisting Enterprises in Bank Credit and Debt Negotiation by the Ministry of Economic Affairs”.
- The case involves a credit account which has an internal credit rating at the level of 19-21.
- The case is a mortgage loan credit account of the Group which has no rating score.
- The case is a credit account which is determined as Stage 3 by the internal or external auditors, or the risk management department of the Group.

iii) Expected credit loss measurement

The Group classifies credit assets into the following nine categories by the credit risk characteristics of the respective debtor’s industry and organization size:

Business	Combination
Corporate banking loans	Government
	Large enterprise
	Small enterprise
	legal person/group
	Overseas credit account
	Other groups
Individual banking loans	Individual-residential loan group
	Individual-other groups (unsecured)
	Individual-other groups (secured)

The Group measures the expected credit loss as follows:

- Stage 1, no significant increase in credit risk

The Group measures the loss allowance for Stage 1 financial instruments at an amount equal to the 12-month ECLs based on past loss experience. The ECLs is the difference between the respective asset’s EAD carrying amount and the present value of its estimated future cash flows, estimated at the forward-looking adjusted PD and discounted at the effective interest rate.

- Stage 2, significant increase in credit risk

The Group measures the loss allowance for Stage 2 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the respective asset’s EAD carrying amount and the present value of its computed outcome which is discounted at the effective interest rate. The computed outcome is the product of the unpaid principal for each year end over instruments expected lifetime, the forward-looking adjusted PD, and the LGD.

- Stage 3, credit impairment

The Group measures the loss allowance for Stage 3 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the asset’s EAD carrying amount and the present value of its estimated future cash flows, estimated assuming the credit impairment situation is given and discounted at effective interest rate.

The PD and EAD and LGD are used to measure the impairment loss for financial assets in the credit business:

- PD is meaning of using past credit-impaired situations to predict the probability of credit impairment in normal situation in a year. The PD for Stage 3 financial instruments is determined as 100%. The PD for Stages 1 and 2 are based on the categories and the remaining lifetime for each credit account. The credit accounts are divided into groups by remaining lifetimes. The PD of each group is determined as the PD of each credit quality stage. The Group shall update the probability of default at least once a year.
- The EAD is the total expected exposure amount of default which includes the unsecured line of credit.
- The exposure amount of impairment-tested off-balance sheet assets (i.e., guarantees, letters of credit issued yet unused, irrevocable loan commitments issued, and revocable loan commitments issued) is converted into the equivalent exposure amount of on-balance sheet assets through a credit conversion factor (CCF). The CCF is determined according to the standardized approach of the credit risk Ratio as either 0%, 20%, 50% or 100% by referring to the respective off-balance sheet item's characteristics.
- The LGD is one minus the present value of the annual recovery rate. The annual recovery rate refers to the annual recovery amount of principal (including litigation expenses) and interest over non-performing loans plus accrued interest and litigation expenses.

iv) Forward-looking information

The Group classifies credit assets as either corporate banking - domestic, corporate banking - overseas and individual banking business. Macroeconomic indicators for each the above categories are estimated using the domestic economic growth rate, global economic growth rate, Southeast Asia economic growth rate and the domestic unemployment rate, respectively, and are updated at least once a year.

Macroeconomic indicators include the actual statistical value of the past five years and predicted value of the current year and the next five years at the time of calculation. The forward-looking adjusted PD is adjusted based on the reasonableness of each value's predicted trend.

The total amount of undiscounted ECLs at the time of initial recognition of the credit impaired financial assets - loans which were purchased or originated is as follows:

	September 30	
	2022	2021
Discounts and loans	<u>\$ 3,537,055</u>	<u>\$ 4,613,326</u>

ii. Call loans to banks

The Group evaluates the credit status of counterparties before deals are closed. The Group grants different limits to counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating agencies. The Group assesses the credit limits of counterparties by level and financial status; the Group efficiently manages counterparties' credit risks through regular and special reviews, monitoring and reporting. Additionally, in accordance with the application of IFRS 9, the Group performs credit impairment assessments for call loans to banks, transfers the related credit losses to each of the three stages of credit impairment, and measures the related expected credit loss, so as to ensure adequate allowance for losses, in accordance with regulations.

iii. Debt instruments

The Group identifies and manages the credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

A change in an external credit rating announced by international credit rating institutions (e.g., S&P and Moody's) is one of the quantitative indicators for judging a significant increase in the credit risk of financial assets at amortized cost and investments in debt instruments at FVTOCI. The measurement of ECLs is calculated using the PD and LGD announced periodically by international credit rating institutions. The international credit rating institutions consider forward-looking information when establishing credit ratings. Thus, when the Group measures ECLs using such credit ratings it holds that an adequate evaluation of the forward-looking information, which was used by the institutions for establishing such credit rating, is inherent therein.

c) Credit risk hedging or mitigation policies

i. Collateral

The Group has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collateral from the borrowers. To secure the loans, the Group manages and assesses the collateral following the procedures that suggest the scope of collateralization and valuation of collateral and the process of disposition. In credit contracts, the Group stipulates the security mechanism for loans and the conditions and terms for collateral offsetting to state clearly that the Group reserves the right to reduce granted limit, to reduce repayment period, to demand immediate settlement or to offset the debts of the borrowers with their deposits in the Group in order to reduce the Group's credit risks.

ii. Credit line credit risks and control over concentration of credit risks

To avoid the concentration of credit risks, the Group has included credit limits for an individual (entity) and for related enterprises (group) in the guidelines for investment and regulations for risk control on equity investments. To manage the concentration risk on the assets, the Group has set credit limits by industry, conglomerate, real estate loan, and high-risk industries in China to supervise concentration of credit risk in these categories, and control single counterparties, related companies, industries, and ultimate risks concentration of various types of credit risk by country. Various credit limits are regularly evaluated and revised in a timely manner based on the economic circumstances, financial environment and business development strategies, etc.

The table below analyzes the collateral held as security and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Group's consolidated balance sheets:

September 30, 2022

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	\$ 1,752,682,079	\$ 1,180,579,679	\$ -	\$ -	\$ 1,180,579,679
Financial assets at FVTPL	65,116,503	3,494,765	-	-	3,494,765
Investments in debt instruments at FVTOCI	199,227,510	6,619,153	-	-	6,619,153
Investments in debt instruments at amortized cost	379,200,488	-	-	-	-

December 31, 2021

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	\$ 1,575,071,132	\$ 1,147,138,609	\$ -	\$ -	\$ 1,147,138,609
Financial assets at FVTPL	56,611,729	5,463,610	-	-	5,463,610
Investments in debt instruments at FVTOCI	146,652,855	5,673,099	-	-	5,673,099
Investments in debt instruments at amortized cost	405,256,329	-	-	-	-

September 30, 2021

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	\$ 1,596,252,945	\$ 1,121,537,606	\$ -	\$ -	\$ 1,121,537,606
Financial assets at FVTPL	26,334,775	7,870,248	-	-	7,870,248
Investments in debt instruments at FVTOCI	154,553,560	5,279,712	-	-	5,279,712
Investments in debt instruments at amortized cost	378,296,368	-	-	-	-

The carrying amount of financial assets with maximum exposure is as follows:

	Discounts and Loans			
	September 30, 2022			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Credit rating				
Levels 1-15	\$ 1,008,566,711	\$ 22,442,427	\$ 125,950	\$ 1,031,135,088
Levels 16-18	-	48,347,695	1,271,937	49,619,632
Levels 19-21	-	-	7,699,175	7,699,175
No rating	658,770,721	3,544,177	1,913,286	664,228,184
Total carrying amount	<u>\$ 1,667,337,432</u>	<u>\$ 74,334,299</u>	<u>\$ 11,010,348</u>	<u>\$ 1,752,682,079</u>
Expected credit losses	\$ 2,645,036	\$ 2,522,299	\$ 3,761,466	\$ 8,928,801
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				12,362,580
				<u>\$ 21,291,381</u>

Discounts and Loans				
December 31, 2021				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Credit rating				
Levels 1-15	\$ 859,314,140	\$ 1,400,133	\$ 7,218	\$ 860,721,491
Levels 16-18	-	55,738,866	2,358,013	58,096,879
Levels 19-21	-	-	9,938,976	9,938,976
No rating	<u>640,894,425</u>	<u>3,336,733</u>	<u>2,082,628</u>	<u>646,313,786</u>
Total carrying amount	<u>\$ 1,500,208,565</u>	<u>\$ 60,475,732</u>	<u>\$ 14,386,835</u>	<u>\$ 1,575,071,132</u>
Expected credit losses	\$ 2,104,357	\$ 2,116,708	\$ 5,294,105	\$ 9,515,170
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				<u>10,780,875</u>
				<u>\$ 20,296,045</u>

Discounts and Loans				
September 30, 2021				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Credit rating				
Levels 1-15	\$ 857,742,655	\$ 1,517,534	\$ 20,161	\$ 859,280,350
Levels 16-18	-	61,195,077	2,488,799	63,683,876
Levels 19-21	-	-	10,438,475	10,438,475
No rating	<u>659,830,591</u>	<u>1,347,781</u>	<u>1,671,872</u>	<u>662,850,244</u>
Total carrying amount	<u>\$ 1,517,573,246</u>	<u>\$ 64,060,392</u>	<u>\$ 14,619,307</u>	<u>\$ 1,596,252,945</u>
Expected credit losses	\$ 2,085,533	\$ 1,866,318	\$ 5,428,467	\$ 9,380,318
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				<u>10,354,390</u>
				<u>\$ 19,734,708</u>

Guarantee Payments				
September 30, 2022				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 60,006,910	\$ 174,383	\$ 86,825	\$ 60,268,118
Expected credit losses	203,821	2,531	20,802	227,154

Guarantee Payments				
December 31, 2021				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 57,101,978	\$ 209,997	\$ 96,777	\$ 57,408,752
Expected credit losses	210,090	2,198	22,221	234,509

Guarantee Payments				
September 30, 2021				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 57,232,775	\$ 156,238	\$ 97,519	\$ 57,486,532
Expected credit losses	177,387	840	22,294	200,521
Loan Commitments				
September 30, 2022				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carry amount - non-cancellable	\$ 76,383,152	\$ 4,167,719	\$ 366	\$ 80,551,237
Carry amount - cancellable	<u>625,715,693</u>	<u>13,502,281</u>	<u>86,493</u>	<u>639,304,467</u>
	<u>\$ 702,098,845</u>	<u>\$ 17,670,000</u>	<u>\$ 86,859</u>	<u>\$ 719,855,704</u>
Expected credit losses - non-cancellable	\$ 72,909	\$ 37,198	\$ 101	\$ 110,208
Expected credit losses - cancellable	<u>80,709</u>	<u>367</u>	<u>119</u>	<u>81,195</u>
	<u>\$ 153,618</u>	<u>\$ 37,565</u>	<u>\$ 220</u>	<u>\$ 191,403</u>
Loan Commitments				
December 31, 2021				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carry amount - non-cancellable	\$ 86,074,519	\$ 1,837,912	\$ -	\$ 87,912,431
Carry amount - cancellable	<u>625,444,091</u>	<u>9,699,276</u>	<u>697,165</u>	<u>635,840,532</u>
	<u>\$ 711,518,610</u>	<u>\$ 11,537,188</u>	<u>\$ 697,165</u>	<u>\$ 723,752,963</u>
Expected credit losses - non-cancellable	\$ 48,862	\$ 10,757	\$ -	\$ 59,619
Expected credit losses - cancellable	<u>94,487</u>	<u>121</u>	<u>136</u>	<u>94,744</u>
	<u>\$ 143,349</u>	<u>\$ 10,878</u>	<u>\$ 136</u>	<u>\$ 154,363</u>
Loan Commitments				
September 30, 2021				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carry amount - non-cancellable	\$ 85,203,929	\$ 5,892,003	\$ 435	\$ 91,096,367
Carry amount - cancellable	<u>551,568,595</u>	<u>7,479,806</u>	<u>31,823</u>	<u>559,080,224</u>
	<u>\$ 636,772,524</u>	<u>\$ 13,371,809</u>	<u>\$ 32,258</u>	<u>\$ 650,176,591</u>
Expected credit losses - non-cancellable	\$ 45,258	\$ 29,719	\$ 145	\$ 75,122
Expected credit losses - cancellable	<u>92,629</u>	<u>384</u>	<u>129</u>	<u>93,142</u>
	<u>\$ 137,887</u>	<u>\$ 30,103</u>	<u>\$ 274</u>	<u>\$ 168,264</u>

d) Maximum exposure to credit risk

The maximum credit risk exposures of various financial instruments held by the Group are the same as per book amounts. Refer to the notes to the consolidated financial statements.

As of September 30, 2022, December 31, 2021 and September 30, 2021, the maximum exposure to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrepealably maximum amount of exposure) were as follows:

Financial Instrument Type	September 30, 2022	December 31, 2021	September 30, 2021
Unused loan commitments (excluding credit card)	\$ 80,551,237	\$ 87,912,431	\$ 91,096,367
Credit card commitments	360,288	206,280	372,110
Unused issued letters of credit	28,752,642	27,312,727	27,122,994
Guarantees in guarantee business	60,268,118	57,408,752	57,486,532

e) Situation of credit risk concentration

Prominent concentration of credit risks occurs when transaction parties for financial instruments prominently concentrate on one party, or on a few that are in similar business lines or exhibit similar economic characteristics. The characteristics of concentration of credit risks include the nature of business activities engaged by debtors. The Group has not engaged in transactions that involved a prominent concentration to one client or one transaction party, but has engaged in transaction parties of similar industry type or from similar region.

The Group's information on prominent concentration of credit risk was as follows:

Industry Type	September 30, 2022	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 107,709,760	6
Manufacturing	457,568,119	26
Wholesale and retail	164,623,189	10
Real estate and leasing	146,105,319	8
Service	43,562,999	3
Individuals	616,359,103	35
Others	<u>216,753,590</u>	12
	<u>\$ 1,752,682,079</u>	

Industry Type	December 31, 2021	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 68,761,893	4
Manufacturing	396,095,884	25
Wholesale and retail	146,156,913	9
Real estate and leasing	116,101,807	8
Service	36,760,527	2
Individuals	614,841,150	39
Others	<u>196,352,958</u>	13

\$ 1,575,071,132

Industry Type	September 30, 2021	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 67,395,799	4
Manufacturing	409,893,932	26
Wholesale and retail	141,271,527	9
Real estate and leasing	107,953,297	7
Service	38,292,031	2
Individuals	594,017,248	37
Others	<u>237,429,111</u>	15

\$ 1,596,252,945

Geographic Location	September 30, 2022	
	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,628,196,810	93
America	75,228,525	4
Europe	28,801,231	2
Others	<u>20,455,513</u>	1

\$ 1,752,682,079

Geographic Location	December 31, 2021	
	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,487,827,087	94
America	59,710,639	4
Europe	15,729,593	1
Others	<u>11,803,813</u>	1

\$ 1,575,071,132

Geographic Location	September 30, 2021	
	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,507,786,767	94
America	61,562,851	4
Europe	15,834,692	1
Others	<u>11,068,635</u>	1
	<u>\$ 1,596,252,945</u>	

Securities Type	September 30, 2022	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 572,102,400	33
Secured		
Properties	1,015,760,748	58
Others	<u>164,818,931</u>	9
	<u>\$ 1,752,682,079</u>	

Securities Type	December 31, 2021	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 427,932,523	27
Secured		
Properties	976,753,243	62
Others	<u>170,385,366</u>	11
	<u>\$ 1,575,071,132</u>	

Securities Type	September 30, 2021	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 474,715,338	30
Secured		
Properties	948,642,602	59
Others	<u>172,895,005</u>	11
	<u>\$ 1,596,252,945</u>	

f) Financial assets credit quality and non-performing impairment analysis

A portion of financial assets held by the Group, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at FVTPL, securities investments purchased under resell agreements, refundable deposits, operating deposits, and settlement deposits are exposed to low credit risks because the counterparties have rather high credit ratings.

4) Liquidity risk management

a) The definition of liquidity risk

Liquidity risk is the potential loss that the Group may suffer due to inability to liquidate assets or raise enough funds in reasonable time to perform obligations when due and to meet the demands of assets growth.

b) Liquidity risk management procedures

According to the Group's liquidity risk management policy, the Group clearly sets various indicators and limits for liquidity risk. The responsible department should implement operation procedures for funding liquidity, monitor and prepare maturity analysis periodically to assess liquidity risk. In addition, the responsible department should also report to related departments and Asset and Liability Committee to enable them to make appropriate adjustments to meet the needs of liquidity. Related information about the liquidity risk assessment should be reported to the board of directors to let the high-level management understand the Group's funding liquidity.

As of September 30, 2022 and 2021, the ratios of the liquidity reserve were 22.64% and 22.86%, respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.

c) Maturity analysis of non-derivative financial assets and liabilities

The Group adopted appropriate grouping methods, which are based on the nature of non-derivative financial assets and liabilities, to do maturity analysis in order to assess liquidity. The maturity analysis is presented as follows:

(In Thousands of New Taiwan Dollars)

Item	September 30, 2022					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 16,655,835	\$ -	\$ -	\$ -	\$ -	\$ 16,655,835
Due from the Central Bank and call loans to banks	53,536,481	5,973,341	6,132,409	9,135,707	33,399,284	108,177,222
Financial assets at FVTPL	28,787,408	-	-	-	-	28,787,408
Receivables	15,948,198	891,110	659,527	495,196	66,734	18,060,765
Discounts and loans	103,121,210	139,697,728	146,227,646	220,939,960	867,901,299	1,477,887,843
Investments in equity instruments designated at FVTOCI	-	-	-	-	23,973,179	23,973,179
Investments in debt instruments at FVTOCI	-	299,836	-	497,701	90,114,635	90,912,172
Investments in debt instruments at amortized cost	194,230,000	10,900,000	18,860,000	18,713,900	21,401,170	264,105,070
Other maturity funds inflow items	-	-	-	-	14,206,699	14,206,699
	<u>412,279,132</u>	<u>157,762,015</u>	<u>171,879,582</u>	<u>249,782,464</u>	<u>1,051,063,000</u>	<u>2,042,766,193</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	180,904	112,430	-	94,393	-	387,727
Due to the Central Bank and banks	3,015,000	15,000	-	-	-	3,030,000
Securities sold under repurchase agreements	738,130	306,440	10,233	-	-	1,054,803
Payables	31,018,002	2,132,748	1,005,427	1,009,922	1,338,545	36,504,644
Deposits and remittances	124,668,901	167,183,659	172,067,802	256,336,611	936,628,613	1,656,885,586
Bank notes payable	-	-	-	10,000,000	41,100,000	51,100,000
Other maturity fund outflow items	19,375	202,175	54,053	302,529	4,931,352	5,509,484
	<u>159,640,312</u>	<u>169,952,452</u>	<u>173,137,515</u>	<u>267,743,455</u>	<u>983,998,510</u>	<u>1,754,472,244</u>
Gap	<u>\$ 252,638,820</u>	<u>\$ (12,190,437)</u>	<u>\$ (1,257,933)</u>	<u>\$ (17,960,991)</u>	<u>\$ 67,064,490</u>	<u>\$ 288,293,949</u>

Note: The amounts listed above were the position in N.T. dollars of the Bank.

(In Thousands of New Taiwan Dollars)

Item	December 31, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 26,699,287	\$ -	\$ -	\$ -	\$ -	\$ 26,699,287
Due from the Central Bank and call loans to banks	75,976,832	5,901,721	4,675,895	8,091,754	30,672,032	125,318,234
Financial assets at FVTPL	51,347,171	-	-	-	-	51,347,171
Receivables	25,145,289	905,208	500,264	196,204	87,743	26,834,708
Discounts and loans	76,529,787	108,388,729	139,624,212	212,658,856	822,413,018	1,359,614,602
Investments in equity instruments designated at FVTOCI	-	-	-	-	27,542,148	27,542,148
Investments in debt instruments at FVTOCI	-	-	-	728,190	69,964,173	70,692,363
Investments in debt instruments at amortized cost	235,800,000	22,710,509	7,441,118	30,844,596	30,988,164	327,784,387
Other maturity funds inflow items	-	-	-	-	14,131,062	14,131,062
	<u>491,498,366</u>	<u>137,906,167</u>	<u>152,241,489</u>	<u>252,519,600</u>	<u>995,798,340</u>	<u>2,029,963,962</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	254,509	82,463	8,527	174,145	-	519,644
Due to the Central Bank and banks	10,000	20,000	-	27,667,470	-	27,697,470
Securities sold under repurchase agreements	641,099	731,761	-	-	-	1,372,860
Payables	29,998,625	701,412	1,568,020	1,218,942	822,588	34,309,587
Deposits and remittances	157,824,466	167,767,198	140,541,223	243,210,099	921,455,085	1,630,798,071
Bank notes payable	-	-	-	-	51,100,000	51,100,000
Other maturity fund outflow items	15,723	70,013	100,269	341,186	5,205,669	5,732,860
	<u>188,744,422</u>	<u>169,372,847</u>	<u>142,218,039</u>	<u>272,611,842</u>	<u>978,583,342</u>	<u>1,751,530,492</u>
Gap	<u>\$ 302,753,944</u>	<u>\$ (31,466,680)</u>	<u>\$ 10,023,450</u>	<u>\$ (20,092,242)</u>	<u>\$ 17,214,998</u>	<u>\$ 278,433,470</u>

Note: The amounts listed above were the position in N.T. dollars of the Bank

(In Thousands of New Taiwan Dollars)

Item	September 30, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 14,909,006	\$ -	\$ -	\$ -	\$ -	\$ 14,909,006
Due from the Central Bank and call loans to banks	45,072,050	5,163,460	6,256,104	7,842,933	30,706,841	95,041,388
Financial assets at FVTPL	21,604,750	-	-	-	-	21,604,750
Receivables	29,931,583	998,620	1,548,832	408,026	77,513	32,964,574
Discounts and loans	74,067,894	150,342,886	132,367,677	210,413,107	797,124,602	1,364,316,166
Investments in equity instruments designated at FVTOCI	-	-	-	-	25,599,703	25,599,703
Investments in debt instruments at FVTOCI	-	-	-	428,344	69,935,530	70,363,874
Investments in debt instruments at amortized cost	209,000,000	14,930,000	14,811,230	32,164,336	31,691,237	302,596,803
Other maturity funds inflow items	-	-	-	-	14,006,796	14,006,796
	<u>394,585,283</u>	<u>171,434,966</u>	<u>154,983,843</u>	<u>251,256,746</u>	<u>969,142,222</u>	<u>1,941,403,060</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	219,091	113,161	-	143,170	-	475,422
Due to the Central Bank and banks	1,010,000	20,000	19,014,640	4,290,310	-	24,334,950
Securities sold under repurchase agreements	812,133	637,540	-	-	-	1,449,673
Payables	42,205,200	1,582,228	327,553	1,720,080	761,759	46,596,820
Deposits and remittances	134,874,101	147,384,337	179,266,819	224,736,964	879,636,202	1,565,898,423
Bank notes payable	-	-	-	-	51,100,000	51,100,000
Other maturity fund outflow items	18,456	57,139	69,565	336,104	5,435,369	5,916,633
	<u>179,138,981</u>	<u>149,794,405</u>	<u>198,678,577</u>	<u>231,226,628</u>	<u>936,933,330</u>	<u>1,695,771,921</u>
Gap	<u>\$ 215,446,302</u>	<u>\$ 21,640,561</u>	<u>\$ (43,694,734)</u>	<u>\$ 20,030,118</u>	<u>\$ 32,208,892</u>	<u>\$ 245,631,139</u>

Note: The amounts listed above were the position in N.T. dollars of the Bank.

(In Thousands of United States Dollars)

Item	September 30, 2022					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 115,964	\$ -	\$ -	\$ -	\$ -	\$ 115,964
Due from the Central Bank and call loans to banks	2,411,182	845,099	49,823	122,268	28,519	3,456,891
Financial assets at FVTPL	89,895	-	-	-	-	89,895
Receivables	832,631	74,036	93,508	20,197	5,420	1,025,792
Discounts and loans	689,114	983,937	422,802	310,960	4,010,000	6,416,813
Investments in debt instruments at FVTOCI	4,997	24,985	28,475	201,223	2,110,235	2,369,915
Investments in debt instruments at amortized cost	-	-	-	41,099	1,832,219	1,873,318
Other maturity fund inflow items	5,000	-	-	-	19,472	24,472
	<u>4,148,783</u>	<u>1,928,057</u>	<u>594,608</u>	<u>695,747</u>	<u>8,005,865</u>	<u>15,373,060</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	5,547	-	-	-	67	5,614
Due to the Central Bank and banks	1,899,351	840,000	15,000	-	-	2,754,351
Payables	570,858	64,794	7,260	3,387	373	646,672
Securities sold under repurchase agreements	90,748	432,478	-	-	-	523,226
Deposits and remittances	4,676,798	4,956,738	1,646,336	2,084,794	3,933,635	17,298,301
Other maturity fund outflow items	37,441	208	107	2,535	564,909	605,200
	<u>7,280,743</u>	<u>6,294,218</u>	<u>1,668,703</u>	<u>2,090,716</u>	<u>4,498,984</u>	<u>21,833,364</u>
Gap	<u>\$ (3,131,960)</u>	<u>\$ (4,366,161)</u>	<u>\$ (1,074,095)</u>	<u>\$ (1,394,969)</u>	<u>\$ 3,506,881</u>	<u>\$ (6,460,304)</u>

Note: The amounts listed above were the position in U.S. dollars of the Bank.

(In Thousands of United States Dollars)

Item	December 31, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 189,655	\$ -	\$ -	\$ -	\$ -	\$ 189,655
Due from the Central Bank and call loans to banks	3,190,050	511,972	22,785	118,873	14,937	3,858,617
Financial assets at FVTPL	82,081	-	-	-	-	82,081
Receivables	495,116	139,575	127,593	35,442	3,172	800,898
Discounts and loans	940,466	728,238	616,712	439,866	3,203,118	5,928,400
Investments in debt instruments at FVTOCI	-	26,038	34,043	87,208	1,375,585	1,522,874
Investments in debt instruments at amortized cost	-	-	-	-	1,006,044	1,006,044
Other maturity fund inflow items	5,000	-	-	-	33,391	38,391
	<u>4,902,368</u>	<u>1,405,823</u>	<u>801,133</u>	<u>681,389</u>	<u>5,636,247</u>	<u>13,426,960</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	8,169	502	753	1,506	340	11,270
Due to the Central Bank and banks	2,050,652	170,000	10,000	-	-	2,230,652
Payables	826,434	73,019	3,515	820	1	903,789
Deposits and remittances	3,548,363	2,533,875	2,362,091	2,457,608	5,034,632	15,936,569
Other maturity fund outflow items	63,949	2,169	581	189	10,210	77,098
	<u>6,497,567</u>	<u>2,779,565</u>	<u>2,376,940</u>	<u>2,460,123</u>	<u>5,045,183</u>	<u>19,159,378</u>
Gap	<u>\$ (1,595,199)</u>	<u>\$ (1,373,742)</u>	<u>\$ (1,575,807)</u>	<u>\$ (1,778,734)</u>	<u>\$ 591,064</u>	<u>\$ (5,732,418)</u>

Note: The amounts listed above were the position in U.S. dollars of the Bank.

(In Thousands of United States Dollars)

Item	September 30, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 306,706	\$ -	\$ -	\$ -	\$ -	\$ 306,706
Due from the Central Bank and call loans to banks	1,727,351	870,169	42,404	2,412	14,711	2,657,047
Financial assets at FVTPL	82,996	-	-	-	-	82,996
Receivables	543,479	111,217	246,106	19,952	3,001	923,755
Discounts and loans	1,051,764	1,350,864	735,609	280,350	3,108,735	6,527,322
Investments in debt instruments at FVTOCI	15,003	15,051	26,096	170,794	1,685,015	1,911,959
Investments in debt instruments at amortized cost	-	2,999	-	-	1,024,172	1,027,171
Other maturity fund inflow items	5,000	-	-	-	18,680	23,680
	<u>3,732,299</u>	<u>2,350,300</u>	<u>1,050,215</u>	<u>473,508</u>	<u>5,854,314</u>	<u>13,460,636</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	9,587	534	801	1,602	340	12,864
Due to the Central Bank and banks	2,420,462	94,000	20,000	-	-	2,534,462
Payables	1,079,696	61,399	20,518	1,769	2,334	1,165,716
Deposits and remittances	2,372,659	2,668,249	2,088,394	2,048,508	4,843,294	14,021,104
Other maturity fund outflow items	43,911	1,998	5,815	167	10,863	62,754
	<u>5,926,315</u>	<u>2,826,180</u>	<u>2,135,528</u>	<u>2,052,046</u>	<u>4,856,831</u>	<u>17,796,900</u>
Gap	<u>\$ (2,194,016)</u>	<u>\$ (475,880)</u>	<u>\$ (1,085,313)</u>	<u>\$ (1,578,538)</u>	<u>\$ 997,483</u>	<u>\$ (4,336,264)</u>

Note: The amounts listed above were the position in U.S. dollars of the Bank.

d) Maturity analysis of derivative financial assets and liabilities

The derivative instruments held by the Group, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have very low liquidity risks.

(New Taiwan Dollars and Foreign Currencies Combined in Thousands of New Taiwan Dollars)

Item	September 30, 2022					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 194,082,262	\$ 238,777,204	\$ 163,719,223	\$ 48,888,791	\$ 166,014	\$ 645,633,494
Inflows	198,585,504	245,922,338	170,391,020	49,759,545	166,674	664,825,081
Interest rate derivative instruments						
Outflows	1,602	-	-	-	134,182	135,784
Inflows	1,098,474	-	-	-	-	1,098,474
Others						
Inflows	17,721	-	-	-	-	17,721
Total outflows	\$ 194,083,864	\$ 238,777,204	\$ 163,719,223	\$ 48,888,791	\$ 300,196	\$ 645,769,278
Total inflows	\$ 199,701,699	\$ 245,922,338	\$ 170,391,020	\$ 49,759,545	\$ 166,674	\$ 665,941,276

(New Taiwan Dollars and Foreign Currencies Combined in Thousands of New Taiwan Dollars)

Item	December 31, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 183,810,946	\$ 228,568,500	\$ 138,358,458	\$ 131,047,484	\$ 1,382,750	\$ 683,168,138
Inflows	183,006,206	228,316,604	138,273,044	131,266,791	1,376,650	682,239,295
Interest rate derivative instruments						
Outflows	413	-	-	-	30,762	31,175
Inflows	116,609	-	-	-	-	116,609
Others						
Inflows	18,843	-	-	-	-	18,843
Total outflows	\$ 183,311,359	\$ 228,568,500	\$ 138,358,458	\$ 131,047,484	\$ 1,413,512	\$ 683,199,313
Total inflows	\$ 183,141,658	\$ 228,316,604	\$ 138,273,044	\$ 131,266,791	\$ 1,376,650	\$ 682,374,747

(New Taiwan Dollars and Foreign Currencies Combined in Thousands of New Taiwan Dollars)

Item	September 30, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 147,292,480	\$ 229,728,726	\$ 154,676,420	\$ 95,901,629	\$ 555,010	\$ 628,154,265
Inflows	147,360,927	229,794,163	154,642,583	95,980,076	557,000	628,334,749
Interest rate derivative instruments						
Outflows	-	-	-	-	28,985	28,985
Inflows	108,215	-	-	-	-	108,215
Others						
Inflows	21,056	-	-	-	-	21,056
Total outflows	\$ 147,292,480	\$ 229,728,726	\$ 154,676,420	\$ 95,901,629	\$ 583,995	\$ 628,183,250
Total inflows	\$ 147,490,198	\$ 229,794,163	\$ 154,642,583	\$ 95,980,076	\$ 557,000	\$ 628,464,020

e) Maturity analysis of off-balance sheet items

Bank's off-balance sheet items - irrevocable loans, guarantees, and letters of credit presented based on the residual time from the balance sheet date to the maturity date were as follows:

(In Thousands of New Taiwan Dollars)

Item	September 30, 2022					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Unused loan commitments (excluding credit cards)	\$ 65,801,461	\$ -	\$ 282,100	\$ 4,860,911	\$ 9,606,765	\$ 80,551,237
Credit card commitments	10	92	104	518	359,564	360,288
Unused issued letters of credit	28,416,239	280,302	56,101	-	-	28,752,642
Guarantees in guarantee business	59,964,848	73,560	46,872	108,727	74,111	60,268,118
	\$ 154,182,558	\$ 353,954	\$ 385,177	\$ 4,970,156	\$ 10,040,440	\$ 169,932,285

(In Thousands of New Taiwan Dollars)

Item	December 31, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Unused loan commitments (excluding credit cards)	\$ 74,143,110	\$ 1,193,361	\$ 2,275,181	\$ 2,774,392	\$ 7,526,387	\$ 87,912,431
Credit card commitments	12	154	129	687	205,298	206,280
Unused issued letters of credit	27,144,214	168,513	-	-	-	27,312,727
Guarantees in guarantee business	57,044,232	60,495	79,816	149,765	74,444	57,408,752
	\$ 158,331,568	\$ 1,422,523	\$ 2,355,126	\$ 2,924,844	\$ 7,806,129	\$ 172,840,190

(In Thousands of New Taiwan Dollars)

Item	September 30, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Unused loan commitments (excluding credit cards)	\$ 76,930,805	\$ 858,858	\$ 1,284,884	\$ 3,980,909	\$ 8,040,911	\$ 91,096,367
Credit card commitments	13	168	270	813	370,846	372,110
Unused issued letters of credit	27,001,469	121,525	-	-	-	27,122,994
Guarantees in guarantee business	56,984,180	241,519	58,063	131,061	71,709	57,486,532
	\$ 160,916,467	\$ 1,222,070	\$ 1,343,217	\$ 4,112,783	\$ 8,483,466	\$ 176,078,003

35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Item			September 30, 2022					September 30, 2021				
			Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)
Business Type												
Corporate finance	Secured		\$ 2,500,407	\$ 565,295,561	0.44%	\$ 6,559,704	262.35%	\$ 3,639,109	\$ 527,638,106	0.69%	\$ 6,218,658	170.88%
	Unsecured		174,440	551,276,899	0.03%	6,244,741	3579.88%	544,615	458,807,115	0.12%	5,325,367	977.82%
Consumer finance	Mortgage loans (Note d)		383,343	390,470,838	0.10%	5,883,318	1534.74%	388,959	369,545,037	0.11%	5,573,082	1,432.82%
	Cash cards (Note h)		-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)		4,546	3,564,885	0.13%	42,699	939.27%	2,170	2,591,831	0.08%	30,452	1,403.32%
	Others (Note f)	Secured	581,477	220,987,479	0.26%	2,250,016	386.95%	706,139	220,438,968	0.32%	2,248,321	318.40%
		Unsecured	327	1,335,902	0.02%	14,646	4478.90%	2,723	1,441,412	0.19%	15,992	587.29%
Total			3,644,540	1,732,931,564	0.21%	20,995,124	576.07%	5,283,715	1,580,462,469	0.33%	19,411,872	367.39%

		Item	September 30, 2022					September 30, 2021				
			Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)
Business Type												
Credit card			\$ 4,403	\$ 2,701,901	0.16%	\$ 20,904	474.77%	\$ 4,700	\$ 2,406,948	0.20%	\$ 22,196	472.26%
No recourse receivable factoring (Note g)			-	5,510,359	-	105,104	-	-	10,467,886	-	154,679	-

Note a: Non-performing loans are classified in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by the MOF. Non-performing loans of credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005 (Ref. No. Jin-Guan-Yin (4) 0944000378).

Note b: Non-performing loans ratio = Non-performing loan ÷ Loans
Non-performing loans of credit card ratio = Non-performing loans of credit cards ÷ Accounts receivable

Note c: Coverage ratio of allowances for loan losses = Allowances for loan losses ÷ Non-performing loans
Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card ÷ Non-performing loans of credit cards

Note d: Mortgage loans are for borrowers to build or repair buildings, allowing the borrowers, their spouses or their minor children to fully use their buildings as collateral and to mortgage their rights to financial institutions.

Note e: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) 09440010950), excluding credit loans of credit cards and cash cards.

Note f: The other consumer financial businesses are defined as secured or unsecured consumer financial businesses, excluding mortgage loans, cash cards, credit loans and credit cards.

Note g: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5) 094000494) non-recourse receivable factorings are not defined as non-performing loans until compensation from factors or insurance companies are ascertained to be non-recoverable.

Note h: The Group does not engage in cash cards business.

Business Type \ Item	September 30, 2022		September 30, 2021	
	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting
Negotiated loans transacted in accordance with the agreement and exempted from reporting as non-performing loans (Note a)	\$ -	\$ 308	\$ -	\$ 522
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	466	18,622	111	20,269
Total	466	18,930	111	20,791

Note a: Negotiated loans and accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing loans are disclosed in accordance with the Letter issued by Banking Bureau on April 25, 2006 (Ref. No. Jin-Guan-Yin (1) 09510001270).

Note b: Loans and receivables transacted in accordance with debt clearance and renewal regulation and exempted from reporting as non-performing loans or receivables are disclosed in accordance with the Letter issued by Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1) 09700318940).

b. Concentration of credit risk

September 30, 2022			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%) (Note d)
1	A Group (steel smelting industry)	\$ 21,320,639	12.79
2	B Corporation (railway transportation industry)	20,462,450	12.28
3	C Group (uncategorized other financial service industry)	17,427,000	10.46
4	D Group (other holdings industry)	16,760,039	10.06
5	E Group (airline industry)	14,508,777	8.70
6	F Group (chemical materials manufacturing industry)	10,888,029	6.53
7	G Group (panel and component manufacturing industry)	9,852,992	5.91
8	H Group (metal surface treatment industry)	8,367,384	5.02
9	I Group (integrated circuit manufacturing industry)	8,214,591	4.93
10	J Group (computer manufacturing industry)	8,191,930	4.91

September 30, 2021			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%) (Note d)
1	B Corporation (railway transportation industry)	\$ 24,294,969	14.44
2	E Group (airline industry)	23,113,608	13.74
3	C Group (synthesis construction industry)	16,330,000	9.71
4	A Group (steel smelting industry)	16,214,510	9.64
5	D Group (other holdings industry)	14,304,653	8.50
6	H Group (steel manufacturing industry)	8,501,690	5.05
7	K Group (other computer peripheral equipment manufacturing industry)	8,314,670	4.94
8	L Group (computer manufacturing industry)	7,034,537	4.18
9	F Group (chemical material manufacturing industry)	6,733,032	4.00
10	M Group (real estate development industry)	6,000,000	3.57

Note a: Sorted by the balance of loans on September 30, 2022 and 2021, excluding government or state-run business. The number of transaction party which belongs to a group business was included in the balance of group business.

Note b: Transaction party is in accordance with article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note c: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, accounts receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, inward remittances, factoring without recourse, acceptance, and guarantee.

Note d: The percentage of loans to equity for the period: Domestic banks should use bank equity to calculate; the Taiwan branch of foreign banks should use branch's equity to calculate.

c. Interest rate sensitivity

(In Thousands of New Taiwan Dollars; %)

Item	September 30, 2022				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,702,400,877	\$ 45,684,967	\$ 39,468,269	\$ 183,525,281	\$ 1,971,079,394
Interest-sensitive liabilities	406,864,690	1,145,870,494	72,424,275	51,584,387	1,676,743,846
Interest sensitivity gap	1,295,536,187	(1,100,185,527)	(32,956,006)	131,940,894	294,335,548
Net equity					143,653,658
Ratio of interest-sensitive assets to liabilities					117.55%
Ratio of interest sensitivity gap to net equity					204.89%

(In Thousands of New Taiwan Dollars; %)

Item	September 30, 2021				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,558,697,166	\$ 75,315,874	\$ 57,089,195	\$ 163,982,334	\$ 1,855,084,569
Interest-sensitive liabilities	345,639,768	1,117,118,821	88,123,107	57,128,911	1,608,010,607
Interest sensitivity gap	1,213,057,398	(1,041,802,947)	(31,033,912)	106,853,423	247,073,962
Net equity					145,826,114
Ratio of interest-sensitive assets to liabilities					115.37%
Ratio of interest sensitivity gap to net equity					169.43%

Note a: The amounts listed above include accounts in N.T. dollars only (i.e. excluding foreign currency) for both head office and domestic branches.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$
(N.T. dollars only)

(In Thousands of U.S. Dollars; %)

Item	September 30, 2022				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 16,035,015	\$ 561,834	\$ 322,424	\$ 3,301,065	\$ 20,220,338
Interest-sensitive liabilities	23,652,433	1,373,077	1,544,670	19	26,570,199
Interest sensitivity gap	(7,617,418)	(811,243)	(1,222,246)	3,301,046	(6,349,861)
Net equity					545,204
Ratio of interest-sensitive assets to liabilities					76.10%
Ratio of interest sensitivity gap to net equity					(1,164.68%)

(In Thousands of U.S. Dollars; %)

Item	September 30, 2021				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 13,781,546	\$ 968,602	\$ 159,081	\$ 2,118,827	\$ 17,028,056
Interest-sensitive liabilities	18,027,961	1,723,215	1,383,344	4	21,134,524
Interest sensitivity gap	(4,246,415)	(754,613)	(1,224,263)	2,118,823	(4,106,468)
Net equity					605,840
Ratio of interest-sensitive assets to liabilities					80.57%
Ratio of interest sensitivity gap to net equity					(677.81%)

Note a: The amounts listed above include accounts in U.S. dollars only for domestic branches, offshore banking unit (OBU), and overseas branches, excluding contingent assets and contingent liabilities.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$
(U.S. dollars only)

d. Profitability

Item		September 30, 2022	September 30, 2021
Return on total assets	Pretax	0.38%	0.33%
	After tax	0.32%	0.29%
Return on net equity	Pretax	5.90%	4.67%
	After tax	5.04%	4.07%
Profit margin		33.89%	31.30%

Note a: Return on total assets =
$$\frac{\text{Income before (after) tax}}{\text{Average assets}}$$

Note b: Return on net equity =
$$\frac{\text{Income before (after) tax}}{\text{Average net equity}}$$

Note c: Profit margin =
$$\frac{\text{Income after tax}}{\text{Net revenue and gains}}$$

Note d: Profitability presented above is cumulative from January 1 to September 30 of 2022 and 2021, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	September 30, 2022					
		Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 2,293,689,176	\$ 241,929,755	\$ 241,967,879	\$ 251,132,089	\$ 207,395,558	\$ 264,927,527	\$ 1,086,336,368
Major maturity cash outflows	2,847,301,616	115,489,051	184,587,625	424,069,606	423,315,011	557,297,132	1,142,543,191
Gap	(553,612,440)	126,440,704	57,380,254	(172,937,517)	(215,919,453)	(292,369,605)	(56,206,823)

(In Thousands of New Taiwan Dollars)

	Total	September 30, 2021					
		Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 2,212,189,772	\$ 224,469,812	\$ 202,727,248	\$ 282,673,552	\$ 206,310,888	\$ 292,883,866	\$ 1,003,124,406
Major maturity cash outflows	2,758,666,241	125,202,335	185,918,177	400,590,838	418,210,668	530,990,185	1,097,754,038
Gap	(546,476,469)	99,267,477	16,809,071	(117,917,286)	(211,899,780)	(238,106,319)	(94,629,632)

Note: The amounts listed above include accounts in N.T. dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

(In Thousands of U.S. Dollars)

	Total	September 30, 2022				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 34,820,939	\$ 13,458,730	\$ 6,537,899	\$ 4,758,229	\$ 2,079,894	\$ 7,986,187
Major maturity cash outflows	40,020,914	15,791,005	8,845,964	3,930,724	4,935,246	6,517,975
Gap	(5,199,975)	(2,332,275)	(2,308,065)	827,505	(2,855,352)	1,468,212

(In Thousands of U.S. Dollars)

	Total	September 30, 2021				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 30,689,771	\$ 11,650,417	\$ 6,147,083	\$ 4,515,043	\$ 2,147,281	\$ 6,229,947
Major maturity cash outflows	34,628,907	12,060,649	5,435,273	4,878,178	5,255,021	6,999,786
Gap	(3,939,136)	(410,232)	711,810	(363,135)	(3,107,740)	(769,839)

Note: The amounts listed above include accounts in U.S. dollars for head office, domestic branches, and OBU.

f. Trust accounts

Under Article 3 of the Trust Law, the Bank can offer trust services. The items and amounts of trust accounts as of September 30, 2022 and 2021 were as follows:

	September 30	
	2022	2021
Special purpose trust accounts - domestic	\$ 38,857,411	\$ 36,841,560
Special purpose trust accounts - foreign	74,632,877	70,572,958
Insurance trust	9,834	9,783
Retirement and breeds trust	509,897	482,893
Umbilical-cord-blood trust	14,628,271	13,117,311
Money claim and guarantee trust	51,800	54,800
Marketable securities trust	3,934,824	1,470,899
Real estate trust	25,945,558	19,689,991
Securities under custody	288,938,420	257,861,634
Other money trust	<u>4,694,791</u>	<u>3,570,078</u>
	<u>\$ 452,203,683</u>	<u>\$ 403,671,907</u>

36. RELATED PARTY TRANSACTIONS

a. Related parties and their relationships with the Bank

Name	Relationship
Director and managers	The Bank's director and managers
Taishin Financial Holding	The Bank's related party in substance
Taishin International Bank	The subsidiary of Bank's related party in substance
Chunghwa Post Co., Ltd.	The Bank's corporate director
The Export-Import Bank	Its director is the Bank's corporate director
Land Bank	Its director is the Bank's corporate director
Taiwan Business Bank	Its director is the Bank's corporate director
Taichung Commercial Bank Co., Ltd.	Its director is the spouse of the Bank's manager
Taiwan High Speed Rail Corporation	Its director is the Bank's corporate director
Yang Ming Marine Transport Corporation	Its director is the Bank's corporate director
Unity OPTO Technology Co., Ltd.	Its director is the Bank's corporate director
Powertec Electronical Corporation	Its director is the Bank's corporate director
United Renewable Energy Co., Ltd.	Its director is the Bank's corporate director
CSBC Corporation	Its director is the Bank's corporate director
Kaohsiung Rapid Transit Corporation	Its director is the Bank's corporate director
Lungteh Shipbuilding Co., Ltd.	Its director is the Bank's corporate director
China Airlines, Ltd.	Its director is the Bank's corporate director
Taiwan Cooperative Financial Holding Co., Ltd.	Its director is the Bank's corporate director
Quaser Machine Tools, Inc.	Its director is the Bank's corporate director
Others	Other related parties (IAS 24 "Related Party Disclosures)

b. Significant transactions with related parties

1) Loans

	Balance	Percentage of Loans (%)
Balance as of September 30, 2022	\$ 28,023,404	1.62
Balance as of December 31, 2021	26,534,553	1.71
Balance as of September 30, 2021	29,179,179	1.85

For the nine months ended September 30, 2022 and 2021, interest rates ranged from 1.02% to 4.62% and from 0.56% to 3.57%, and interest income were \$366,767 thousand and \$383,799 thousand, respectively.

For the three months ended September 30, 2022 and 2021, interest income was \$130,907 thousand and \$126,834 thousand, respectively.

	September 30, 2022						Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral		
<u>Consumer loans</u>							
46 accounts	\$ 20,479	\$ 21,673	\$ 20,479	\$ -	Credit		None
<u>Self-use residential mortgage loans</u>							
245 accounts	1,657,269	1,735,030	1,657,269	-	Real estate		None
<u>Others</u>							
Taiwan High Speed Rail Corporation	20,237,161	20,237,161	20,237,161	-	Credit and station equipment		None
Taiwan Cooperative Financial Holding Co., Ltd.	3,000,000	3,000,000	3,000,000	-	Credit		None
CSBC Corporation	1,188,014	3,519,275	1,188,014	-	Credit		None
China Airlines, Ltd.	750,000	750,000	750,000	-	Credit and fund guarantee		None
Unity OPTO Technology Co., Ltd.	634,665	1,267,466	634,665	-	Credit and land and plant		None
Lungteh Shipbuilding Co., Ltd.	184,014	286,454	184,014	-	Credit and land and plant		None
Other - 9 corporation accounts (Note 1)	351,802	649,634	341,802	10,000	Credit and fund guarantee and real estate		None

December 31, 2021							Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral		
<u>Consumer loans</u>							
48 accounts	\$ 26,060	\$ 26,998	\$ 26,060	\$ -	Credit	None	
<u>Self-use residential mortgage loans</u>							
253 accounts	1,606,401	1,646,420	1,606,401	-	Real estate	None	
<u>Others</u>							
Taiwan High Speed Rail Corporation	22,559,661	23,962,050	22,559,661	-	Credit and station equipment	None	
China Airlines, Ltd.	1,000,000	1,000,000	1,000,000	-	Credit and fund guarantee	None	
Unity OPTO Technology Co., Ltd.	628,471	629,593	628,471	-	Credit and land and plant	None	
Powertec Electronical Corporation	266,512	466,027	-	266,512	Plant	None	
Lungteh Shipbuilding Co., Ltd.	108,899	168,705	108,899	-	Credit and land and plant	None	
Other - corporation 11 accounts (Note 1)	338,342	1,765,235	338,342	-	Credit and fund guarantee and real estate	None	
Other - individual 5 accounts (Note 2)	207	414	207	-	Deposit	None	
September 30, 2021							
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties	
<u>Consumer loans</u>							
49 accounts	\$ 26,737	\$ 28,230	\$ 26,737	\$ -	Credit	None	
<u>Self-use residential mortgage loans</u>							
256 accounts	1,630,758	1,718,085	1,630,758	-	Real estate	None	
<u>Others</u>							
Taiwan High Speed Rail Corporation	23,959,116	23,972,844	23,959,116	-	Credit and station equipment	None	
Yang Ming Marine Transport Corporation	795,000	2,314,500	795,000	-	Credit and ship	None	
China Airlines, Ltd.	1,000,000	2,000,000	1,000,000	-	Credit and fund guarantee	None	
Unity OPTO Technology Co., Ltd.	629,049	1,258,925	629,049	-	Credit and land and plant	None	
United Renewable Energy Co., Ltd.	380,953	437,465	380,953	-	Credit	None	
Powtec Electrochemical Corporation	266,512	466,027	-	266,512	Plant	None	
Lungteh Shipbuilding Co., Ltd.	151,465	233,498	151,465	-	Credit and land and plant	None	
Other - 10 corporation accounts (Note 1)	338,902	1,827,622	338,902	-	Credit and fund guarantee and real estate	None	
Other - 4 individual accounts (Note 2)	689	804	689	-	Deposit	None	

Note 1: The balance of each corporate entity does not exceed \$1 billion.

Note 2: The balance of each single entity does not exceed 1% of the total ending balance.

Loans to managers for mortgage within \$8,000 thousand and credit loans within \$800 thousand per person all bore interests at 1.51%, 1.01% and 1.01% on September 30, 2022, December 31, 2021 and September 30, 2021, respectively. The interest rates and other terms provided to the other related parties are the same as those offered to the public.

2) Guaranteed loans

	September 30, 2022				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
CSBC Corporation	\$ 2,236,261	\$ 2,236,261	\$ 22,363	0.50-0.65	None
Yang Ming Marine Transport Corporation	1,514,475	1,514,475	15,145	0.80-1.00	None
Kaohsiung Rapid Transit Corporation	6,000	6,000	60	0.50	None
Lungteh Shipbuilding Co., Ltd.	127,162	127,162	1,272	1.00	None
	December 31, 2021				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
CSBC Corporation	\$ 2,116,261	\$ 2,136,516	\$ 21,163	0.50-0.65	None
Yang Ming Marine Transport Corporation	1,514,475	1,514,475	15,145	0.80-1.00	None
Kaohsiung Rapid Transit Corporation	6,000	6,000	60	0.50	None
Lungteh Shipbuilding Co., Ltd.	128,642	131,447	1,286	1.00	None
	September 30, 2021				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
CSBC Corporation	\$ 2,133,316	\$ 2,136,516	\$ 21,333	0.50-0.65	None
Yang Ming Marine Transport Corporation	1,514,475	1,514,475	15,145	0.80-1.00	None
Kaohsiung Rapid Transit Corporation	6,000	6,000	60	0.50	None
Lungteh Shipbuilding Co., Ltd.	110,312	111,677	1,103	1.00	None

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of September 30, 2022	\$ 33,504,834	1.45
Balance as of December 31, 2021	52,360,143	2.42
Balance as of September 30, 2021	31,222,312	1.53

For the nine months ended September 30, 2022 and 2021, the interest rates intervals were between 0.00% to 13.00%; the interest expense was \$259,593 thousand and \$56,150 thousand, respectively. For the three months ended September 30, 2022 and 2021, the interest expense was \$102,828 thousand and \$15,659 thousand, respectively.

The interest rate for managers' deposits amounting to \$480 thousand per person was 13% per annum. The part of deposit exceeding \$480 thousand will earn interest calculated at the demand savings rate. The interest rates and other terms provided to the other related parties are the same as those offered to general public.

4) Transactions of derivative financial products

(In Thousands of New Taiwan Dollars)

Name	Contract	Duration	September 30, 2022			
			Nominal Principle Amount	Current Valuation Gain (Loss)	Balance Sheet	
					Subject	Amount
Chunghwa Post Co., Ltd.	Currency swaps	2022.04.07-2023.03.22	\$ 19,028,360	\$ 1,230,308	Financial assets at fair value through profit or loss	\$ 1,230,308
Quaser Machine Tools, Inc.	Currency forward	2022.09.08-2022.12.12	83,857	289	Financial assets at fair value through profit or loss	289

(In Thousands of New Taiwan Dollars)

Name	Contract	Duration	December 31, 2021			
			Nominal Principle Amount	Current Valuation Gain (Loss)	Balance Sheet	
					Subject	Amount
Chunghwa Post Co., Ltd.	Currency swaps	2021.07.22-2022.07.22	\$ 13,274,400	\$ (88,984)	Financial liabilities at fair value through profit or loss	\$ 88,984

(In Thousands of New Taiwan Dollars)

Name	Contract	Duration	September 30, 2021			
			Nominal Principle Amount	Current Valuation Gain (Loss)	Balance Sheet	
					Subject	Amount
Chunghwa Post Co., Ltd.	Currency swaps	2021.05.24-2022.07.22	\$ 13,368,000	\$ (4,520)	Financial liabilities at fair value through profit or loss	\$ 4,520

5) Call loans to banks and call loans from banks

Call loans to banks

(In Thousands of Original Currencies)

Name	Department	Currency	September 30, 2022			
			Ending Balance	Interest Rate (Per Annum %)	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2022
					Interest Income	Interest Income
Chunghwa Post Co., Ltd.	DBU	NTD	\$ 5,000	0.08-0.91	\$ 23	\$ 126
Land Bank	DBU	NTD	20,000	0.08-0.95	559	2,406
	OBU	USD	85,000	0.05-3.05	603	752
	London Branch	USD	10,000	2.75	38	38
Taiwan Business Bank	Hong Kong Branch	USD	70,000	0.23-2.85	476	714
	OBU	USD	14,000	0.05-3.14	53	67
	Tokyo Branch	USD	15,000	0.13-3.26	85	124
	Hong Kong Branch	USD	10,000	1.05-4.03	72	147

December 31, 2021					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Income
Chunghwa Post Co., Ltd.	DBU	NTD	\$ 15,000	0.08-0.62	\$ 89
Land Bank	DBU	NTD	10,000	0.08-0.47	1,583
	OBU	USD	116,000	0.06-0.33	203
	London Branch	USD	20,000	0.18-0.29	19
	Hong Kong Branch	USD	25,000	0.08-0.48	214
Taiwan Business Bank	OBU	USD	30,000	0.06-0.32	22
	Tokyo Branch	USD	15,000	0.13-0.53	29
Taichung Commercial Bank	DBU	NTD	900,000	0.15-0.31	1,787

September 30, 2021						
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2021
					Interest Income	Interest Income
Chunghwa Post Co., Ltd.	DBU	NTD	\$ 15,000	0.08-0.62	\$ 23	\$ 66
Land Bank	DBU	NTD	10,000	0.08-0.47	40	1,527
	OBU	USD	115,000	0.06-0.33	66	159
	London Branch	USD	10,000	0.18-0.26	6	13
	Hong Kong Branch	USD	100,000	0.15-0.35	52	146
Taiwan Business Bank	OBU	USD	15,000	0.09-0.32	2	15
	Tokyo Branch	USD	15,000	0.14-0.25	7	21

Call loans from banks

(In Thousands of Original Currencies)

September 30, 2022					For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2022
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Expense	Interest Expense
Land Bank	DBU	NTD	\$ 5,000	0.08-0.86	\$ 52	\$ 72
	New York Branch	USD	20,000	0.09-2.83	103	117
Taiwan Business Bank	Singapore Branch	SGD	8,500	0.28-2.20	26	39

December 31, 2021					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Land Bank	DBU	NTD	\$ 5,000	0.08-0.48	\$ 136
	OBU	ZAR	20,000	4.30-5.45	2,133
Taiwan Business Bank	Singapore Branch	SGD	8,000	0.19-0.35	12
Taichung Commercial Bank	OBU	ZAR	30,000	3.70-6.00	558

September 30, 2021						
					For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2021
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Expense	Interest Expense
Land Bank	DBU	NTD	\$ 5,000	0.08-0.48	\$ 17	\$ 29
	OBU	ZAR	80,000	4.30-5.15	884	884
Taiwan Business Bank	OBU	ZAR	20,000	3.50-7.50	95	140
Taichung Commercial Bank	OBU	ZAR	40,000	4.30-6.00	516	526

6) Due from banks and deposits from banks

Due from banks

(In Thousands of New Taiwan Dollars)

Name	Department	Currency	September 30, 2022	December 31, 2021	September 30, 2021
			Ending Balance	Ending Balance	Ending Balance
Land Bank	DBU	NTD	\$ 4	\$ 4	\$ 4
Taiwan Business Bank	DBU	NTD	5	11	26,544
Chunghwa Post Co., Ltd.	DBU	NTD	99	227	235

Deposits from banks

(In Thousands of Original Currencies)

Name	Department	Currency	September 30, 2022	December 31, 2021	September 30, 2021
			Ending Balance	Ending Balance	Ending Balance
Land Bank	DBU	NTD	\$ 277	\$ 277	\$ 277
The Export-Import Bank	DBU	NTD	573	1,972	1,922
Taishin International Bank	New York Branch	USD	68	68	68
Chunghwa Post Co., Ltd.	DBU	NTD	271,392	312,843	285,083

c. Compensation of directors and management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 11,517	\$ 11,310	\$ 35,947	\$ 33,859
Post-employment benefits	<u>404</u>	<u>406</u>	<u>11,909</u>	<u>1,221</u>
	<u>\$ 11,921</u>	<u>\$ 11,716</u>	<u>\$ 47,856</u>	<u>\$ 35,080</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

d. Others

The Bank signed two-year information system service contracts in the amounts of \$2,000 thousand and \$46 thousand each on April 8, 2020 and April 30, 2020, with its subsidiaries Chang Hua Commercial Bank, Ltd. and Chang Hwa Bank Venture Capital Co., Ltd., respectively and recognized other income in the amounts of \$1,250 thousand in 2022.

The Bank signed three-year legal advice service contract with its subsidiary, Chang Hwa Bank Venture Capital Co., Ltd., on November 26, 2020. Under the contract, the annual service fee is \$68 thousand.

The Bank signed three-year information system service contracts with its subsidiaries Chang Hua Commercial Bank, Ltd. and Chang Hwa Bank Venture Capital Co., Ltd. on April 6, 2022 and February 15, 2022. Under the contract, the annual service fee is \$4,410 thousand and \$68 thousand, respectively.

37. PLEDGED ASSETS

The summary of the Group's pledged assets as of September 30, 2022, December 31, 2021 and September 30, 2021 is as follows:

Pledged Assets	Description	September 30, 2022	December 31, 2021	September 30, 2021
Investments in debt instruments at FVTOCI	Bonds	\$ 1,187,631	\$ 6,617,187	\$ 5,746,467
Investments in debt instruments at amortized cost	Bonds and certificates of deposit	41,448,675	41,438,275	41,439,250
Time deposits with original maturities of more than 3 months	Time deposits	-	-	2,795,650
Refundable deposits	Cash	1,013,750	1,325,277	801,941
Reserve for demand accounts	Cash	-	35,000,000	30,000,000

38. CONTINGENT LIABILITIES AND COMMITMENTS

- a. In addition to those mentioned in Note 7, the Group had the following contingent liabilities and commitments as of September 30, 2022, December 31, 2021 and September 30, 2021:

	September 30, 2022	December 31, 2021	September 30, 2021
Trust liabilities	\$ 452,203,683	\$ 410,135,442	\$ 403,671,907
Unused loan commitments (excluding credit cards)	80,551,237	87,912,431	91,096,367
Credit card commitments	360,288	206,280	372,110
Unused issued letters of credit	28,752,642	27,312,727	27,122,994
Guarantees issued in guarantee business	60,268,118	57,408,752	57,486,532
Repayment notes and times deposit held for custody	18,651,873	14,130,756	14,733,833
Liabilities on joint loans	300,839	434,699	483,721

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction, appointment and security as of September 30, 2022 were \$660,003 thousand, \$101,367 thousand, \$798,578 thousand and \$35,133 thousand, respectively. The unrecognized refundable deposits for national financing guarantee promotion plan were \$45,250 thousand.

- b. TDK Corporation filed a legal proceeding against the Bank for damages in the amount of \$45,794 thousand. On April 19, 2017, the Taiwan Superior Court passed a verdict partially in favor of and partially against the Bank, and the Bank shall compensate the damages in the amount of \$11,448 thousand. The Bank had appealed to the Supreme Court. The Supreme Court held hearings on September 3, 2019, November 4, 2019, January 14, 2020, May 11, 2020, July 16, 2020, September 30, 2020, November 25, 2020, January 25, 2021, April 12, 2021 and July 26, 2021. On September 7, 2021, the Taiwan Superior Court ruled in favor of the Bank without damages, but on October 26, 2021, TDK Corporation appealed to the Taiwan Superior Court. The Supreme Court had convened a mediation session on February 8, 2022 and the Court rendered a judgment in favor of the Bank in the form of Supreme Court Judgment No. 1307 of 2022 on July 7, 2022.

- c. The Bank's North Taichung branch was fined due to the misappropriation of customers' deposits. On June 25, 2021, the customer filed a lawsuit against the Bank in the Taichung District Court for misappropriation of deposit amount and loss of financial products which amounted to \$369,778 thousand. The fourth trial was held on October 4, 2022, and no decision has yet been made.

39. DISCLOSURES UNDER STATUTORY REQUIREMENTS

a. Material transactions

No.	Item	Explanation
1	Accumulated purchases and sales balance of specific investees' marketable security over NT\$300 million or 10% of outstanding capital for the nine months ended September 30, 2022	None
2	Acquisition of fixed assets over NT\$300 million or 10% of outstanding capital for the nine months ended September 30, 2022	None
3	Disposal of fixed assets over NT\$300 million or 10% of outstanding capital for the nine months ended September 30, 2022	None
4	Discount on fees income from related parties over NT\$5 million	None
5	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of September 30, 2022	None
6	Sale of NPL	None
7	Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
8	Other significant transactions which may affect decisions of the users of the financial statements	None

b. Information on the Bank's investees

No.	Item	Explanation
1	Investees' names, locations, etc.	Table 1
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of September 30, 2022	Table 2
5	Accumulated purchases and sales balance of specific marketable security over NT\$300 million or 10% of outstanding capital for the nine months ended September 30, 2022	None
6	Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the nine months ended September 30, 2022	None
7	Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the nine months ended September 30, 2022	None
8	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of September 30, 2022	None
9	Derivative instrument	None
10	Discount on fees income from related parties over NT\$5 million	None
11	Sale of NPL by subsidiary	None
12	Other significant transactions which may affect decisions of the users of the financial statements	None

c. Investment in mainland China: Table 3

d. Intercompany relationships and significant intercompany transactions: Table 4

e. Information of major shareholders: The name of the shareholder, shareholding amount and ratio of shareholders with a shareholding ratio more than 5%. (Table 5)

40. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of services provided.

a. Segment revenue and results

	For the Nine Months Ended September 30, 2022						
	Loans	Deposits	Financial Instruments and Investments	Wealth Management	Overseas Branch and Subsidiaries	Others	Total
Net income of interest	\$ 10,298,732	\$ 6,555,870	\$ (911,579)	\$ -	\$ 2,418,621	\$ (11,847)	\$ 18,349,797
Net service fee income	1,134,969	182,513	(28,744)	1,961,924	89,392	-	3,340,054
Net income on financial instrument	-	-	3,100,439	-	208,521	-	3,308,960
Others	9,126	-	3,680	-	4,921	122,097	139,824
Net revenue and gains	<u>11,442,827</u>	<u>6,738,383</u>	<u>2,163,796</u>	<u>1,961,924</u>	<u>2,721,455</u>	<u>110,250</u>	<u>25,138,635</u>
Bad debts expense, commitment and guarantee liability provision	(1,431,776)	-	(48)	-	(706,353)	-	(2,138,177)
Operating expense	-	-	-	-	-	-	(13,028,141)
Income before income tax	<u>\$ 10,011,051</u>	<u>\$ 6,738,383</u>	<u>\$ 2,163,748</u>	<u>\$ 1,961,924</u>	<u>\$ 2,015,102</u>	<u>\$ 110,250</u>	<u>\$ 9,972,317</u>

	For the Nine Months Ended September 30, 2021						
	Loans	Deposits	Financial Instruments and Investments	Wealth Management	Overseas Branch and Subsidiaries	Others	Total
Net income of interest	\$ 9,730,083	\$ 3,615,319	\$ (164,613)	\$ -	\$ 1,932,735	\$ (11,750)	\$ 15,101,774
Net service fee income	1,069,058	177,003	(23,244)	2,101,645	69,891	-	3,394,353
Net income on financial instrument	-	-	2,714,090	-	127,338	-	2,841,428
Others	56,825	-	2,710	-	4,124	241,041	304,700
Net revenue and gains	<u>10,855,966</u>	<u>3,792,322</u>	<u>2,528,943</u>	<u>2,101,645</u>	<u>2,134,088</u>	<u>229,291</u>	<u>21,642,255</u>
Bad debts expense, commitment and guarantee liability provision	(471,362)	-	231	-	(923,829)	-	(1,394,960)
Operating expense	-	-	-	-	-	-	(12,461,082)
Income before income tax	<u>\$ 10,384,604</u>	<u>\$ 3,792,322</u>	<u>\$ 2,529,174</u>	<u>\$ 2,101,645</u>	<u>\$ 1,210,259</u>	<u>\$ 229,291</u>	<u>\$ 7,786,213</u>

The reported revenue and results on the segment information reported did not include inter-segment revenue for the nine months ended September 30, 2022 and 2021.

This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	September 30, 2022						
	Loans	Deposits	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiary	Others	Total
Assets	<u>\$ 1,605,593,533</u>	<u>\$ -</u>	<u>\$ 820,331,617</u>	<u>\$ -</u>	<u>\$ 221,794,497</u>	<u>\$ 92,369,658</u>	<u>\$ 2,740,089,305</u>
Liabilities	<u>\$ 2,005,991</u>	<u>\$ 2,234,262,165</u>	<u>\$ 119,184,711</u>	<u>\$ -</u>	<u>\$ 149,160,611</u>	<u>\$ 68,797,419</u>	<u>\$ 2,573,410,897</u>

	December 31, 2021						
	Loans	Deposits	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiary	Others	Total
Assets	<u>\$ 1,472,353,653</u>	<u>\$ -</u>	<u>\$ 813,923,901</u>	<u>\$ -</u>	<u>\$ 171,319,335</u>	<u>\$ 93,509,608</u>	<u>\$ 2,551,106,497</u>
Liabilities	<u>\$ 2,759,647</u>	<u>\$ 2,116,226,758</u>	<u>\$ 75,078,516</u>	<u>\$ -</u>	<u>\$ 108,235,008</u>	<u>\$ 77,354,113</u>	<u>\$ 2,379,654,042</u>

	September 30, 2021						
	Loans	Deposits	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiary	Others	Total
Assets	<u>\$ 1,492,966,424</u>	<u>\$ -</u>	<u>\$ 697,870,483</u>	<u>\$ -</u>	<u>\$ 167,138,679</u>	<u>\$ 81,722,145</u>	<u>\$ 2,439,697,731</u>
Liabilities	<u>\$ 3,040,437</u>	<u>\$ 2,002,330,172</u>	<u>\$ 72,151,892</u>	<u>\$ -</u>	<u>\$ 108,681,004</u>	<u>\$ 85,246,974</u>	<u>\$ 2,271,450,479</u>

TABLE 1

CHANG HWA COMMERCIAL BANK, LTD.

**INFORMATION ON INVESTEEES’ NAMES AND LOCATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars, Except for Percentage and Shares)**

Investor	Investees’ Names	Investees’ Location	Line of Business	Original Investment Amount		Ending Balance			Net Income (Loss) of Current Period	Recognized Income (Loss) of Current Period	Note
				End of September 30, 2022	End of December 31, 2021	Number of Shares	Percentage of Ownership (%)	Book Value			
Chang Hwa Bank	Chang Hua Commercial Bank, Ltd. Chang Hwa Bank Venture Capital Co., Ltd.	Mainland China Taiwan	Banking Venture capital	\$ 12,117,288 1,042,686	\$ 12,117,288 600,000	Note 104,268,647	100 100	\$ 13,790,229 1,115,282	\$ 206,993 49,785	\$ 206,993 49,785	

Note: Limited company organization.

TABLE 2

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company (Note 2)	Financial Statement Account	September 30, 2022				Note
				Number of Shares	Carrying Amount (Note 3)	Percentage of Ownership (%)	Fair Value	
Chang Hwa Bank Venture Capital Co., Ltd.	Tigerair Taiwan Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,340,000	\$ 47,195	0.3	\$ 47,195	
	Jada International Development Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,919,378	39,966	8.5	39,966	
	Sunway Energy Co., Ltd.	-	Financial assets at fair value through profit or loss	110,000	7,293	0.1	7,293	
	Yuh Shan Environmental Engineering Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	9,625	2.0	9,625	
	Acer E-enabling Service Business Inc.	-	Financial assets at fair value through profit or loss	405,813	53,567	1.0	53,567	
	Advanced Wireless & Antenna Inc.	-	Financial assets at fair value through profit or loss	250,000	7,265	1.0	7,265	
	Huang Chieh Metal Composite Material Tech. Co., Ltd.	-	Financial assets at fair value through profit or loss	350,000	7,000	0.6	7,000	
	Ina Energy Corporation	-	Financial assets at fair value through profit or loss	2,000,000	39,420	1.0	39,420	
	Imedtac Co., Ltd.	-	Financial assets at fair value through profit or loss	300,000	13,809	2.1	13,809	
	Locus Cell Co., Ltd.	-	Financial assets at fair value through profit or loss	3,011,000	118,091	1.5	118,091	
	Great Giant Fibre Garment Co., Ltd.	-	Financial assets at fair value through profit or loss	365,318	41,135	0.6	41,135	
	MegaPro Biomedical Co., Ltd.	-	Financial assets at fair value through profit or loss	250,000	4,763	0.4	4,763	
	Ace Medical Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000,000	13,310	4.9	13,310	
	Minima Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	570,000	14,820	1.5	14,820	
	Evergreen Aviation Technologies Corporation	-	Financial assets at fair value through profit or loss	485,000	36,103	0.1	36,103	
	PlayNitride Display Co., Ltd.	-	Financial assets at fair value through profit or loss	330,000	29,403	0.3	29,403	
	Sunpower Energy Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,112,456	32,518	4.7	32,518	
	Outstanding Management Consultants Co., Ltd.	-	Financial assets at fair value through profit or loss	990	10	9.9	10	

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company (Note 2)	Financial Statement Account	September 30, 2022				Note
				Number of Shares	Carrying Amount (Note 3)	Percentage of Ownership (%)	Fair Value	
	G-YEN HUTONG Co., Ltd.	-	Financial assets at fair value through profit or loss	47,000	\$ 1,864	0.3	\$ 1,864	
	Gamamobi Taiwan Co., Ltd.	-	Financial assets at fair value through profit or loss	400,000	10,000	2.0	10,000	
	Outstanding Capital Limited Partnership	-	Financial assets at fair value through profit or loss	-	470	-	470	
	Mesh Cooperative Ventures Fund. LP.	-	Financial assets at fair value through profit or loss	-	18,527	-	18,527	
	Hongde Energy Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	120,000	9,362	0.1	9,362	
	Etian Cool Co., Ltd.	-	Financial assets at fair value through profit or loss	119,313	2,148	0.2	2,148	
	Glory Wheel Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	286,000	33,000	1.0	33,000	
	Red Sunrise Co., Ltd.	-	Financial assets at fair value through profit or loss	1,200,000	30,000	8.6	30,000	
	Starlux Airlines Co., Ltd.	-	Financial assets at fair value through profit or loss	3,500,000	42,000	0.2	42,000	

Note 1: The securities referred to in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of IFRS 9 “Financial Instruments”.

Note 2: If the issuer of securities is not a related party, this column is exempt.

Note 3: As measured by fair value, fill in the balance of book value after adjustment of the fair value evaluation and deduct the allowance loss. If not measured by fair value, fill in the amortized cost (after allowance loss has been deducted) of the book balance.

CHANG HWA COMMERCIAL BANK, LTD.**INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1.

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2022	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2022	Accumulated Repatriation of Investment Income as of September 30, 2022	Note
					Outflow	Inflow							
Chang Hua Commercial Bank, Ltd.	Banking	\$ 12,117,288 (US\$ 399,558)	Note 1.c.	\$ 12,117,288 (US\$ 399,558)	\$ -	\$ -	\$ 12,117,288 (US\$ 399,558)	\$ 206,993	-	\$ 206,993	\$ 13,790.229	\$ -	

2.

Accumulated Outward Remittance for Investment in Mainland China September 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$ 12,117,288 (US\$ 399,558)	\$ 12,117,288 (US\$ 399,433)	\$ 25,001,761

Note 1: The three methods of investment are as follows:

- Direct investment in mainland China.
- Investment in mainland China through reinvestment in existing enterprise in a third area.
- Others.

Note 2: Equity in the profit (loss):

- If the entity is still in the preparation stage and there is no equity in profit (loss), the condition should be noted.
- The basis of recognizing equity in profit (loss) is categorized in the following three types and each entity should be noted according to its condition.
 - Financial statements audited (reviewed) by international accounting firms that cooperate with the accounting firms in the ROC.
 - Financial statements audited (reviewed) by the Taiwan-based parent company's CPA.
 - Others.

Note 3: In accordance with the "Bank, Financial Holding Corporation and Related Party Invest China Business Rules" announced by the FSC, the accumulated outflow of operating funds and investment from the following parties may not exceed 15% of net assets while they applied:

- Banks in Taiwan (or subsidiaries in a third area) which establish branches, establish/acquire subsidiaries or acquire stock or capital contributions from local stockholders in mainland China.
- The subsidiaries whose issued stock-with voting rights or more than 50% of capital held by banks in Taiwan that have investments in mainland China.

TABLE 4

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars, Except for Percentage)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
0	The Bank	Chang Hua Commercial Bank, Ltd.	a.	Due from the Central Bank and call loans to bank	\$ 32,140	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Cash and cash equivalents	98,834	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Receivables	456,077	Same as normal customers	0.02
		Chang Hua Commercial Bank, Ltd.	a.	Other financial assets	8,928,000	Same as normal customers	0.33
		Chang Hua Commercial Bank, Ltd.	a.	Interest income	184,511	Same as normal customers	0.73
		Chang Hua Commercial Bank, Ltd.	a.	Net non-interest income	1,250	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Deposits and remittances	402,759	Same as normal customers	0.01
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Other liabilities	5	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Interest expense	579	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Net non-interest income	1,809	Same as normal customers	0.01

Note 1: Transaction details: Methods of numbering are as follows:

- a. 0 for parent company.
- b. In accordance with subsidiary number starts from 1.

Note 2: Relationships are as follows:

- a. Parent company to subsidiary.
- b. Subsidiary to parent company.
- c. Subsidiary to subsidiary.

Note 3: Transactions amounts are calculated as percentage of accrued amounts of total income or ending balance of total assets.

TABLE 5**CHANG HWA COMMERCIAL BANK, LTD.****INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2022**

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Ministry of Finance	1,291,658,617	12.19
Taishin Financial Holdings Co., Ltd.	1,102,324,849	10.40
Chunghwa Post Co., Ltd.	794,554,300	7.50
National Development Fund, Executive Yuan	574,468,579	5.42

Note: The main shareholder information in this table is calculated by the insurance company on the last business day at the end of the quarter, and the total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the Bank without physical registration (including treasury shares) is more than 5%. The share capital recorded in the Bank's consolidated financial statements and the actual number of shares delivered without physical registration may be different due to the basis of preparation and calculation.