

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2023 and 2022 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, the "Group") as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three 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 Bank 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 the Standards on Review Engagements of the Republic of China 2410 "Review of Interim 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 March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2023 and 2022 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 Tza Li Gung.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 11, 2023

Notice to Readers

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

	March 31, 2023 (Reviewed)		December 31, 2022 (Audited)		March 31, 2022 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
Cash and cash equivalents (Notes 4, 6 and 35)	\$ 43,648,111	2	\$ 51,758,581	2	\$ 28,692,563	1
Due from the Central Bank and call loans to banks (Notes 4, 6 and 35)	215,783,798	8	149,988,138	6	216,088,890	8
Financial assets at fair value through profit or loss (Notes 4, 7, 33, 35 and 36)	66,691,232	2	31,485,681	1	87,639,414	3
Financial assets at fair value through other comprehensive income (Notes 4, 8, 10, 33 and 36)	213,750,969	8	214,615,957	8	198,358,217	8
Investments in debt instruments at amortized cost (Notes 4, 5, 9, 10, 33 and 36)	446,337,097	16	485,011,259	18	419,118,658	16
Receivables, net (Notes 4, 11 and 12)	21,560,229	1	22,446,573	1	21,023,890	1
Current tax assets (Notes 4 and 30)	71,192	-	44,675	-	356,231	-
Discounts and loans, net (Notes 4, 5, 12, 33, 34 and 35)	1,687,401,822	62	1,685,320,445	63	1,625,462,772	61
Other financial assets, net (Notes 4, 13 and 36)	2,618,015	-	1,768,723	-	2,398,366	-
Property and equipment, net (Notes 4 and 15)	21,021,991	1	21,030,975	1	21,061,852	1
Right-of-use assets, net (Notes 4 and 16)	1,952,296	-	1,954,493	-	1,914,219	-
Investment properties, net (Notes 4 and 17)	13,844,011	-	13,845,593	-	13,850,455	1
Intangible assets, net (Notes 4 and 18)	1,140,268	-	1,121,815	-	1,099,441	-
Deferred tax assets (Notes 4 and 30)	2,602,627	-	3,390,756	-	4,144,517	-
Other assets, net (Notes 19 and 36)	<u>2,177,053</u>	<u>-</u>	<u>1,068,655</u>	<u>-</u>	<u>1,600,347</u>	<u>-</u>
TOTAL	<u>\$ 2,740,600,711</u>	<u>100</u>	<u>\$ 2,684,852,319</u>	<u>100</u>	<u>\$ 2,642,809,832</u>	<u>100</u>
LIABILITIES AND EQUITY						
Deposits from the Central Bank and banks (Notes 4, 20 and 35)	\$ 86,672,973	3	\$ 52,877,055	2	\$ 133,300,118	5
Due to the Central Bank and banks (Notes 6 and 36)	-	-	-	-	30,276,920	1
Financial liabilities at fair value through profit or loss (Notes 4, 7 and 33)	2,754,131	-	6,920,062	-	5,889,189	-
Securities sold under repurchase agreements (Note 4)	1,494,400	-	941,013	-	1,563,384	-
Payables (Notes 4, 21 and 28)	36,983,119	2	31,965,424	1	26,200,819	1
Current tax liabilities (Notes 4 and 30)	1,427,142	-	896,855	-	567,093	-
Deposits and remittances (Notes 4, 22 and 35)	2,366,276,384	87	2,349,882,620	88	2,195,619,513	83
Bank notes payable (Notes 4, 23 and 33)	52,204,748	2	51,219,465	2	51,263,617	2
Other financial liabilities (Notes 4 and 24)	1,016,124	-	858,883	-	922,482	-
Reserve for liabilities (Notes 4, 5, 26 and 27)	3,017,755	-	3,023,164	-	4,621,019	-
Lease liabilities (Notes 4 and 16)	1,796,002	-	1,794,804	-	1,746,795	-
Deferred tax liabilities (Notes 4 and 30)	8,787,830	-	9,430,267	1	9,642,154	1
Other liabilities (Notes 4, 15 and 25)	<u>3,353,492</u>	<u>-</u>	<u>6,014,489</u>	<u>-</u>	<u>8,131,450</u>	<u>-</u>
Total liabilities	<u>2,565,784,100</u>	<u>94</u>	<u>2,515,824,101</u>	<u>94</u>	<u>2,469,744,553</u>	<u>93</u>
EQUITY (Notes 4, 28 and 30)						
Capital stock						
Common stock	105,934,566	4	105,934,566	4	104,885,708	4
Retained earnings						
Legal reserve	43,043,607	1	43,043,607	2	40,320,456	2
Special reserve	12,201,590	-	12,201,590	-	12,201,590	1
Unappropriated earnings	15,694,350	1	12,218,872	-	11,558,756	-
Other equity	<u>(2,057,502)</u>	<u>-</u>	<u>(4,370,417)</u>	<u>-</u>	<u>4,098,769</u>	<u>-</u>
Total equity	<u>174,816,611</u>	<u>6</u>	<u>169,028,218</u>	<u>6</u>	<u>173,065,279</u>	<u>7</u>
TOTAL	<u>\$ 2,740,600,711</u>	<u>100</u>	<u>\$ 2,684,852,319</u>	<u>100</u>	<u>\$ 2,642,809,832</u>	<u>100</u>

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 March 31			
	2023		2022	
	Amount	%	Amount	%
INTEREST INCOME (Notes 4, 29, 35 and 39)	\$ 14,545,273	149	\$ 7,304,860	98
INTEREST EXPENSE (Notes 29, 35 and 39)	<u>(8,913,543)</u>	<u>(91)</u>	<u>(1,853,608)</u>	<u>(25)</u>
NET INCOME OF INTEREST	<u>5,631,730</u>	<u>58</u>	<u>5,451,252</u>	<u>73</u>
NET NON-INTEREST INCOME				
Net service fee income (Notes 4 and 29)	1,301,497	13	1,187,465	16
Gain on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 29)	2,508,786	26	260,006	4
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 29)	218,109	2	141,634	2
Loss arising from derecognition of financial assets at amortized cost	(42,094)	(1)	(1,608)	-
Foreign exchange gain (Notes 4 and 33)	85,328	1	332,822	4
Net other non-interest income (Note 14)	<u>77,714</u>	<u>1</u>	<u>58,119</u>	<u>1</u>
Net non-interest income	<u>4,149,340</u>	<u>42</u>	<u>1,978,438</u>	<u>27</u>
NET REVENUE AND GAINS	<u>9,781,070</u>	<u>100</u>	<u>7,429,690</u>	<u>100</u>
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12)	<u>(903,664)</u>	<u>(9)</u>	<u>(557,306)</u>	<u>(7)</u>
OPERATING EXPENSES				
Employee benefits expenses (Notes 4 and 29)	(3,097,829)	(32)	(2,672,478)	(36)
Depreciation and amortization expenses (Notes 4 and 29)	(409,837)	(4)	(366,236)	(5)
Other general and administrative expenses	<u>(1,137,785)</u>	<u>(12)</u>	<u>(1,015,274)</u>	<u>(14)</u>
Total operating expenses	<u>(4,645,451)</u>	<u>(48)</u>	<u>(4,053,988)</u>	<u>(55)</u>
INCOME BEFORE INCOME TAX	4,231,955	43	2,818,396	38
INCOME TAX EXPENSE (Notes 4 and 30)	<u>(780,022)</u>	<u>(8)</u>	<u>(441,254)</u>	<u>(6)</u>
NET INCOME	<u>3,451,933</u>	<u>35</u>	<u>2,377,142</u>	<u>32</u>

(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 March 31			
	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss, net of tax:				
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	\$ 1,392,251	14	\$ 1,096,868	15
Items that will be reclassified to profit or loss, net of tax:				
Exchange differences on translation (Note 4)	(123,214)	(1)	1,156,691	16
Revaluation gains (losses) on investments in debt instruments measured at fair value through other comprehensive income	1,063,536	11	(3,042,574)	(41)
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	(1,765)	-	2,095	-
Income tax related to items that will be reclassified to profit or loss (Notes 4 and 30)	<u>5,652</u>	<u>-</u>	<u>22,602</u>	<u>-</u>
Other comprehensive income (loss), net of tax	<u>2,336,460</u>	<u>24</u>	<u>(764,318)</u>	<u>(10)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 5,788,393</u>	<u>59</u>	<u>\$ 1,612,824</u>	<u>22</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Bank	<u>\$ 3,451,933</u>	<u>35</u>	<u>\$ 2,377,142</u>	<u>32</u>
Non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Bank	<u>\$ 5,788,393</u>	<u>59</u>	<u>\$ 1,612,824</u>	<u>22</u>
Non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
EARNINGS PER SHARE (Note 31)				
Basic	<u>\$ 0.33</u>		<u>\$ 0.22</u>	
Diluted	<u>\$ 0.32</u>		<u>\$ 0.22</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		
	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	Total Equity
	Common Stock (In Thousand)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT 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
Net income for the three months ended March 31, 2022	-	-	-	-	2,377,142	-	-	2,377,142
Other comprehensive income (loss) for the three months ended March 31, 2022, net of tax	-	-	-	-	-	1,108,622	(1,872,940)	(764,318)
Total comprehensive income (loss) for the three months ended March 31, 2022	-	-	-	-	2,377,142	1,108,622	(1,872,940)	1,612,824
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	50,722	-	(50,722)	-
BALANCE AT MARCH 31, 2022	10,488,571	\$ 104,885,708	\$ 40,320,456	\$ 12,201,590	\$ 11,558,756	\$ (2,205,044)	\$ 6,303,813	\$ 173,065,279
BALANCE AT JANUARY 1, 2023	10,593,457	\$ 105,934,566	\$ 43,043,607	\$ 12,201,590	\$ 12,218,872	\$ (916,214)	\$ (3,454,203)	\$ 169,028,218
Net income for the three months ended March 31, 2023	-	-	-	-	3,451,933	-	-	3,451,933
Other comprehensive (loss) income for the three months ended March 31, 2023, net of tax	-	-	-	-	-	(110,118)	2,446,578	2,336,460
Total comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	-	3,451,933	(110,118)	2,446,578	5,788,393
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	23,545	-	(23,545)	-
BALANCE AT MARCH 31, 2023	10,593,457	\$ 105,934,566	\$ 43,043,607	\$ 12,201,590	\$ 15,694,350	\$ (1,026,332)	\$ (1,031,170)	\$ 174,816,611

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 Three Months Ended March 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 4,231,955	\$ 2,818,396
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	903,664	557,306
Depreciation expense	306,915	299,174
Amortization expense	102,922	67,062
Interest income	(14,545,273)	(7,304,860)
Dividend income	(60,006)	(51,392)
Interest expense	8,913,543	1,853,608
Net gain on financial assets or liabilities at fair value through profit or loss	(1,008,171)	(6,276,316)
Gain on disposal of investments	(116,010)	(88,636)
Unrealized foreign exchange (gain) loss	(1,500,615)	6,016,310
Other adjustments	(92,966)	114,991
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank	(11,047,058)	636,441
Increase in financial assets at fair value through profit or loss	(40,245,090)	(22,237,446)
Decrease in receivables	1,204,059	2,178,223
Increase in discounts and loans	(2,990,095)	(71,177,322)
Decrease (increase) in financial assets at fair value through other comprehensive income	3,477,113	(26,016,582)
Decrease (increase) in investments in debt instruments at amortized cost	38,674,219	(13,862,287)
(Increase) decrease in other financial assets	(852,602)	1,459,842
Increase in other assets	(1,110,853)	(133,279)
Increase (decrease) in deposits from the Central Bank and banks	60,727	(34,964)
Increase in deposits and remittances	16,393,764	28,178,281
Increase (decrease) in payables	2,013,627	(10,901,307)
Increase (decrease) in financial liabilities at fair value through profit or loss	3,238,955	(5,868,774)
Decrease in reserve for liabilities	(30,320)	(159,577)
Increase (decrease) in other financial liabilities	157,241	(79,420)
(Decrease) increase in other liabilities	(2,656,733)	4,983,916
Cash flows generated from (used in) operations	3,422,912	(115,028,612)
Interest received	14,417,535	7,173,007
Dividends received	329	2,862
Interest paid	(5,921,868)	(1,538,726)
Income taxes paid	(98,391)	(34,783)
Net cash flows generated from (used in) operating activities	11,820,517	(109,426,252)

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CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	\$ (116,053)	\$ (181,413)
Acquisition of intangible assets	<u>(120,647)</u>	<u>(567,539)</u>
Net cash flows used in investing activities	<u>(236,700)</u>	<u>(748,952)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and banks	33,735,191	63,722,634
Proceeds from issuing bank notes	1,000,000	-
Increase in securities sold under repurchase agreement	553,387	190,524
Repayments of the principal portion of lease liabilities	<u>(111,049)</u>	<u>(178,690)</u>
Net cash flows generated from financing activities	<u>35,177,529</u>	<u>63,734,468</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(123,214)</u>	<u>1,156,691</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	46,638,132	(45,284,045)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>104,820,099</u>	<u>194,506,675</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 151,458,231</u>	<u>\$ 149,222,630</u>
	March 31	
	2023	2022
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in the balance sheets	\$ 43,648,111	\$ 28,692,563
Call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	<u>107,810,120</u>	<u>120,530,067</u>
Cash and cash equivalents at end of period	<u>\$ 151,458,231</u>	<u>\$ 149,222,630</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 THREE MONTHS ENDED MARCH 31, 2023 AND 2022 (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 May 11, 2023.

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)

The initial application of the IFRSs endorsed and issued into effect by the FSC and the application of other standards and interpretations did not have a material impact on the Group’s accounting policies, and the application of other standards and interpretations did not have impact.

- b. The 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 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 will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim 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:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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
- Level 3 inputs are unobservable inputs for an asset or liability.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (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 Bank.

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

See Note 14 and Table 1 for detailed information on subsidiaries (including percentages of ownership and main businesses).

Other Material 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, 2022.

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. Income tax expense

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. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Refer to the summary of material accounting judgements and key sources of estimation uncertainty in the Group's consolidated financial statements for the year ended December 31, 2022.

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

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand	\$ 14,800,049	\$ 22,729,933	\$ 13,311,687
Checks for clearing	8,889,270	13,974,453	4,372,896
Due from banks	18,410,711	13,382,702	9,517,671
Foreign currencies on hand	<u>1,548,081</u>	<u>1,671,493</u>	<u>1,490,309</u>
	<u>\$ 43,648,111</u>	<u>\$ 51,758,581</u>	<u>\$ 28,692,563</u>

Refer to the consolidated statements of cash flows for the cash and cash equivalents reconciliation information as of March 31, 2023 and 2022. Cash and cash equivalents as of December 31, 2022 as shown in the consolidated 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	\$ 51,758,581
Call loans to banks	<u>53,061,518</u>
	<u>\$ 104,820,099</u>

b. Due from Central Bank and call loans to banks

	March 31, 2023	December 31, 2022	March 31, 2022
Call loans to banks	\$ 107,810,120	\$ 53,061,518	\$ 120,530,067
Reserve for checking accounts	22,345,277	14,710,869	26,159,477
Reserve for demand accounts	61,795,344	62,702,031	56,863,685
Reserve for foreign deposits	705,760	680,352	616,040
Others	<u>23,127,297</u>	<u>18,833,368</u>	<u>11,919,621</u>
	<u>\$ 215,783,798</u>	<u>\$ 149,988,138</u>	<u>\$ 216,088,890</u>

Cash and cash equivalents and due from the Central Bank and call loans to banks are assessed for impairment using an 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

	March 31, 2023	December 31, 2022	March 31, 2022
Other dues to the Central Bank	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,276,920</u>

The Group has set aside \$35,000,000 thousand as of March 31, 2022 in the Central Bank as a reserve for demand accounts in accordance with the Central Bank's regulations on capital requirements as a response to COVID-19.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	March 31, 2023	December 31, 2022	March 31, 2022
Financial assets mandatorily classified at FVTPL			
Derivative financial assets (not under hedge accounting)			
Futures	\$ 1,090,835	\$ 1,099,905	\$ 626,760
Forward exchange contracts	99,601	133,047	199,067
Interest rate swaps	256,488	240,578	351,229
Currency swaps	2,698,189	7,782,948	10,172,037
Currency call option premiums	51,428	46,904	37,097
Non-derivative financial assets			
Investment in bills	58,252,989	15,170,225	72,095,810
Domestic listed stock	291,552	97,948	80,441
Domestic unquoted stock	472,687	474,967	429,808
Funds	96,995	53,708	13,450
Bank notes	-	-	1,114,733
Government bonds	650,034	3,621,274	4,960
Corporate bonds	<u>2,730,434</u>	<u>2,764,177</u>	<u>2,514,022</u>
	<u>\$ 66,691,232</u>	<u>\$ 31,485,681</u>	<u>\$ 87,639,414</u>

The par values of notes provided for transactions with repurchase agreements were \$463,400 thousand as of March 31, 2022.

Financial Liabilities at FVTPL

	March 31, 2023	December 31, 2022	March 31, 2022
Financial liabilities held for trading			
Derivative financial liabilities (not applying hedge accounting)			
Forward exchange contracts	\$ 36,517	\$ 75,175	\$ 167,655
Interest rate swaps	220,934	213,693	343,885
Currency swaps	2,445,248	6,584,287	5,340,550
Currency put option premiums	<u>51,432</u>	<u>46,907</u>	<u>37,099</u>
	<u>\$ 2,754,131</u>	<u>\$ 6,920,062</u>	<u>\$ 5,889,189</u>

The Group entered into derivative contracts during the three months ended March 31, 2023 and 2022 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 March 31, 2023, December 31, 2022 and March 31, 2022 were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Currency swaps	\$ 494,122,463	\$ 539,973,723	\$ 786,505,115
Currency options	17,272,548	16,582,846	18,366,013
Forward exchange contracts	10,182,403	10,225,060	20,072,045
Interest rate swaps	61,255,501	62,923,726	97,506,647

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2023	December 31, 2022	March 31, 2022
Investments in equity instruments at FVTOCI			
Domestic listed stocks	\$ 16,921,737	\$ 13,905,929	\$ 17,693,300
Domestic unquoted stocks	8,295,906	8,438,981	12,031,070
Beneficiary and asset-based securities	<u>226,350</u>	<u>232,875</u>	<u>231,525</u>
	<u>25,443,993</u>	<u>22,577,785</u>	<u>29,955,895</u>
Investments in debt instruments at FVTOCI			
Government bonds	44,884,188	51,802,752	42,623,195
Corporate bonds	71,315,506	70,619,681	51,194,100
Bank notes	60,174,193	61,770,611	66,505,452
Bonds issued by international organizations	6,948,876	2,845,119	2,713,601
Beneficiary and asset-based securities	3,826,243	3,831,173	4,275,698
Investments in bills	<u>1,157,970</u>	<u>1,168,836</u>	<u>1,090,276</u>
	<u>188,306,976</u>	<u>192,038,172</u>	<u>168,402,322</u>
	<u>\$ 213,750,969</u>	<u>\$ 214,615,957</u>	<u>\$ 198,358,217</u>

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

- Refer to Note 10 for information relating to their credit risk management and impairment.
- The par values of bonds provided for transactions with repurchase agreement were \$1,351,500 thousand, \$852,800 thousand and \$996,800 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively.
- Government bonds placed as deposits in courts amounted to \$273,000 thousand, \$237,600 thousand and \$243,600 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively. Government bonds placed as operating deposits amounted to \$330,000 thousand; government bonds placed a reserve fund for trust compensation amounted to \$220,000 thousand; overseas branches' bonds provided as collateral for operations were \$423,570 thousand, \$420,637 thousand and \$425,016 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively. On March 31, 2022, the amount of government bonds provided by the Central Bank as collateral for treasury business was \$5,600,000 thousand. Refer to Note 36 for information relating to investments in debt instruments at FVTOCI pledged as security.

9. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	March 31, 2023	December 31, 2022	March 31, 2022
Investments in bills	\$ 320,147,821	\$ 363,113,218	\$ 360,162,713
Bank notes	50,576,225	45,936,665	25,810,728
Corporate bonds	7,899,922	7,908,926	4,276,584
Government bonds	40,367,091	40,542,330	11,084,082
Bonds issued by international organization	11,610,010	11,583,998	5,517,252
Beneficiary and asset-based securities	<u>15,736,028</u>	<u>15,926,122</u>	<u>12,267,299</u>
	<u>\$ 446,337,097</u>	<u>\$ 485,011,259</u>	<u>\$ 419,118,658</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 \$152,200 thousand, \$153,625 thousand and \$142,900 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022, 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 the Central Bank and pledged for call loans from banks amounted to \$5,300,000 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022.
- d. Refer to Note 36 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.

March 31, 2023

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 195,115,844	\$ 446,350,871	\$ 641,466,715
Less: Allowance for impairment loss	<u>(49,854)</u>	<u>(13,774)</u>	<u>(63,628)</u>
Amortized cost	195,065,990	<u>\$ 446,337,097</u>	641,403,087
Adjustment to fair value	<u>(6,759,014)</u>		<u>(6,759,014)</u>
	<u>\$ 188,306,976</u>		<u>\$ 634,644,073</u>

December 31, 2022

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 199,910,577	\$ 485,024,340	\$ 684,934,917
Less: Allowance for impairment loss	<u>(51,619)</u>	<u>(13,081)</u>	<u>(64,700)</u>
Amortized cost	199,858,958	<u>\$ 485,011,259</u>	684,870,217
Adjustment to fair value	<u>(7,820,786)</u>		<u>(7,820,786)</u>
	<u>\$ 192,038,172</u>		<u>\$ 677,049,431</u>

March 31, 2022

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 172,204,672	\$ 419,127,302	\$ 591,331,974
Less: Allowance for impairment loss	<u>(55,751)</u>	<u>(8,644)</u>	<u>(64,395)</u>
Amortized cost	172,148,921	<u>\$ 419,118,658</u>	591,267,579
Adjustment to fair value	<u>(3,746,599)</u>		<u>(3,746,599)</u>
	<u>\$ 168,402,322</u>		<u>\$ 587,520,980</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:

March 31, 2023

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.3076%	<u>\$ 195,115,844</u>	<u>\$ 446,350,871</u>

December 31, 2022

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.3076%	<u>\$ 199,910,577</u>	<u>\$ 485,024,340</u>

March 31, 2022

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.3396%	<u>\$ 172,204,672</u>	<u>\$ 419,127,302</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, 2023	\$ 51,619	\$ -	\$ -	\$ 51,619
Purchase of investments in debt instruments	1,589	-	-	1,589
Derecognition	(2,234)	-	-	(2,234)
Change in exchange rates or others	<u>(1,120)</u>	<u>-</u>	<u>-</u>	<u>(1,120)</u>
Balance at March 31, 2023	<u>\$ 49,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,854</u>
Balance at January 1, 2022	\$ 53,656	\$ -	\$ -	\$ 53,656
Purchase of investments in debt instruments	2,200	-	-	2,200
Derecognition	(892)	-	-	(892)
Change in exchange rates or others	<u>787</u>	<u>-</u>	<u>-</u>	<u>787</u>
Balance at March 31, 2022	<u>\$ 55,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,751</u>

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, 2023	\$ 13,081	\$ -	\$ -	\$ 13,081
Purchase of investments in debt instruments	972	-	-	972
Change in exchange rates or others	<u>(279)</u>	<u>-</u>	<u>-</u>	<u>(279)</u>
Balance at March 31, 2023	<u>\$ 13,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,774</u>
Balance at January 1, 2022	\$ 4,596	\$ -	\$ -	\$ 4,596
Purchase of investments in debt instruments	4,288	-	-	4,288
Change in exchange rates or others	<u>(240)</u>	<u>-</u>	<u>-</u>	<u>(240)</u>
Balance at March 31, 2022	<u>\$ 8,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,644</u>

11. RECEIVABLES, NET

a. Details of receivables

	March 31, 2023	December 31, 2022	March 31, 2022
Accounts receivable	\$ 7,177,115	\$ 7,972,996	\$ 8,512,466
Accrued incomes	3,511	9,408	6,731
Interests receivable	6,116,513	5,849,600	3,196,133
Acceptances receivable	3,933,684	4,665,622	3,951,188
Credit cards accounts receivable	2,726,550	2,919,757	3,848,825
Settlement price	703,011	475,381	761,830
Accounts receivable for settlement	966,804	674,056	670,179
Other receivables	<u>302,095</u>	<u>280,392</u>	<u>366,633</u>
	21,929,283	22,847,212	21,313,985
Less: Allowance for bad debts, receivables	<u>(369,054)</u>	<u>(400,639)</u>	<u>(290,095)</u>
	<u>\$ 21,560,229</u>	<u>\$ 22,446,573</u>	<u>\$ 21,023,890</u>

b. Allowance for receivables

1) Movements in the allowance for receivables

For the Three Months Ended March 31, 2023						
	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	\$ 11,730	\$ 3,064	\$ 139,149	\$ 153,943	\$ 246,696	\$ 400,639
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(692)	979	(287)	-	-	-
Transfers to credit-impaired financial assets	(323)	(99)	422	-	-	-
Transfers to 12-months expected credit losses	302	(132)	(170)	-	-	-
Financial assets derecognized for the period	(7,186)	(588)	(2,443)	(10,217)	-	(10,217)
Purchased or originated financial assets	6,760	405	13,982	21,147	-	21,147
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	-	-	-	-	(35,171)	(35,171)
Doubtful debts written off	-	-	(6,160)	(6,160)	-	(6,160)
Changes in exchange rates or others	(17)	-	(1,167)	(1,184)	-	(1,184)
Ending balance	<u>\$ 10,574</u>	<u>\$ 3,629</u>	<u>\$ 143,326</u>	<u>\$ 157,529</u>	<u>\$ 211,525</u>	<u>\$ 369,054</u>

For the Three Months Ended March 31, 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	(1,131)	1,161	(30)	-	-	-
Transfers to credit-impaired financial assets	(314)	(15)	329	-	-	-
Transfers to 12-months expected credit losses	254	(124)	(130)	-	-	-
Financial assets derecognized for the period	(7,733)	(927)	(143,046)	(151,706)	-	(151,706)
Purchased or originated financial assets	6,710	545	18,427	25,682	-	25,682
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	-	-	-	-	112,288	112,288
Doubtful debts written off	-	-	(3,580)	(3,580)	-	(3,580)
Changes in exchange rates or others	38	6	114	158	-	158
Ending balance	<u>\$ 8,802</u>	<u>\$ 2,869</u>	<u>\$ 25,901</u>	<u>\$ 37,572</u>	<u>\$ 252,523</u>	<u>\$ 290,095</u>

2) Movements in the total carrying amount of receivables

For the Three Months Ended March 31, 2023				
	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	\$ 22,452,048	\$ 144,216	\$ 250,948	\$ 22,847,212
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(7,208)	7,320	(112)	-
Transfers to credit-impaired financial assets	(2,730)	(2,849)	5,579	-
Transfers to 12-months expected credit losses	7,544	(4,239)	(3,305)	-
Purchased or originated financial assets	10,989,609	60,720	17,149	11,067,478
Derecognized	(11,908,989)	(50,147)	(13,051)	(11,972,187)
Doubtful debts written off	-	-	(6,161)	(6,161)
Changes in exchange rates or others	(5,097)	(231)	(1,731)	(7,059)
Ending balance	<u>\$ 21,525,177</u>	<u>\$ 154,790</u>	<u>\$ 249,316</u>	<u>\$ 21,929,283</u>

	For the Three Months Ended March 31, 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	(25,393)	25,637	(244)	-
Transfers to credit-impaired financial assets	(5,693)	(1,052)	6,745	-
Transfers to 12-months expected credit losses	5,827	(2,961)	(2,866)	-
Purchased or originated financial assets	8,528,515	69,104	186,053	8,783,672
Derecognized	(10,220,553)	(129,347)	(394,613)	(10,744,513)
Doubtful debts written off	-	-	(3,580)	(3,580)
Changes in exchange rates or others	<u>41,490</u>	<u>755</u>	<u>172</u>	<u>42,417</u>
Ending balance	<u>\$ 20,954,839</u>	<u>\$ 134,290</u>	<u>\$ 224,855</u>	<u>\$ 21,313,985</u>

12. DISCOUNTS AND LOANS, NET

a. Details of discounts and loans

	March 31, 2023	December 31, 2022	March 31, 2022
Negotiated and discounted	\$ 1,498,487	\$ 2,043,136	\$ 3,321,958
Overdrafts	1,072,233	1,140,736	793,063
Short-term loans	379,854,586	371,217,024	386,804,246
Margin loans receivable	211,339	203,307	306,140
Medium-term loans	565,392,584	571,256,827	507,262,298
Long-term loans	757,857,444	758,023,442	742,856,278
Overdue loans	<u>3,310,898</u>	<u>3,473,480</u>	<u>4,307,072</u>
	1,709,197,571	1,707,357,952	1,645,651,055
Less: Allowance for loan losses	<u>(21,795,749)</u>	<u>(22,037,507)</u>	<u>(20,188,283)</u>
	<u>\$ 1,687,401,822</u>	<u>\$ 1,685,320,445</u>	<u>\$ 1,625,462,772</u>

Loans of which the accrual of interest income had ceased internally as of March 31, 2023, December 31, 2022 and March 31, 2022 were \$3,310,898 thousand, \$3,473,480 thousand and \$4,307,072 thousand, respectively. The amounts of interest income that would have been accrued on these loans for the three months ended March 31, 2023 and 2022 were \$25,246 thousand and \$28,427 thousand, respectively.

The Group did not write off any loans without legal claims process during the three months ended March 31, 2023 and 2022.

b. Allowance for discounts and loans

1) Movements in the allowance for discounts and loans

For the Three Months Ended March 31, 2023						
	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	\$ 2,721,069	\$ 2,861,328	\$ 4,089,850	\$ 9,672,247	\$ 12,365,260	\$ 22,037,507
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(4,785)	5,980	(1,195)	-	-	-
Transfers to credit-impaired financial assets	(263)	(17,618)	17,881	-	-	-
Transfers to 12-months expected credit losses	33,735	(30,981)	(2,754)	-	-	-
Financial assets derecognized for the period	(533,070)	(237,142)	(250,212)	(1,020,424)	-	(1,020,424)
Purchased or originated financial assets	440,861	302,113	1,260,261	2,003,235	-	2,003,235
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	-	-	-	-	155,066	155,066
Doubtful debts written off	-	-	(1,374,708)	(1,374,708)	-	(1,374,708)
Changes in exchange rates or others	(1,927)	(1,333)	(1,667)	(4,927)	-	(4,927)
Ending balance	<u>\$ 2,655,620</u>	<u>\$ 2,882,347</u>	<u>\$ 3,737,456</u>	<u>\$ 9,275,423</u>	<u>\$ 12,520,326</u>	<u>\$ 21,795,749</u>

For the Three Months Ended March 31, 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	(24,796)	33,692	(8,896)	-	-	-
Transfers to credit-impaired financial assets	(90)	(10,672)	10,762	-	-	-
Transfers to 12-months expected credit losses	36,694	(36,218)	(476)	-	-	-
Financial assets derecognized for the period	(464,509)	(606,117)	(309,289)	(1,379,915)	-	(1,379,915)

(Continued)

For the Three Months Ended March 31, 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
Purchased or originated financial assets	\$ 329,633	\$ 672,677	\$ 443,814	\$ 1,446,124	\$ -	\$ 1,446,124
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	-	-	-	-	613,157	613,157
Doubtful debts written off	-	-	(868,643)	(868,643)	-	(868,643)
Changes in exchange rates or others	7,158	11,414	62,943	81,515	-	81,515
Ending balance	<u>\$ 1,988,447</u>	<u>\$ 2,181,484</u>	<u>\$ 4,624,320</u>	<u>\$ 8,794,251</u>	<u>\$ 11,394,032</u>	<u>\$ 20,188,283</u>

(Concluded)

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

For the Three Months Ended March 31, 2023				
	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	\$ 1,622,309,002	\$ 73,035,057	\$ 12,013,893	\$ 1,707,357,952
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit losses	(2,097,914)	2,109,125	(11,211)	-
Transfers to credit-impaired financial assets	(155,369)	(590,334)	745,703	-
Transfers to 12-months expected credit losses	1,683,014	(1,661,362)	(21,652)	-
Financial assets derecognized for the period	(286,915,351)	(17,053,774)	(2,465,218)	(306,434,343)
Purchased or originated financial assets	294,771,335	14,406,684	1,632,831	310,810,850
Doubtful debts written off	-	-	(1,374,708)	(1,374,708)
Changes in exchange rates or others	(1,078,496)	(85,372)	1,688	(1,162,180)
Ending balance	<u>\$ 1,628,516,221</u>	<u>\$ 70,160,024</u>	<u>\$ 10,521,326</u>	<u>\$ 1,709,197,571</u>

	For the Three Months Ended March 31, 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	(15,642,712)	15,702,737	(60,025)	-
Transfers to credit-impaired financial assets	(171,467)	(536,779)	708,246	-
Transfers to 12-months expected credit losses	1,511,544	(1,506,458)	(5,086)	-
Financial assets derecognized for the period	(292,065,417)	(13,026,612)	(2,292,520)	(307,384,549)
Purchased or originated financial assets	356,280,562	17,372,373	883,668	374,536,603
Doubtful debts written off	-	-	(868,643)	(868,643)
Changes in exchange rates or others	<u>3,639,348</u>	<u>551,306</u>	<u>105,858</u>	<u>4,296,512</u>
Ending balance	<u>\$ 1,553,760,423</u>	<u>\$ 79,032,299</u>	<u>\$ 12,858,333</u>	<u>\$ 1,645,651,055</u>

- c. Details of provision for bad debts expense, commitment and guarantee for the three months ended March 31, 2023 and 2022

	For the Three Months Ended March 31	
	2023	2022
Provision for receivable and loan (including overdue loan) losses	\$ 878,753	\$ 470,835
Provision for loan commitment	10,546	20,026
Provision for guarantee liability	7,644	71,547
Provision (reversal) for others	<u>6,721</u>	<u>(5,102)</u>
	<u>\$ 903,664</u>	<u>\$ 557,306</u>

13. OTHER FINANCIAL ASSETS

	March 31, 2023	December 31, 2022	March 31, 2022
Time deposits with original maturities of more than 3 months	\$ 2,443,100	\$ 1,764,400	\$ 2,247,000
Exchange bills negotiated	22,944	3,863	-
Overdue receivables	4,291	4,932	11,382
Call loan to security brokers	152,200	-	142,900
Less: Allowance for bad debts	<u>(4,520)</u>	<u>(4,472)</u>	<u>(2,916)</u>
	<u>\$ 2,618,015</u>	<u>\$ 1,768,723</u>	<u>\$ 2,398,366</u>

The market rates of time deposits with original maturities of more than 3 months were ranging from 2.90%-3.15% and 2.35%-3.00% for the three months ended March 31, 2023 and 2022, respectively.

14. SUBSIDIARIES

Subsidiaries Included in Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership		
			March 31, 2023	December 31, 2022	March 31, 2022
The Bank	Chang Hua Commercial Bank, Ltd.	Banking	100	100	100
The Bank	Chang Hwa Bank Venture Capital Co., Ltd.	Investing	100	100	100

15. PROPERTY AND EQUIPMENT

	March 31, 2023	December 31, 2022	March 31, 2022
Assets used by the Group	\$ 20,805,202	\$ 20,828,724	\$ 20,853,747
Assets leased under operating leases	<u>216,789</u>	<u>202,251</u>	<u>208,105</u>
	<u>\$ 21,021,991</u>	<u>\$ 21,030,975</u>	<u>\$ 21,061,852</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
<u>Cost</u>								
Balance at January 1, 2023	\$ 14,817,873	\$ 9,195,918	\$ 4,589,291	\$ 745,549	\$ 1,547,661	\$ 1,031,721	\$ 528,825	\$ 32,456,838
Additions	-	6,860	13,985	4,287	8,370	8,872	73,679	116,053
Disposals	-	-	(11,535)	(2,601)	(4,973)	-	-	(19,109)
Transfers to assets leased under operating leases	-	(32,406)	-	-	-	-	-	(32,406)
Reclassification	-	1,588	-	562	982	13,048	(16,382)	(202)
Effect of foreign currency exchange differences	-	5,146	976	116	(13)	(108)	329	6,446
Balance at March 31, 2023	<u>\$ 14,817,873</u>	<u>\$ 9,177,106</u>	<u>\$ 4,592,717</u>	<u>\$ 747,913</u>	<u>\$ 1,552,027</u>	<u>\$ 1,053,533</u>	<u>\$ 586,451</u>	<u>\$ 32,527,620</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2023	\$ -	\$ 4,850,449	\$ 3,793,778	\$ 659,648	\$ 1,396,546	\$ 927,693	\$ -	\$ 11,628,114
Disposals	-	-	(11,522)	(2,585)	(4,937)	-	-	(19,044)
Depreciation expense	-	45,936	57,080	6,225	10,501	8,136	-	127,878
Transfers to assets leased under operating leases	-	(15,768)	-	-	-	-	-	(15,768)
Effect of foreign currency exchange differences	-	756	618	68	(46)	(158)	-	1,238
Balance at March 31, 2023	<u>\$ -</u>	<u>\$ 4,881,373</u>	<u>\$ 3,839,954</u>	<u>\$ 663,356</u>	<u>\$ 1,402,064</u>	<u>\$ 935,671</u>	<u>\$ -</u>	<u>\$ 11,722,418</u>
Carrying amount at March 31, 2023	<u>\$ 14,817,873</u>	<u>\$ 4,295,733</u>	<u>\$ 752,763</u>	<u>\$ 84,557</u>	<u>\$ 149,963</u>	<u>\$ 117,862</u>	<u>\$ 586,451</u>	<u>\$ 20,805,202</u>
Carrying amount at December 31, 2022 and January 1, 2023	<u>\$ 14,817,873</u>	<u>\$ 4,345,469</u>	<u>\$ 795,513</u>	<u>\$ 85,901</u>	<u>\$ 151,115</u>	<u>\$ 104,028</u>	<u>\$ 528,825</u>	<u>\$ 20,828,724</u>
<u>Cost</u>								
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	-	1,380	111,245	1,047	4,462	2,368	60,911	181,413
Disposals	-	-	(21,739)	(3,996)	(11,753)	-	-	(37,488)
Reclassification	-	640	8,032	-	131	6,317	(17,156)	(2,036)
Effect of foreign currency exchange differences	-	25,395	4,362	621	1,286	2,898	946	35,508
Balance at March 31, 2022	<u>\$ 14,817,873</u>	<u>\$ 9,363,038</u>	<u>\$ 4,912,790</u>	<u>\$ 735,739</u>	<u>\$ 1,515,397</u>	<u>\$ 1,003,118</u>	<u>\$ 394,483</u>	<u>\$ 32,742,438</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2022	\$ -	\$ 4,768,940	\$ 4,109,168	\$ 648,891	\$ 1,374,975	\$ 893,748	\$ -	\$ 11,795,722
Disposals	-	-	(21,694)	(3,996)	(11,713)	-	-	(37,403)
Depreciation expense	-	46,877	49,333	6,213	10,947	7,271	-	120,641
Transfers to assets leased under operating leases	-	(1)	-	-	-	-	-	(1)
Effect of foreign currency exchange differences	-	2,982	2,801	409	1,147	2,393	-	9,732
Balance at March 31, 2022	<u>\$ -</u>	<u>\$ 4,818,798</u>	<u>\$ 4,139,608</u>	<u>\$ 651,517</u>	<u>\$ 1,375,356</u>	<u>\$ 903,412</u>	<u>\$ -</u>	<u>\$ 11,888,691</u>
Carrying amount at March 31, 2022	<u>\$ 14,817,873</u>	<u>\$ 4,544,240</u>	<u>\$ 773,182</u>	<u>\$ 84,222</u>	<u>\$ 140,041</u>	<u>\$ 99,706</u>	<u>\$ 394,483</u>	<u>\$ 20,853,747</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>

b. Assets leased under operating leases

	Buildings
<u>Cost</u>	
Balance at January 1, 2023	\$ 426,505
Transfers from assets used by the Group	<u>32,406</u>
Balance at March 31, 2023	<u>\$ 458,911</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2023	\$ 224,254
Depreciation expense	2,100
Transfers from assets used by the Group	<u>15,768</u>
Balance at March 31, 2023	<u>\$ 242,122</u>
Carrying amount at March 31, 2023	<u>\$ 216,789</u>
Carrying amount at December 31, 2022 and January 1, 2023	<u>\$ 202,251</u>
<u>Cost</u>	
Balance at January 1, 2022 and March 31, 2022	<u>\$ 426,505</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2022	\$ 216,444
Depreciation expense	1,955
Transfers from assets used by the Group	<u>1</u>
Balance at March 31, 2022	<u>\$ 218,400</u>
Carrying amount at March 31, 2022	<u>\$ 208,105</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:

	March 31, 2023	December 31, 2022	March 31, 2022
Year 1	\$ 59,634	\$ 63,842	\$ 56,222
Year 2	32,730	58,972	51,818
Year 3	26,494	28,000	13,916
Year 4	11,209	14,279	9,697
Year 5	6,531	7,659	6,420
Year 5 onwards	<u>5,987</u>	<u>7,619</u>	<u>12,305</u>
	<u>\$ 142,585</u>	<u>\$ 180,371</u>	<u>\$ 150,378</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:

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

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Carrying amounts</u>			
Land	\$ 1,472	\$ 1,694	\$ 2,094
Buildings	1,862,032	1,867,689	1,822,823
Transportation equipment	78,896	74,353	75,573
Miscellaneous equipment	<u>9,896</u>	<u>10,757</u>	<u>13,729</u>
	<u>\$ 1,952,296</u>	<u>\$ 1,954,493</u>	<u>\$ 1,914,219</u>
		For the Three Months Ended March 31	
		2023	2022
Additions to right-of-use assets		<u>\$ 112,310</u>	<u>\$ 141,852</u>
Depreciation charge for right-of-use assets			
Land		\$ 222	\$ 197
Buildings		163,850	162,780
Transportation equipment		9,432	9,757
Miscellaneous equipment		<u>1,851</u>	<u>2,203</u>
		<u>\$ 175,355</u>	<u>\$ 174,937</u>

In addition to the additions and recognition of depreciation expenses mentioned above, the Group's right-of-use assets did not have significant sublease and impairment during the three months ended March 31, 2023 and 2022.

b. Lease liabilities

	March 31, 2023	December 31, 2022	March 31, 2022
Carrying amount	<u>\$ 1,796,002</u>	<u>\$ 1,794,804</u>	<u>\$ 1,746,795</u>

Range of discount rates for lease liabilities was as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Land	0.30%-1.23%	0.30%-1.23%	0.31%-0.91%
Buildings	0.20%-5.05%	0.20%-4.82%	0.20%-3.53%
Machinery equipment	0.31%-2.89%	0.31%-2.89%	0.31%-2.89%
Transportation equipment	0.26%-3.53%	0.26%-3.53%	0.25%-3.53%
Miscellaneous equipment	0.23%-3.60%	0.23%-3.54%	0.26%-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 \$48,062 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 during the three months ended March 31, 2023 and 2022.

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 15 and 17.

	For the Three Months Ended March 31	
	2023	2022
Expenses relating to short-term leases	<u>\$ 13,543</u>	<u>\$ 12,018</u>
Expenses relating to low-value asset leases	<u>\$ 10,880</u>	<u>\$ 5,023</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 47,236</u>	<u>\$ 46,163</u>
Total cash outflow for leases	<u>\$ (71,659)</u>	<u>\$ (63,204)</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:

	March 31, 2023	December 31, 2022	March 31, 2022
Lease commitments	<u>\$ 35,567</u>	<u>\$ 32,827</u>	<u>\$ 29,309</u>

17. INVESTMENT PROPERTY

	March 31, 2023	December 31, 2022	March 31, 2022
Completed investment property	<u>\$ 13,844,011</u>	<u>\$ 13,845,593</u>	<u>\$ 13,850,455</u>

Except for depreciation recognized, the Group had no significant additions, disposals, and impairment of investment property during the three months ended March 31, 2023 and 2022.

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 expiration of the lease period.

The maturity analysis of lease payments receivable under operating leases of investment properties as of March 31, 2023, December 31, 2022 and March 31, 2022 was as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Year 1	\$ 174,167	\$ 176,307	\$ 169,344
Year 2	159,201	160,873	162,872
Year 3	116,550	115,011	111,653
Year 4	86,650	98,794	89,311
Year 5	40,133	92,461	84,238
Year 5 onwards	<u>135,170</u>	<u>130,232</u>	<u>51,578</u>
	<u>\$ 711,871</u>	<u>\$ 773,678</u>	<u>\$ 668,996</u>

The investment properties are depreciated using the straight-line method over their estimated useful live 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, \$30,390,299 thousand and \$30,164,147 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022, 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 March 31, 2023 and 2022 were as follows:

	For the Three Months Ended March 31	
	2023	2022
Rental incomes	<u>\$ 39,781</u>	<u>\$ 36,590</u>
Direct operating expenses	<u>\$ 25,552</u>	<u>\$ 30,429</u>

18. INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2023	\$ 1,121,815
Additions	120,647
Amortization expense	(102,791)
Reclassification	201
Effect of foreign currency exchange differences and others	<u>396</u>
Balance at March 31, 2023	<u>\$ 1,140,268</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 595,639
Additions	567,539
Amortization expense	(66,957)
Reclassification	1,375
Effect of foreign currency exchange differences and others	<u>1,845</u>
Balance at March 31, 2022	<u>\$ 1,099,441</u>

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

19. OTHER ASSETS

	March 31, 2023	December 31, 2022	March 31, 2022
Refundable deposits	\$ 677,056	\$ 917,270	\$ 995,355
Assumed collateral and residuals	23,418	23,418	23,418
Less: Accumulated impairment	(23,418)	(23,418)	(23,418)
Prepayments	1,499,023	150,261	603,491
Others	<u>974</u>	<u>1,124</u>	<u>1,501</u>
	<u>\$ 2,177,053</u>	<u>\$ 1,068,655</u>	<u>\$ 1,600,347</u>

20. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	March 31, 2023	December 31, 2022	March 31, 2022
Deposits from the Central Bank	\$ 24,504	\$ 28,790	\$ 28,001
Deposits from banks	364,488	275,336	322,786
Overdrafts on banks	731,930	335,724	565,504
Call loans from banks	85,375,376	52,036,391	132,154,760
Deposits transferred from Chunghwa Post Co., Ltd.	<u>176,675</u>	<u>200,814</u>	<u>229,067</u>
	<u>\$ 86,672,973</u>	<u>\$ 52,877,055</u>	<u>\$ 133,300,118</u>

21. PAYABLES

	March 31, 2023	December 31, 2022	March 31, 2022
Checks issued to payees for clearing	\$ 12,085,198	\$ 14,700,835	\$ 8,046,254
Accounts payable	6,843,413	1,769,376	5,903,521
Accrued expenses	3,162,650	2,726,462	1,477,571
Accrued interests	6,210,339	3,206,271	1,748,630
Acceptances	4,038,688	4,821,600	4,215,412
Others	<u>4,642,831</u>	<u>4,740,880</u>	<u>4,809,431</u>
	<u>\$ 36,983,119</u>	<u>\$ 31,965,424</u>	<u>\$ 26,200,819</u>

22. DEPOSITS AND REMITTANCES

	March 31, 2023	December 31, 2022	March 31, 2022
Checking account deposits	\$ 39,542,781	\$ 50,326,098	\$ 40,420,581
Demand deposits	548,424,521	577,033,413	608,334,175
Time deposits	698,694,976	658,000,012	535,883,461
Negotiable certificates of deposit	4,094,416	3,993,710	3,027,580
Savings account deposits	1,074,535,230	1,058,786,678	1,006,641,667
Remittances	<u>984,460</u>	<u>1,742,709</u>	<u>1,312,049</u>
	<u>\$ 2,366,276,384</u>	<u>\$ 2,349,882,620</u>	<u>\$ 2,195,619,513</u>

23. 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. Callable 5 years and 1 month after issue date.

The Group issued \$1,000 million primary bank notes 112-1 with 5-year term on February 22, 2023.

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

Bank Note, Interest Rate and Maturity Date	March 31, 2023	December 31, 2022	March 31, 2022
<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	\$ 5,300,000	\$ 5,300,000
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
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	3,000,000	3,000,000	3,000,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	3,300,000	3,300,000	3,300,000
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
112-1, 5-year term, interest payable annually, interest rate 1.40%, maturity date: February 22, 2028	1,000,000	-	-
Valuation adjustment	<u>104,748</u>	<u>119,465</u>	<u>163,617</u>
	<u>\$ 52,204,748</u>	<u>\$ 51,219,465</u>	<u>\$ 51,263,617</u>

24. OTHER FINANCIAL LIABILITIES

	March 31, 2023	December 31, 2022	March 31, 2022
Principal received on structured notes	\$ 780,083	\$ 592,873	\$ 533,363
Appropriations for loans	<u>236,041</u>	<u>266,010</u>	<u>389,119</u>
	<u>\$ 1,016,124</u>	<u>\$ 858,883</u>	<u>\$ 922,482</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.

25. OTHER LIABILITIES

	March 31, 2023	December 31, 2022	March 31, 2022
Advance receipts	\$ 814,141	\$ 798,263	\$ 696,340
Guarantee deposits	2,529,267	5,207,067	7,424,968
Deferred revenue	<u>10,084</u>	<u>9,159</u>	<u>10,142</u>
	<u>\$ 3,353,492</u>	<u>\$ 6,014,489</u>	<u>\$ 8,131,450</u>

26. RESERVE FOR LIABILITIES

	March 31, 2023	December 31, 2022	March 31, 2022
Reserve for employee benefits (Note 27)	\$ 2,086,572	\$ 2,100,080	\$ 3,612,857
Reserve for guarantee liabilities	650,099	654,446	729,922
Reserve for loan commitments	201,676	191,042	175,671
Reserve for decommissioning restoration and rehabilitation costs	45,597	45,944	50,208
Reserve for contingencies	545	-	655
Others	<u>33,266</u>	<u>31,652</u>	<u>51,706</u>
	<u>\$ 3,017,755</u>	<u>\$ 3,023,164</u>	<u>\$ 4,621,019</u>

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

For the Three Months Ended March 31, 2023						
	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	\$ 352,104	\$ 39,279	\$ 22,256	\$ 413,639	\$ 463,501	\$ 877,140
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(235)	235	-	-	-	-
Transfers to 12-months expected credit losses	1,223	(16)	(1,207)	-	-	-
Financial assets derecognize for the period	(98,258)	(2,710)	(206)	(101,174)	-	(101,174)
Purchased or originated financial assets	47,598	10,788	11,042	69,428	-	69,428
Recognized impairment difference based on the Laws	-	-	-	-	40,092	40,092
Changes in exchange rates or others	<u>(270)</u>	<u>(175)</u>	<u>-</u>	<u>(445)</u>	<u>-</u>	<u>(445)</u>
Ending balance	<u>\$ 302,162</u>	<u>\$ 47,401</u>	<u>\$ 31,885</u>	<u>\$ 381,448</u>	<u>\$ 503,593</u>	<u>\$ 885,041</u>
For the Three Months Ended March 31, 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	(638)	638	-	-	-	-
Transfers to 12-months expected credit losses	45	(45)	-	-	-	-
Financial assets derecognize for the period	(104,696)	(7,654)	(2,701)	(115,051)	-	(115,051)
Purchased or originated financial assets	70,813	18,050	-	88,863	-	88,863
Recognized impairment difference based on the Laws	-	-	-	-	108,346	108,346
Changes in exchange rates or others	<u>673</u>	<u>22</u>	<u>-</u>	<u>695</u>	<u>-</u>	<u>695</u>
Ending balance	<u>\$ 328,072</u>	<u>\$ 24,506</u>	<u>\$ 20,830</u>	<u>\$ 373,408</u>	<u>\$ 583,891</u>	<u>\$ 957,299</u>

27. 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, 2022 and 2021 and the amounts were \$90,133 thousand and \$77,939 thousand for the three months ended March 31, 2023 and 2022, respectively.

28. EQUITY

a. Capital

Common stock

	March 31, 2023	December 31, 2022	March 31, 2022
Shares authorized (in thousands)	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>
Capital authorized	<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>10,593,457</u>	<u>10,488,571</u>
Capital stock issued	<u>\$ 105,934,566</u>	<u>\$ 105,934,566</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, 2022, the Bank's authorized and registered capital was \$120,000,000 thousand divided into 12,000,000 thousand shares at \$10 par value; the total paid-in capital was \$104,885,708 thousand. The Bank's authorized capital was increased by \$1,048,858 thousand in August 2022; As of December 31, 2022, the Bank's authorized capital was \$120,000,000 thousand divided into 12,000,000 thousand shares and, also on that date, the total amounts of paid-in capital amounted to \$105,934,566 thousand divided into 10,593,457 thousand outstanding shares at \$10 par value.

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 compensation of employees and remuneration of directors after amendment, refer to Note 29 (g) "compensation of employees 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 2022 and 2021 were proposed by the board of directors on April 26, 2023 and approved in the stockholders' meetings on June 17, 2022, respectively. The appropriations of earnings and dividends per stock were as follows:

	Appropriation of Earnings	
	2022	2021
Legal reserve	<u>\$ 3,631,282</u>	<u>\$ 2,723,151</u>
Cash dividends	<u>\$ 5,826,401</u>	<u>\$ 5,244,285</u>
Share dividends	<u>\$ 2,648,364</u>	<u>\$ 1,048,858</u>
Cash dividends per share (NT\$)	\$0.55	\$0.50
Share dividends per share (NT\$)	\$0.25	\$0.10

The appropriation of earnings for 2022 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 16, 2023.

c. Special reserve

	March 31, 2023	December 31, 2022	March 31, 2022
Initial application of IFRSs	<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.

29. NET INCOME

a. Net interest income

		For the Three Months Ended March 31	
		2023	2022
Interest income			
Loans		\$ 11,021,939	\$ 6,066,053
Due from and call loans to banks		806,811	174,392
Investments in marketable securities		2,639,086	1,039,472
Others		<u>77,437</u>	<u>24,943</u>
		<u>14,545,273</u>	<u>7,304,860</u>
Interest expense			
Deposits		(7,894,801)	(1,581,639)
Due to Central Bank and call loans from banks		(769,669)	(54,465)
Others		<u>(249,073)</u>	<u>(217,504)</u>
		<u>(8,913,543)</u>	<u>(1,853,608)</u>
Net interest income		<u>\$ 5,631,730</u>	<u>\$ 5,451,252</u>

b. Net service fee income

		For the Three Months Ended March 31	
		2023	2022
Service fee income			
Fees from import and export		\$ 57,902	\$ 67,082
Remittance fees		84,173	87,155
Loan fees		185,880	180,876
Fees from trust		218,850	222,972
Fees from trust business		101,935	110,449
Fees from insurance agency		632,182	499,204
Others		<u>332,404</u>	<u>336,716</u>
		<u>1,613,326</u>	<u>1,504,454</u>
Service charge			
Interbank charges		(44,707)	(41,078)
Charges from trust		(171)	(998)
Custodian fees		(27,247)	(30,759)
Charges from insurance agency		(43,932)	(42,250)
Others		<u>(195,772)</u>	<u>(201,904)</u>
		<u>(311,829)</u>	<u>(316,989)</u>
Net service fee income		<u>\$ 1,301,497</u>	<u>\$ 1,187,465</u>

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

	For the Three Months Ended March 31	
	2023	2022
Realized gain (loss) on financial assets or liabilities measured at FVTPL		
Stock and mutual funds	\$ 13,291	\$ (1,267)
Bonds	5,818	(13,848)
Bills	-	(16)
Derivative financial instruments	1,727,667	281,891
Net interest gain	<u>143,439</u>	<u>77,421</u>
	<u>1,890,215</u>	<u>344,181</u>
Valuation gain (loss) on financial assets or liabilities measured at FVTPL		
Stock and mutual funds	118,908	13,372
Bonds	(17,240)	32,142
Bills	(7,839)	(19,234)
Derivative financial instruments	<u>524,742</u>	<u>(110,455)</u>
	<u>618,571</u>	<u>(84,175)</u>
	<u>\$ 2,508,786</u>	<u>\$ 260,006</u>

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

	For the Three Months Ended March 31	
	2023	2022
Stock dividends and bonus	\$ 60,006	\$ 51,392
Disposal gains		
Bonds	161,180	150,591
Disposal losses		
Bonds	<u>(3,077)</u>	<u>(60,349)</u>
	<u>\$ 218,109</u>	<u>\$ 141,634</u>

e. Depreciation and amortization expense

	For the Three Months Ended March 31	
	2023	2022
Property and equipment	\$ 129,978	\$ 122,596
Investment property	1,582	1,641
Right-of-use assets	175,355	174,937
Intangible assets and other deferred assets	<u>102,922</u>	<u>67,062</u>
	<u>\$ 409,837</u>	<u>\$ 366,236</u>

f. Employee benefits expenses

	For the Three Months Ended March 31	
	2023	2022
Short-term employee benefits	\$ 2,769,892	\$ 2,356,255
Post-employment benefits		
Defined contribution plans	57,168	63,496
Defined benefit plans (Note 27)	90,133	77,939
High-yield savings account for employees	143,488	141,794
Other post-employment benefits	37,130	28,202
Termination benefits	<u>18</u>	<u>4,792</u>
	<u>\$ 3,097,829</u>	<u>\$ 2,672,478</u>

g. Compensation of employees and remuneration of directors

The Bank accrued compensation of employees and remuneration of directors at the rates of 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the three months ended March 31, 2023 and 2022 are as follows:

Accrual rate

	For the Three Months Ended March 31	
	2023	2022
Compensation of employees	5.00%	5.00%
Remuneration of directors	0.40%	0.40%

Amount

	For the Three Months Ended March 31	
	2023	2022
	Cash	Cash
Compensation of employees	\$ 224,000	\$ 139,500
Remuneration of directors	18,000	11,400

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 compensation of employees and remuneration of directors for 2022 and 2021, which were approved by the board of directors on March 25, 2023 and March 29, 2022, respectively, were as below:

Amount

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
Compensation of employees	\$ 689,611	\$ 534,849
Remuneration of directors	55,169	42,788

Due to changes in accounting estimates, the actual amount of compensation of employees and remuneration of directors, which was resolved by the board of directors in their meetings dated on March 25, 2023 and March 29, 2022, differs from what was accrued in the consolidated financial statements. The difference was then adjusted to profit and loss for 2023 and 2022, respectively.

	For the Year Ended December 31			
	2022		2021	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amounts approved in the board of directors' meeting	<u>\$ 689,611</u>	<u>\$ 55,169</u>	<u>\$ 534,849</u>	<u>\$ 42,788</u>
Amounts recognized in the annual consolidated financial statements	<u>\$ 692,192</u>	<u>\$ 55,000</u>	<u>\$ 537,415</u>	<u>\$ 42,707</u>
Differences	<u>\$ (2,581)</u>	<u>\$ 169</u>	<u>\$ (2,566)</u>	<u>\$ 81</u>

Information on the compensation of employees 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.

30. INCOME TAX

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

	For the Three Months Ended March 31	
	2023	2022
Current income tax		
In respect of the current period	\$ 629,943	\$ 280,167
Income tax on unappropriated earnings	-	2,394
Deferred income tax		
In respect of the current period	<u>150,079</u>	<u>158,693</u>
Income tax expense recognized in profit or loss	<u>\$ 780,022</u>	<u>\$ 441,254</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2023	2022
<u>Deferred tax</u>		
In respect of the current year:		
Exchange differences on translation	\$ (13,097)	\$ 48,069
Unrealized gains (losses) of financial assets at FVTOCI	<u>7,445</u>	<u>(70,671)</u>
Total income tax benefit recognized in other comprehensive income	<u>\$ (5,652)</u>	<u>\$ (22,602)</u>

c. Income tax assessments

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

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

31. 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 ended March 31, 2022 were adjusted retrospectively as follows:

Unit: NT\$ Per Share

	For the Three Months Ended March 31, 2021	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per stock	<u>\$ 0.23</u>	<u>\$ 0.22</u>
Diluted earnings per stock	<u>\$ 0.23</u>	<u>\$ 0.22</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 March 31	
	2023	2022
Net profit for the period	<u>\$ 3,451,933</u>	<u>\$ 2,377,142</u>

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

	For the Three Months Ended March 31	
	2023	2022
Weighted average number of common stock used in the computation of basic earnings per stock	10,593,457	10,593,457
Effect of potentially dilutive common stock:		
Compensation of employees issued	<u>39,896</u>	<u>34,844</u>
Weighted average number of common stock used in the computation of diluted earnings per stock	<u>10,633,353</u>	<u>10,628,301</u>

The Group may settle compensation or bonuses paid to employees in cash or stock; therefore, the Group assumes that entire amount of the compensation or bonus will be settled in stocks and the resulting potential stocks will be included in the weighted average number of stocks 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 stocks to be distributed to employees is resolved in the following year.

32. 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, 2022.

33. 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

March 31, 2023

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 446,337,097	\$ 96,321,916	\$ 340,717,352	\$ -	\$ 437,039,268
<u>Financial liabilities</u>					
Bank notes payable	52,204,748	-	104,748	51,634,128	51,738,876

December 31, 2022

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 485,011,259	\$ 91,016,207	\$ 384,038,310	\$ -	\$ 475,054,517
<u>Financial liabilities</u>					
Bank notes payable	51,219,465	-	119,465	51,169,917	51,289,382

March 31, 2022

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 419,118,658	\$ 44,777,502	\$ 370,630,220	\$ -	\$ 415,407,722
<u>Financial liabilities</u>					
Bank notes payable	51,263,617	-	163,617	52,270,739	52,434,356

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

1) Fair value hierarchy

March 31, 2023

Fair Value Measurement of Financial Instruments	Level 1	Level 2	Level 3	Total
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ 923,224	\$ 61,240,038	\$ 331,429	\$ 62,494,691
Financial assets mandatorily measured at FVTPL				
Stock and fund investments	472,845	56,960	331,429	861,234
Bond investments	450,379	2,930,089	-	3,380,468
Others	-	58,252,989	-	58,252,989
Financial assets at FVTOCI	114,997,396	90,457,667	8,295,906	213,750,969
Stock investments	16,921,737	-	8,295,906	25,217,643
Bond investments	92,865,096	90,457,667	-	183,322,763
Others	5,210,563	-	-	5,210,563
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	1,090,835	3,105,706	-	4,196,541
Liabilities				
Financial liabilities at FVTPL	-	2,754,131	-	2,754,131

December 31, 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	\$ 3,736,003	\$ 18,050,242	\$ 396,054	\$ 22,182,299
Financial assets mandatorily measured at FVTPL				
Stock and fund investments	119,587	110,982	396,054	626,623
Bond investments	3,616,416	2,769,035	-	6,385,451
Others	-	15,170,225	-	15,170,225
Financial assets at FVTOCI	116,929,758	89,288,691	8,397,508	214,615,957
Stock investments	13,947,402	-	8,397,508	22,344,910
Bond investments	97,749,472	89,288,691	-	187,038,163
Others	5,232,884	-	-	5,232,884
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	1,099,905	8,203,477	-	9,303,382
Liabilities				
Financial liabilities at FVTPL	-	6,920,062	-	6,920,062

March 31, 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	\$ 1,204,854	\$ 74,737,212	\$ 311,158	\$ 76,253,224
Financial assets mandatorily measured at FVTPL				
Stock and fund investments	90,121	122,420	311,158	523,699
Bond investments	1,114,733	2,518,982	-	3,633,715
Others	-	72,095,810	-	72,095,810
Financial assets at FVTOCI	115,728,769	70,645,854	11,983,594	198,358,217
Stock investments	17,740,776	-	11,983,594	29,724,370
Bond investments	92,390,494	70,645,854	-	163,036,348
Others	5,597,499	-	-	5,597,499
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	626,760	10,759,430	-	11,386,190
Liabilities				
Financial liabilities at FVTPL	-	5,889,189	-	5,889,189

There were no transfers between Levels 1 and 2 in the current and prior periods.

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

For the three months ended March 31, 2023

	Financial Assets at FVTPL	Financial Assets at FVTOCI
	Equity Instrument	Equity Instrument
Financial Assets		
Beginning balance	\$ 396,054	\$ 8,397,508
Recognized in profit or loss (gain on financial assets or liabilities at FVTPL)	(11,088)	-
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	(111,602)
Purchase	70,481	10,000
Sell	(6,661)	-
Transfer out of Level 3	(151,670)	-
Transfer to Level 3	<u>34,313</u>	<u>-</u>
Ending balance	<u>\$ 331,429</u>	<u>\$ 8,295,906</u>

For the three months ended March 31, 2022

	Financial Assets at FVTPL	Financial Assets at FVTOCI
	Equity Instrument	Equity Instrument
Financial Assets		
Beginning balance	\$ 231,515	\$ 11,452,856
Recognized in profit or loss (loss on financial assets or liabilities at FVTPL)	22,437	-
Recognized in other comprehensive income (unrealized loss on financial assets at FVTOCI)	-	530,738
Purchase	83,566	-
Sell	(945)	-
Transfer out of Level 3	(38,500)	-
Transfer to Level 3	<u>13,085</u>	<u>-</u>
Ending balance	<u>\$ 311,158</u>	<u>\$ 11,983,594</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 are 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.

March 31, 2023

		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		\$ 92,879,654	188	\$ -	-	\$ -	-	\$ -	-
Loans - other loans		8,363,638	13	-	-	-	-	-	-
Holding bonds		5,912,506	25	-	-	-	-	-	-
Derivative financial									
assets									
ECB asset									
exchange and									
structured									
products		2,435,200	1	-	-	-	-	-	-

March 31, 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	\$ 153,046,872	78	\$ -	-	\$ -	-	\$ -	-
Loans - other loans	82,127,291	229	-	-	-	-	-	-
Holding bonds	10,310,202	63	-	-	-	-	-	-
Derivative financial								
assets								
ECB asset								
exchange and								
structured								
products	2,662,419	7	-	-	-	-	-	-

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 and 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. The Group 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 in its non-trading-book interest rate position which changes the present value of revenue and costs or assets and liabilities and causes a decrease in 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

Every financial derivative listed in the trading book is affected by changes in exchange rate risk factors that affect the profit and loss of the commodity, and all foreign exchange positions of the Bank must be included in the measurement. The exchange rate risk of the Bank is mainly due to the derivatives business, which includes spot and forward foreign exchange and exchange rate options. Most of the foreign exchange transactions that the Bank engages in are based on the principle of leveling customer positions on the same day. The exchange rate option is based on back-to-back transactions, so the exchange rate risk assumed is relatively small.

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

To control exchange rate risk, the Bank has set operating limits and stop-loss limits for the trading rooms and traders of each unit and keeps losses within an acceptable range.

Exchange rate derivatives use Delta, Gamma, Vega, and other sensitivity factors to measure the sensitivity of such commodities to exchange rates and their volatility.

The exchange rate risk is mainly based on the risk value control basis; 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

Avoid drastic fluctuations in the price of equity securities, which may adversely affect the Bank's financial position or suffer loss of earnings and hope to improve 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 the Group 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 since January 27, 2014. 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 March 31, 2023 and 2022, the Group's VaR factors based on historical simulation method were as follows:

For the Three Months Ended March 31, 2023				
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 317,363	\$ 361,717	\$ 235,154	\$ 351,656
Interest rate VaR	27,944	43,824	3,193	33,413
Equity securities VaR	<u>1,896</u>	<u>4,483</u>	<u>218</u>	<u>4,378</u>
Value at risk	<u>\$ 347,203</u>	<u>\$ 410,024</u>	<u>\$ 238,565</u>	<u>\$ 389,447</u>

For the Three Months Ended March 31, 2022				
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 129,641	\$ 151,590	\$ 109,264	\$ 143,278
Interest rate VaR	8,693	18,405	3,583	8,950
Equity securities VaR	<u>2,834</u>	<u>3,887</u>	<u>1,344</u>	<u>3,753</u>
Value at risk	<u>\$ 141,168</u>	<u>\$ 173,882</u>	<u>\$ 114,191</u>	<u>\$ 155,981</u>

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of March 31, 2023, December 31, 2022 and March 31, 2022 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

March 31, 2023			
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,487,413	30.4400	\$ 258,356,852
GBP	137,774	37.7700	5,203,724
AUD	2,473,504	20.4700	50,632,627
HKD	960,125	3.8770	3,722,405
CAD	75,819	22.5300	1,708,202
ZAR	4,274,657	1.7080	7,301,114
JPY	106,175,749	0.2287	24,282,394
EUR	1,113,888	33.2200	37,003,359
NZD	230,481	19.1500	4,413,711
RMB	10,002,523	4.4420	44,431,207

(Continued)

March 31, 2023			
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 16,169,729	30.4400	\$ 492,206,551
GBP	105,817	37.7700	3,996,708
AUD	1,554,708	20.4700	31,824,873
HKD	792,586	3.8770	3,073,244
CAD	85,477	22.5300	1,925,797
ZAR	4,167,398	1.7080	7,117,916
JPY	131,512,647	0.2287	30,076,942
EUR	1,025,572	33.2200	34,069,502
NZD	171,271	19.1500	3,279,840
RMB	9,808,000	4.4420	43,567,136
			(Concluded)

(In Thousands of Foreign Currencies/New Taiwan Dollars)

December 31, 2022			
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,280,071	30.7250	\$ 254,405,181
GBP	356,134	37.0700	13,201,887
AUD	2,423,383	20.7800	50,357,899
HKD	1,028,074	3.9400	4,050,612
CAD	43,921	22.6800	996,128
ZAR	4,280,300	1.8090	7,743,063
JPY	81,087,365	0.2321	18,820,377
EUR	1,370,384	32.7600	44,893,780
NZD	230,290	19.4500	4,479,141
RMB	10,994,419	4.4110	48,496,382

Financial liabilities

Monetary items			
USD	15,267,081	30.7250	469,081,064
GBP	211,420	37.0700	7,837,339
AUD	1,614,432	20.7800	33,547,897
HKD	672,184	3.9400	2,648,405
CAD	64,088	22.6800	1,453,516
ZAR	4,003,323	1.8090	7,242,011
JPY	121,847,302	0.2321	28,280,759
EUR	1,150,183	32.7600	37,679,995
NZD	172,095	19.4500	3,347,248
RMB	10,545,234	4.4110	46,515,027

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	March 31, 2022		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,199,505	28.5800	\$ 234,341,853
GBP	56,608	37.5500	2,125,630
AUD	2,249,796	21.4500	48,258,124
HKD	1,497,327	3.6510	5,466,741
CAD	101,657	22.8600	2,323,879
ZAR	4,436,036	1.9720	8,747,863
JPY	82,867,286	0.2341	19,399,232
EUR	822,571	31.9500	26,281,143
NZD	140,674	19.9400	2,805,040
RMB	10,321,291	4.4940	46,383,882
<u>Financial liabilities</u>			
Monetary items			
USD	15,140,655	28.5800	432,719,920
GBP	53,674	37.5500	2,015,459
AUD	1,372,904	21.4500	29,448,791
HKD	1,089,374	3.6510	3,977,304
CAD	101,932	22.8600	2,330,166
ZAR	4,155,601	1.9720	8,194,845
JPY	111,987,137	0.2341	26,216,189
EUR	877,247	31.9500	28,028,042
NZD	107,375	19.9400	2,141,058
RMB	11,707,235	4.4940	52,612,314

For the three months ended March 31, 2023 and 2022, net foreign exchange gains were \$85,328 thousand and \$332,822 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 of the Group 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

The related mechanism and procedures for monitoring credit risk includes:

- 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 Define Notice and Control Index Notice" has been developed to strengthen the control of customer credit risk and prevent the Bank's debts from being damaged.
- iv. To control concentration risk, the Group sets limits for statutory single creditors, related companies, stakeholders, industries, real estate, and high-risk industries in mainland China to monitor and control the overall credit risk. In addition, in order to effectively control the credit risk limit control of the Group's credit, securities investment and derivative financial product transactions with customers, the credit risk limit of the same legal person and group companies is distinguished according to the risk rating, so as to strengthen the Group's management on credit, investment and derivative financial product transactions.
- v. The Group actively utilizes the database system and related risk quantification tools to identify, measure and monitor risks. The Group 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 that may be unfavorable to the Group, in compliance with the requirements of the competent authority supervising risk management and to improve the effectiveness of the Group's 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 expected credit loss and measuring methods for major business operations are described as follows:

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

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

- i) A determined significant 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 considers corroborative information (including forward-looking information) that indicates a significant increase in credit risk since the 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.

A list of 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 Bank 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 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 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 credit risk standardized approach of the Capital Adequacy 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 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:

	March 31	
	2023	2022
Discounts and loans	<u>\$ 1,632,831</u>	<u>\$ 883,668</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 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, and 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:

March 31, 2023

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	\$ 1,709,197,571	\$ 1,190,640,954	\$ -	\$ -	\$ 1,190,640,954
Financial assets at FVTPL	66,691,232	5,304,115	-	-	5,304,115
Investments in debt instruments at FVTOCI	188,306,976	7,274,969	-	-	7,274,969
Investments in debt instruments at amortized cost	446,337,097	-	-	-	-

December 31, 2022

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	\$ 1,707,357,952	\$ 1,189,007,672	\$ -	\$ -	\$ 1,189,007,672
Financial assets at FVTPL	31,485,681	5,204,239	-	-	5,204,239
Investments in debt instruments at FVTOCI	192,038,172	6,554,790	-	-	6,554,790
Investments in debt instruments at amortized cost	485,011,259	-	-	-	-

March 31, 2022

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	\$ 1,645,651,055	\$ 1,156,198,264	\$ -	\$ -	\$ 1,156,198,264
Financial assets at FVTPL	87,639,414	10,059,247	-	-	10,059,247
Investments in debt instruments at FVTOCI	168,402,322	6,280,308	-	-	6,280,308
Investments in debt instruments at amortized cost	419,118,658	-	-	-	-

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

Discounts and Loans				
March 31, 2023				
	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	\$ 974,063,064	\$ 24,968,046	\$ 15,965	\$ 999,047,075
Levels 16-18	-	43,298,378	1,676,132	44,974,510
Levels 19-21	-	-	7,601,568	7,601,568
No rating	<u>654,453,157</u>	<u>1,893,600</u>	<u>1,227,661</u>	<u>657,574,418</u>
Total carrying amount	<u>\$ 1,628,516,221</u>	<u>\$ 70,160,024</u>	<u>\$ 10,521,326</u>	<u>\$ 1,709,197,571</u>
Expected credit losses	\$ 2,655,620	\$ 2,882,347	\$ 3,737,456	\$ 9,275,423
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>12,520,326</u>
				<u>\$ 21,795,749</u>

Discounts and Loans				
December 31, 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	\$ 962,089,541	\$ 25,207,139	\$ 5,101	\$ 987,301,781
Levels 16-18	-	45,900,624	1,359,402	47,260,026
Levels 19-21	-	-	8,816,887	8,816,887
No rating	<u>660,219,461</u>	<u>1,927,294</u>	<u>1,832,503</u>	<u>663,979,258</u>
Total carrying amount	<u>\$ 1,622,309,002</u>	<u>\$ 73,035,057</u>	<u>\$ 12,013,893</u>	<u>\$ 1,707,357,952</u>
Expected credit losses	\$ 2,721,069	\$ 2,861,328	\$ 4,089,850	\$ 9,672,247
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>12,365,260</u>
				<u>\$ 22,037,507</u>

Discounts and Loans				
March 31, 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	\$ 890,834,782	\$ 20,453,491	\$ 1,770	\$ 911,290,043
Levels 16-18	-	55,397,067	1,330,607	56,727,674
Levels 19-21	-	-	9,412,971	9,412,971
No rating	<u>662,925,641</u>	<u>3,181,741</u>	<u>2,112,985</u>	<u>668,220,367</u>
Total carrying amount	<u>\$ 1,553,760,423</u>	<u>\$ 79,032,299</u>	<u>\$ 12,858,333</u>	<u>\$ 1,645,651,055</u>
Expected credit losses	\$ 1,988,447	\$ 2,181,484	\$ 4,624,320	\$ 8,794,251
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>11,394,032</u>
				<u>\$ 20,188,283</u>

Guarantees in Guarantee Business				
March 31, 2023				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 55,645,188	\$ 309,409	\$ 86,825	\$ 56,041,422
Expected credit losses	150,802	3,502	20,744	175,048

Guarantees in Guarantee Business				
December 31, 2022				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 54,986,451	\$ 170,792	\$ 102,548	\$ 55,259,791
Expected credit losses	194,481	3,714	22,132	220,327

Guarantees in Guarantee Business				
March 31, 2022				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 63,352,577	\$ 1,299,959	\$ 89,114	\$ 64,741,650
Expected credit losses	166,551	5,406	20,831	192,788
Loan Commitments				
March 31, 2023				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carry amount - non-cancellable	\$ 84,606,470	\$ 3,915,122	\$ 366	\$ 88,521,958
Carry amount - cancellable	<u>662,990,384</u>	<u>12,628,398</u>	<u>76,716</u>	<u>675,695,498</u>
	<u>\$ 747,596,854</u>	<u>\$ 16,543,520</u>	<u>\$ 77,082</u>	<u>\$ 764,217,456</u>
Expected credit losses - non-cancellable	\$ 68,577	\$ 43,568	\$ 99	\$ 112,244
Expected credit losses - cancellable	<u>78,826</u>	<u>282</u>	<u>98</u>	<u>79,206</u>
	<u>\$ 147,403</u>	<u>\$ 43,850</u>	<u>\$ 197</u>	<u>\$ 191,450</u>
Loan Commitments				
December 31, 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	\$ 73,162,104	\$ 4,007,305	\$ 366	\$ 77,169,775
Carry amount - cancellable	<u>717,503,378</u>	<u>16,350,083</u>	<u>51,776</u>	<u>733,905,237</u>
	<u>\$ 790,665,482</u>	<u>\$ 20,357,388</u>	<u>\$ 52,142</u>	<u>\$ 811,075,012</u>
Expected credit losses - non-cancellable	\$ 65,088	\$ 35,368	\$ 102	\$ 100,558
Expected credit losses - cancellable	<u>89,059</u>	<u>215</u>	<u>105</u>	<u>89,379</u>
	<u>\$ 154,147</u>	<u>\$ 35,583</u>	<u>\$ 207</u>	<u>\$ 189,937</u>
Loan Commitments				
March 31, 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	\$ 89,817,162	\$ 3,429,405	\$ 1	\$ 93,246,568
Carry amount - cancellable	<u>605,622,061</u>	<u>13,085,339</u>	<u>49,164</u>	<u>618,756,564</u>
	<u>\$ 695,439,223</u>	<u>\$ 16,514,744</u>	<u>\$ 49,165</u>	<u>\$ 712,003,132</u>
Expected credit losses - non-cancellable	\$ 52,839	\$ 18,633	\$ -	\$ 71,472
Expected credit losses - cancellable	<u>100,082</u>	<u>354</u>	<u>127</u>	<u>100,563</u>
	<u>\$ 152,921</u>	<u>\$ 18,987</u>	<u>\$ 127</u>	<u>\$ 172,035</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 March 31, 2023, December 31, 2022 and March 31, 2022, 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	March 31, 2023	December 31, 2022	March 31, 2022
Unused loan commitments (excluding credit card)	\$ 88,521,958	\$ 77,169,775	\$ 93,246,568
Credit card commitments	313,703	197,579	302,781
Unused issued letters of credit	28,023,828	20,282,544	35,871,287
Guarantees in guarantee business	56,041,422	55,259,791	64,741,650

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	March 31, 2023	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 106,434,011	6
Manufacturing	435,255,731	25
Wholesale and retail	154,729,691	9
Real estate and leasing	148,027,272	9
Service	42,810,583	3
Individuals	611,935,859	36
Others	<u>210,004,424</u>	12
	<u>\$ 1,709,197,571</u>	
Industry Type	December 31, 2022	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 104,954,569	6
Manufacturing	428,945,845	25
Wholesale and retail	157,616,620	9
Real estate and leasing	148,200,505	9
Service	40,961,368	3
Individuals	617,202,084	36
Others	<u>209,476,961</u>	12
	<u>\$ 1,707,357,952</u>	

	March 31, 2022	
Industry Type	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 79,158,247	5
Manufacturing	424,814,188	26
Wholesale and retail	146,179,470	9
Real estate and leasing	125,648,652	8
Service	37,771,741	2
Individuals	616,779,449	37
Others	<u>215,299,308</u>	13

\$ 1,645,651,055

	March 31, 2023	
Geographic Location	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,588,569,683	93
America	67,314,902	4
Europe	30,659,458	2
Others	<u>22,653,528</u>	1

\$ 1,709,197,571

	December 31, 2022	
Geographic Location	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,583,399,082	93
America	72,040,281	4
Europe	29,883,525	2
Others	<u>22,035,064</u>	1

\$ 1,707,357,952

	March 31, 2022	
Geographic Location	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,548,009,567	94
America	63,304,073	4
Europe	19,139,466	1
Others	<u>15,197,949</u>	1

\$ 1,645,651,055

Securities Type	March 31, 2023	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 518,556,617	30
Secured		
Properties	1,020,696,611	60
Others	<u>169,944,343</u>	10
	<u>\$ 1,709,197,571</u>	

Securities Type	December 31, 2022	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 518,350,280	30
Secured		
Properties	1,021,856,695	60
Others	<u>167,150,977</u>	10
	<u>\$ 1,707,357,952</u>	

Securities Type	March 31, 2022	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 489,452,791	30
Secured		
Properties	984,809,060	60
Others	<u>171,389,204</u>	10
	<u>\$ 1,645,651,055</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 March 31, 2023 and 2022, the ratios of the liquidity reserve were 28.32% and 26.49%, 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	March 31, 2023					
	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	\$ 23,779,336	\$ -	\$ -	\$ -	\$ -	\$ 23,779,336
Due from the Central Bank and call loans to banks	106,659,189	5,111,749	7,217,579	10,985,276	33,228,085	163,201,878
Financial assets at FVTPL	59,695,053	-	-	-	72,714	59,767,767
Receivables	19,032,017	1,012,710	618,729	412,430	142,423	21,218,309
Discounts and loans	69,378,882	127,431,633	182,481,591	219,956,948	859,685,747	1,458,934,801
Investments in equity instruments designated at FVTOCI	-	-	-	-	25,443,993	25,443,993
Investments in debt instruments at FVTOCI	-	-	-	598,586	90,173,858	90,772,444
Investments in debt instruments at amortized cost	204,170,000	18,660,000	6,584,583	41,844,333	30,112,860	301,371,776
Other maturity funds inflow items	-	-	-	-	14,298,937	14,298,937
	<u>482,714,477</u>	<u>152,216,092</u>	<u>196,902,482</u>	<u>273,797,573</u>	<u>1,053,158,617</u>	<u>2,158,789,241</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	381,365	9,618	42,936	128,675	-	562,594
Due to the Central Bank and banks	3,015,000	15,000	-	-	-	3,030,000
Securities sold under repurchase agreements	637,467	846,674	10,259	-	-	1,494,400
Payables	31,158,556	1,996,708	1,506,662	793,257	1,919,243	37,374,426
Deposits and remittances	147,453,127	142,201,377	201,798,243	307,139,994	928,656,754	1,727,249,495
Bank notes payable	-	-	3,000,000	1,530,000	47,570,000	52,100,000
Other maturity fund outflow items	22,664	26,802	27,192	292,111	3,365,323	3,734,092
	<u>182,668,179</u>	<u>145,096,179</u>	<u>206,385,292</u>	<u>309,884,037</u>	<u>981,511,320</u>	<u>1,825,545,007</u>
Gap	<u>\$ 300,046,298</u>	<u>\$ 7,119,913</u>	<u>\$ (9,482,810)</u>	<u>\$ (36,086,464)</u>	<u>\$ 71,647,297</u>	<u>\$ 333,244,234</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, 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	\$ 36,810,790	\$ -	\$ -	\$ -	\$ -	\$ 36,810,790
Due from the Central Bank and call loans to banks	52,332,478	6,785,046	5,523,061	10,018,270	34,693,445	109,352,300
Financial assets at FVTPL	19,418,123	-	-	-	-	19,418,123
Receivables	18,079,086	890,733	729,658	399,852	80,787	20,180,116
Discounts and loans	59,366,288	136,351,436	149,994,206	244,601,248	858,856,067	1,449,169,245
Investments in equity instruments designated at FVTOCI	-	-	-	-	22,577,785	22,577,785
Investments in debt instruments at FVTOCI	-	-	-	199,525	96,263,206	96,462,731
Investments in debt instruments at amortized cost	218,200,000	25,760,000	15,230,000	43,384,513	42,201,947	344,776,460
Other maturity funds inflow items	-	-	-	-	14,296,436	14,296,436
	<u>404,206,765</u>	<u>169,787,215</u>	<u>171,476,925</u>	<u>298,603,408</u>	<u>1,068,969,673</u>	<u>2,113,043,986</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	286,172	60,616	5,064	149,356	-	501,208
Due to the Central Bank and banks	3,005,000	25,000	-	-	-	3,030,000
Securities sold under repurchase agreements	496,182	444,831	-	-	-	941,013
Payables	28,892,160	2,058,487	488,913	1,501,902	1,507,816	34,449,278
Deposits and remittances	157,361,662	185,078,800	151,457,310	274,727,862	950,415,489	1,719,041,123
Bank notes payable	-	-	-	13,000,000	38,100,000	51,100,000
Other maturity fund outflow items	29,629	49,670	38,606	359,464	3,379,692	3,857,061
	<u>190,070,805</u>	<u>187,717,404</u>	<u>151,989,893</u>	<u>289,738,584</u>	<u>993,402,997</u>	<u>1,812,919,683</u>
Gap	<u>\$ 214,135,960</u>	<u>\$ (17,930,189)</u>	<u>\$ 19,487,032</u>	<u>\$ 8,864,824</u>	<u>\$ 75,566,676</u>	<u>\$ 300,124,303</u>

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

(In Thousands of New Taiwan Dollars)

Item	March 31, 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	\$ 17,894,183	\$ -	\$ -	\$ -	\$ -	\$ 17,894,183
Due from the Central Bank and call loans to banks	56,801,785	5,954,751	5,718,500	8,940,494	32,355,855	109,771,385
Financial assets at FVTPL	72,624,468	-	-	-	-	72,624,468
Receivables	22,512,427	835,778	596,630	223,090	77,596	24,245,521
Discounts and loans	79,308,476	120,352,299	145,803,447	197,587,139	845,376,933	1,388,428,294
Investments in equity instruments designated at FVTOCI	-	-	-	-	29,955,895	29,955,895
Investments in debt instruments at FVTOCI	-	-	435,944	300,032	71,332,429	72,068,405
Investments in debt instruments at amortized cost	229,100,000	12,540,414	23,806,869	31,750,000	32,538,053	329,735,336
Other maturity funds inflow items	-	-	-	-	14,081,512	14,081,512
	<u>478,241,339</u>	<u>139,683,242</u>	<u>176,361,390</u>	<u>238,800,755</u>	<u>1,025,718,273</u>	<u>2,058,804,999</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	181,578	13,832	65,574	154,965	-	415,949
Due to the Central Bank and banks	3,020,000	15,000	30,276,920	-	-	33,311,920
Securities sold under repurchase agreements	761,873	791,289	10,222	-	-	1,563,384
Payables	28,679,867	699,953	1,274,134	811,766	982,085	32,447,805
Deposits and remittances	124,137,976	159,046,655	164,488,231	257,166,370	930,322,277	1,635,161,509
Bank notes payable	-	-	-	-	51,100,000	51,100,000
Other maturity fund outflow items	42,335	80,174	46,667	339,856	5,025,714	5,534,746
	<u>156,823,629</u>	<u>160,646,903</u>	<u>196,161,748</u>	<u>258,472,957</u>	<u>987,430,076</u>	<u>1,759,535,313</u>
Gap	<u>\$ 321,417,710</u>	<u>\$ (20,963,661)</u>	<u>\$ (19,800,358)</u>	<u>\$ (19,672,202)</u>	<u>\$ 38,288,197</u>	<u>\$ 299,269,686</u>

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

(In Thousands of United States Dollars)

Item	March 31, 2023					
	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	\$ 154,248	\$ -	\$ -	\$ -	\$ -	\$ 154,248
Due from the Central Bank and call loans to banks	944,455	405,092	82,897	3,252	26,913	1,462,609
Financial assets at FVTPL	89,584	-	-	-	-	89,584
Receivables	600,003	113,811	100,569	46,636	5,794	866,813
Discounts and loans	462,540	443,115	346,810	241,534	4,245,925	5,739,924
Investments in debt instruments designated at FVTOCI	27,001	90,929	69,850	275,184	1,898,194	2,361,158
Investments in debt instruments at amortized cost	-	214,532	224,365	165,685	2,315,589	2,920,171
Other maturity fund inflow items	5,000	-	-	-	5,624	10,624
	<u>2,282,831</u>	<u>1,267,479</u>	<u>824,491</u>	<u>732,291</u>	<u>8,498,039</u>	<u>13,605,131</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	5,276	-	-	-	67	5,343
Due to the Central Bank and banks	2,136,465	52,000	-	-	-	2,188,465
Payables	752,635	105,595	15,482	14,558	603	888,873
Deposits and remittances	5,005,348	4,451,840	2,475,148	2,861,586	3,100,775	17,894,697
Other maturity fund outflow items	36,011	2,000	2,500	1,710	33,440	75,661
	<u>7,935,735</u>	<u>4,611,435</u>	<u>2,493,130</u>	<u>2,877,854</u>	<u>3,134,885</u>	<u>21,053,039</u>
Gap	<u>\$ (5,652,904)</u>	<u>\$ (3,343,956)</u>	<u>\$ (1,668,639)</u>	<u>\$ (2,145,563)</u>	<u>\$ 5,363,154</u>	<u>\$ (7,447,908)</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, 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	\$ 115,098	\$ -	\$ -	\$ -	\$ -	\$ 115,098
Due from the Central Bank and call loans to banks	872,693	42,966	42,625	82,630	28,253	1,069,167
Financial assets at FVTPL	89,965	-	-	-	-	89,965
Receivables	498,265	110,170	150,996	19,334	7,313	786,078
Discounts and loans	649,228	514,054	325,789	332,298	4,139,821	5,961,190
Investments in debt instruments designated at FVTOCI	12,973	15,508	117,836	131,499	1,920,155	2,197,971
Investments in debt instruments at amortized cost	-	-	213,859	322,732	2,213,833	2,750,424
Other maturity fund inflow items	-	-	-	-	14,055	14,055
	<u>2,238,222</u>	<u>682,698</u>	<u>851,105</u>	<u>888,493</u>	<u>8,323,430</u>	<u>12,983,948</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	6,030	-	-	-	67	6,097
Due to the Central Bank and banks	770,306	584,000	45,000	-	-	1,399,306
Payables	582,619	77,070	11,395	7,742	5	678,831
Deposits and remittances	4,377,154	4,419,470	2,421,743	2,481,751	3,674,591	17,374,709
Other maturity fund outflow items	56,061	2,000	-	2,500	105,590	166,151
	<u>5,792,170</u>	<u>5,082,540</u>	<u>2,478,138</u>	<u>2,491,993</u>	<u>3,780,253</u>	<u>19,625,094</u>
Gap	<u>\$ (3,553,948)</u>	<u>\$ (4,399,842)</u>	<u>\$ (1,627,033)</u>	<u>\$ (1,603,500)</u>	<u>\$ 4,543,177</u>	<u>\$ (6,641,146)</u>

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

(In Thousands of United States Dollars)

Item	March 31, 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	\$ 125,590	\$ -	\$ -	\$ -	\$ -	\$ 125,590
Due from the Central Bank and call loans to banks	2,191,785	804,674	107,576	136,930	20,366	3,261,331
Financial assets at FVTPL	87,964	-	-	-	-	87,964
Receivables	737,114	81,205	147,519	12,047	3,179	981,064
Discounts and loans	1,477,162	972,791	671,381	414,964	3,406,547	6,942,845
Investments in debt instruments designated at FVTOCI	5,015	28,972	54,053	66,584	1,879,593	2,034,217
Investments in debt instruments at amortized cost	-	-	-	-	1,268,626	1,268,626
Other maturity fund inflow items	5,000	-	-	-	24,372	29,372
	<u>4,629,630</u>	<u>1,887,642</u>	<u>980,529</u>	<u>630,525</u>	<u>6,602,683</u>	<u>14,731,009</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	18,772	872	1,308	2,615	340	23,907
Due to the Central Bank and banks	3,667,406	350,000	64,000	-	-	4,081,406
Payables	808,580	43,755	5,593	1,874	267	860,069
Deposits and remittances	3,721,886	3,426,509	2,169,757	2,111,189	4,564,035	15,993,376
Other maturity fund outflow items	45,975	123	63	21	190,746	236,928
	<u>8,262,619</u>	<u>3,821,259</u>	<u>2,240,721</u>	<u>2,115,699</u>	<u>4,755,388</u>	<u>21,195,686</u>
Gap	<u>\$ (3,632,989)</u>	<u>\$ (1,933,617)</u>	<u>\$ (1,260,192)</u>	<u>\$ (1,485,174)</u>	<u>\$ 1,847,295</u>	<u>\$ (6,464,677)</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	March 31, 2023					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 125,794,361	\$ 207,260,962	\$ 98,814,503	\$ 52,967,854	\$ 2,130,800	\$ 486,968,480
Inflows	125,443,837	208,443,534	99,951,944	53,618,700	2,050,910	489,508,925
Interest rate derivative instruments						
Outflows	-	-	-	-	-	-
Inflows	1,089,072	-	-	-	-	1,089,072
Others						
Outflows	-	-	-	-	-	-
Inflows	16,293	-	-	-	-	16,293
Total outflows	\$ 125,794,361	\$ 207,260,962	\$ 98,814,503	\$ 52,967,854	\$ 2,130,800	\$ 486,968,480
Total inflows	\$ 126,549,202	\$ 208,443,534	\$ 99,951,944	\$ 53,618,700	\$ 2,050,910	\$ 490,614,290

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

Item	December 31, 2022					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 150,244,270	\$ 241,318,607	\$ 100,107,030	\$ 36,591,391	\$ -	\$ 528,261,298
Inflows	150,002,889	244,262,189	100,651,970	36,571,312	-	531,488,360
Interest rate derivative instruments						
Outflows	-	-	-	-	-	-
Inflows	1,088,772	-	-	-	-	1,088,772
Others						
Outflows	-	-	-	-	-	-
Inflows	17,251	-	-	-	-	17,251
Total outflows	\$ 150,244,270	\$ 241,318,607	\$ 100,107,030	\$ 36,591,391	\$ -	\$ 528,261,298
Total inflows	\$ 151,108,912	\$ 244,262,189	\$ 100,651,970	\$ 36,571,312	\$ -	\$ 532,594,383

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

Item	March 31, 2022					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 163,617,148	\$ 254,013,051	\$ 166,178,242	\$ 196,858,100	\$ 1,045,325	\$ 781,711,866
Inflows	164,496,876	255,268,126	167,874,094	198,779,091	1,042,086	787,460,273
Interest rate derivative instruments						
Outflows	-	-	-	-	163,617	163,617
Inflows	591,818	-	-	-	-	591,818
Others						
Outflows	-	-	-	-	-	-
Inflows	18,368	-	-	-	-	18,368
Total outflows	\$ 163,617,148	\$ 254,013,051	\$ 166,178,242	\$ 196,858,100	\$ 1,208,942	\$ 781,875,483
Total inflows	\$ 165,107,062	\$ 255,268,126	\$ 167,874,094	\$ 198,779,091	\$ 1,042,086	\$ 788,070,459

e) Maturity analysis of off-balance sheet items

The Group'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	March 31, 2023					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Unused loan commitments (excluding credit cards)	\$ 74,498,167	\$ 3,602,959	\$ 247,073	\$ 2,130,347	\$ 8,043,412	\$ 88,521,958
Credit card commitments	10	91	104	479	313,019	313,703
Unused issued letters of credit	27,712,055	311,497	276	-	-	28,023,828
Guarantees issued in guarantee business	55,822,011	63,795	44,420	74,455	36,741	56,041,422
	\$ 158,032,243	\$ 3,978,342	\$ 291,873	\$ 2,205,281	\$ 8,393,172	\$ 172,900,911

(In Thousands of New Taiwan Dollars)

Item	December 31, 2022					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Unused loan commitments (excluding credit cards)	\$ 61,360,301	\$ 86,635	\$ 4,489,537	\$ 1,845,786	\$ 9,387,516	\$ 77,169,775
Credit card commitments	10	91	104	501	196,873	197,579
Unused issued letters of credit	20,034,174	248,370	-	-	-	20,282,544
Guarantees issued in guarantee business	54,992,186	46,687	62,545	71,734	86,639	55,259,791
	\$ 136,386,671	\$ 381,783	\$ 4,552,186	\$ 1,918,021	\$ 9,671,028	\$ 152,909,689

(In Thousands of New Taiwan Dollars)

Item	March 31, 2022					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Unused loan commitments (excluding credit cards)	\$ 77,373,276	\$ 649,423	\$ 1,777,929	\$ 5,007,176	\$ 8,438,764	\$ 93,246,568
Credit card commitments	12	154	107	583	301,925	302,781
Unused issued letters of credit	35,282,909	286,696	63,419	238,263	-	35,871,287
Guarantees issued in guarantee business	64,389,480	82,502	65,163	137,443	67,062	64,741,650
	\$ 177,045,677	\$ 1,018,775	\$ 1,906,618	\$ 5,383,465	\$ 8,807,751	\$ 194,162,286

34. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Item			March 31, 2023					March 31, 2022				
			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		\$ 2,189,059	\$ 578,533,344	0.38%	\$ 7,241,513	330.80%	\$ 3,333,707	\$ 539,298,729	0.62%	\$ 6,310,253	189.29%
	Unsecured		190,652	500,167,863	0.04%	6,164,234	3,233.24%	348,700	469,783,620	0.07%	5,378,657	1,542.49%
Consumer finance	Mortgage loans (Note d)		301,744	384,158,230	0.08%	5,786,746	1,917.77%	407,292	389,081,217	0.10%	5,869,635	1,441.14%
	Cash cards (Note h)		-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)		5,791	3,715,108	0.16%	48,574	838.78%	2,698	3,277,807	0.08%	39,023	1,446.36%
	Others (Note f)	Secured	413,611	222,683,396	0.19%	2,259,680	546.33%	620,465	222,888,439	0.28%	2,277,116	367.00%
		Unsecured	212	1,379,125	0.02%	16,595	7,827.83%	152	1,531,986	0.01%	16,760	11,026.32%
Total			3,101,069	1,690,637,066	0.18%	21,517,342	693.87%	4,713,014	1,625,861,798	0.29%	19,891,444	422.05%

Item			March 31, 2023					March 31, 2022				
			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			\$ 5,931	\$ 2,665,499	0.22%	\$ 24,695	416.37%	\$ 3,460	\$ 2,336,727	0.15%	\$ 21,672	626.36%
No recourse receivable factoring (Note g)			-	5,869,654	-	108,697	-	-	7,177,573	-	121,776	-

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 Bank does not engage in cash cards business.

Item Business Type	March 31, 2023		March 31, 2022	
	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)	\$ -	\$ 230	\$ -	\$ 387
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	672	18,015	344	19,607
Total	672	18,245	344	19,994

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

March 31, 2023			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%) (Note d)
1	A Corporation (railway transportation industry)	\$ 20,426,011	11.68
2	B Group (uncategorized other financial services)	15,867,588	9.08
3	C Group (other holdings industry)	13,679,742	7.83
4	D Group (steel smelting industry)	12,156,598	6.95
5	E Group (airline industry)	10,917,348	6.25
6	F Group (liquid crystal panel and components manufacturing industry)	10,864,484	6.21
7	G Group (integrated circuit manufacturing)	9,838,697	5.63
8	H Group (liquid crystal panel and components manufacturing industry)	8,484,293	4.85
9	I Group (steel manufacturing industry)	8,343,678	4.77
10	J Group (vessel carriers industry)	8,208,801	4.70

March 31, 2022			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%) (Note d)
1	A Corporation (railway transportation industry)	\$ 22,794,539	13.17
2	D Group (steel smelting industry)	19,941,631	11.52
3	E Group (airline industry)	17,806,965	10.29
4	B Group (uncategorized other financial services)	15,331,143	8.86
5	C Group (other holdings industry)	14,835,434	8.57
6	H Group (uncategorized other electronic components manufacturing industry)	9,461,812	5.47
7	J Group (chemical materials industry)	9,324,399	5.39
8	K Group (real estate development industry)	8,218,520	4.75
9	G Group (integrated circuit manufacturing industry)	8,032,309	4.64
10	I Group (steel manufacturing industry)	7,673,377	4.43

Note a: Sorted by the balance of loans on March 31, 2023 and 2022, 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	March 31, 2023				
	1-90 Days	91-180 Days	181 Days - 1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,771,805,152	\$ 39,474,142	\$ 63,996,752	\$ 194,783,916	\$ 2,070,059,962
Interest-sensitive liabilities	425,662,965	1,174,053,278	94,808,892	51,578,057	1,746,103,192
Interest sensitivity gap	1,346,142,187	(1,134,579,136)	(30,812,140)	143,205,859	323,956,770
Net equity					150,587,604
Ratio of interest-sensitive assets to liabilities					118.55%
Ratio of interest sensitivity gap to net equity					215.13%

(In Thousands of New Taiwan Dollars; %)

Item	March 31, 2022				
	1-90 Days	91-180 Days	181 Days - 1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,667,140,990	\$ 92,949,883	\$ 33,108,319	\$ 183,598,581	\$ 1,976,797,773
Interest-sensitive liabilities	360,569,640	1,172,053,177	90,366,796	59,769,088	1,682,758,701
Interest sensitivity gap	1,306,571,350	(1,079,103,294)	(57,258,477)	123,829,493	294,039,072
Net equity					150,303,188
Ratio of interest-sensitive assets to liabilities					117.47%
Ratio of interest sensitivity gap to net equity					195.63%

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	March 31, 2023				
	1-90 Days	91-180 Days	181 Days - 1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 13,058,404	\$ 949,798	\$ 401,447	\$ 3,513,652	\$ 17,923,301
Interest-sensitive liabilities	20,817,366	2,283,876	2,265,773	17,033	25,384,048
Interest sensitivity gap	(7,758,962)	(1,334,078)	(1,864,326)	3,496,619	(7,460,747)
Net equity					602,691
Ratio of interest-sensitive assets to liabilities					70.61%
Ratio of interest sensitivity gap to net equity					(1,237.91%)

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

Item	March 31, 2022				
	1-90 Days	91-180 Days	181 Days - 1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 13,732,080	\$ 795,944	\$ 192,393	\$ 2,639,191	\$ 17,359,608
Interest-sensitive liabilities	20,476,000	1,803,961	1,450,661	-	23,730,622
Interest sensitivity gap	(6,743,920)	(1,008,017)	(1,258,268)	2,639,191	(6,371,014)
Net equity					619,470
Ratio of interest-sensitive assets to liabilities					73.15%
Ratio of interest sensitivity gap to net equity					(1,028.46%)

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		March 31, 2023	March 31, 2022
Return on total assets	Pretax	0.16%	0.11%
	After tax	0.13%	0.09%
Return on net equity	Pretax	2.46%	1.64%
	After tax	2.01%	1.38%
Profit margin		35.29%	32.00%

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 March 31 of 2023 and 2022, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	March 31, 2023					
		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	\$ 2,318,913,153	\$ 276,226,508	\$ 231,658,595	\$ 224,644,416	\$ 210,461,987	\$ 285,237,331	\$ 1,090,684,316
Major maturity cash outflows	2,916,841,183	116,482,462	193,459,525	398,215,063	433,977,759	637,848,306	1,136,858,068
Gap	(597,928,030)	159,744,046	38,199,070	(173,570,647)	(223,515,772)	(352,610,975)	(46,173,752)

(In Thousands of New Taiwan Dollars)

	Total	March 31, 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	\$ 2,379,053,137	\$ 261,675,179	\$ 284,413,062	\$ 249,676,712	\$ 221,502,697	\$ 300,211,117	\$ 1,061,574,370
Major maturity cash outflows	2,961,762,685	111,263,260	168,940,333	429,346,087	439,488,991	659,071,366	1,153,652,648
Gap	(582,709,548)	150,411,919	115,472,729	(179,669,375)	(217,986,294)	(358,860,249)	(92,078,278)

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	March 31, 2023				
		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	\$ 30,358,785	\$ 10,395,894	\$ 5,685,892	\$ 3,687,925	\$ 2,099,757	\$ 8,489,317
Major maturity cash outflows	35,766,381	14,503,059	6,727,368	4,030,410	5,293,736	5,211,808
Gap	(5,407,596)	(4,107,165)	(1,041,476)	(342,485)	(3,193,979)	3,277,509

(In Thousands of U.S. Dollars)

	Total	March 31, 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	\$ 34,727,084	\$ 11,131,967	\$ 6,399,275	\$ 4,921,563	\$ 5,309,140	\$ 6,965,139
Major maturity cash outflows	39,223,461	14,602,179	6,675,706	4,913,758	6,018,607	7,013,211
Gap	(4,496,377)	(3,470,212)	(276,431)	7,805	(709,467)	(48,072)

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

f. Non-performing loan selling information

March 31, 2022							
Transaction Date	Trading Partners	Non-Perform Loan Composition	Book Value	Price	Distribution Profit	Accompanying	Relationship
2021.12.8 sign up, 2022.1.30 settlement completed and strike a balance	SC Lowy Primary Investments, Ltd.	International lending (foreign currencies secured loan)	\$ -	\$ 91,482	\$ 91,482	None	None

g. Trust accounts

Under Article 3 of the Trust Law, the Group can offer trust services. The items and amounts of trust accounts as of March 31, 2023 and 2022 were as follows:

	March 31	
	2023	2022
Special purpose trust accounts - domestic	\$ 35,357,289	\$ 36,338,637
Special purpose trust accounts - foreign	76,938,868	70,940,219
Insurance trust	9,880	9,801
Retirement and breeds trust	552,815	455,902
Umbilical cord blood trust	14,865,731	13,652,882
Money claim and guarantee trust	51,800	51,800
Marketable securities trust	1,826,770	3,843,837
Real estate trust	31,860,399	20,015,113
Securities under custody	284,541,804	285,746,186
Other money trust	<u>2,986,565</u>	<u>3,316,577</u>
	<u>\$ 448,991,921</u>	<u>\$ 434,370,954</u>

35. 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
CSBC Corporation	Its director is the Bank's corporate director
China Airlines, Ltd.	Its director is the Bank's corporate director
Unity OPTO Technology Co., Ltd.	Its director is the Bank's corporate director
Lungteh Shipbuilding Co., Ltd.	Its director is the Bank's corporate director
Kaohsiung Rapid Transit Corporation	Its director is the Bank's corporate director
Quaser Machine Tools, Inc.	Its director is the Bank's corporate director
TSEC Corporation	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 March 31, 2023	\$ 25,227,661	1.50
Balance as of December 31, 2022	24,136,655	1.43
Balance as of March 31, 2022	26,133,574	1.61

For the three months ended March 31, 2023 and 2022, interest ranged from 1.46% to 6.51% and from 0.64% to 3.57%, respectively, and interest income amounted to \$143,303 thousand and \$113,084 thousand, respectively.

	March 31, 2023						Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral		
<u>Consumer loans</u>							
41 accounts	\$ 18,025	\$ 20,009	\$ 18,025	\$ -	Credit		None
<u>Self-use residential mortgage loans</u>							
245 accounts	1,551,382	1,615,375	1,551,382	-	Real estate		None
<u>Others</u>							
Taiwan High Speed Rail Corporation	20,237,161	20,316,400	20,237,161	-	Credit and station equipment		None
CSBC Corporation	1,307,237	2,821,365	1,307,237	-	Credit		None
Unity Opto Technology Co., Ltd.	635,175	635,886	-	635,175	Credit and land and plant		None
China Airlines, Ltd.	550,000	750,000	550,000	-	Credit and fund guarantee		None
TSEC Corporation	454,160	458,960	454,160	-	Credit and land and plant		None
Lungteh Shipbuilding Co., Ltd.	123,644	291,733	123,644	-	Credit and land and plant		None
Other - corporation 8 accounts (Note 1)	349,844	424,033	349,844	-	Credit and fund guarantee and real estate		None
Other - 1 individual accounts (Note 2)	1,033	1,075	1,033	-	Deposit		None

December 31, 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>							
42 accounts	\$ 19,774	\$ 21,246	\$ 19,774	\$ -	Credit	None	
<u>Self-use residential mortgage loans</u>							
246 accounts	1,586,783	1,671,988	1,586,783	-	Real estate	None	
<u>Others</u>							
Taiwan High Speed Rail Corporation	20,237,161	20,318,882	20,237,161	-	Credit and station equipment	None	
China Airlines, Ltd.	750,000	750,000	750,000	-	Credit and fund guarantee	None	
Unity Opto Technology Co., Ltd.	633,239	635,886	633,239	-	Credit and land and plant	None	
CSBC Corporation	365,795	2,007,292	365,795	-	Credit	None	
Lungteh Shipbuilding Co., Ltd.	203,326	286,782	203,326	-	Credit and land and plant	None	
Other - corporation 9 accounts (Note 1)	333,610	3,599,491	333,610	-	Credit and fund guarantee and real estate	None	
Other - individual 6 accounts (Note 2)	6,967	8,451	6,967	-	Foreign Currency and deposit	None	
March 31, 2022							
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties	
<u>Consumer loans</u>							
50 accounts	\$ 26,485	\$ 28,073	\$ 26,485	\$ -	Credit	None	
<u>Self-use residential mortgage loans</u>							
247 accounts	1,574,238	1,663,328	1,574,238	-	Real estate	None	
<u>Others</u>							
Taiwan High Speed Rail Corporation	22,570,406	22,571,264	22,570,406	-	Credit and station equipment	None	
China Airlines, Ltd.	750,000	1,000,000	750,000	-	Credit and fund guarantee	None	
Unity Opto Technology Co., Ltd.	629,791	630,469	629,791	-	Credit and land and plant	None	
CSBC Corporation	144,710	393,896	144,710	-	Credit	None	
Lungteh Shipbuilding Co., Ltd.	118,812	210,803	118,812	-	Credit and land and plant	None	
Other - corporation 7 accounts (Note 1)	319,132	603,968	319,132	-	Credit and fund guarantee and real estate	None	

Note 1: The balance of each corporate entity does not exceed \$0.1 billion.

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

Mortgage loans to managers within \$8,000 thousand and credit loans within \$800 thousand per person all bore interests were 1.76%, 1.64% and 1.26% on March 31, 2023, December 31, 2022 and March 31, 2022, 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

March 31, 2023					
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
CSBC Corporation	\$ 2,082,149	\$ 2,082,149	\$ 20,821	0.50-0.65	None
Yang Ming Marine Transport Corporation	1,514,475	1,514,475	15,145	0.80-1.00	None
Lungteh Shipbuilding Co., Ltd.	52,442	102,347	524	1.00	None
Kaohsiung Rapid Transit Corporation	6,000	6,000	60	0.50	None
December 31, 2022					
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
CSBC Corporation	\$ 2,082,149	\$ 2,236,261	\$ 20,821	0.50-0.65	None
Yang Ming Marine Transport Corporation	1,514,475	1,514,475	15,145	0.80-1.00	None
Lungteh Shipbuilding Co., Ltd.	102,347	127,162	1,023	1.00	None
Kaohsiung Rapid Transit Corporation	6,000	6,000	60	0.50	None
March 31, 2022					
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
CSBC Corporation	\$ 2,116,261	\$ 2,119,461	\$ 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.	127,162	127,162	1,272	1.00	None

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of March 31, 2023	\$ 52,787,352	2.23
Balance as of December 31, 2022	31,117,406	1.32
Balance as of March 31, 2022	50,671,354	2.31

For the three months ended March 31, 2023 and 2022, the interest rates intervals were both between 0.00 % to 13.00%; the interest expense was \$151,712 thousand and \$47,643 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)

March 31, 2023						
Name	Contract	Duration	Nominal Principle Amount	Current Valuation Gain (Loss)	Balance Sheet	
					Subject	Amount
Chunghwa Post Co., Ltd.	Currency swaps	2022.10.13-2024.03.29	\$ 20,333,920	\$ 39,847	Financial liabilities at fair value through profit or loss	\$ 76,301
Quaser Machine Tools, Inc.	Currency forward	2023.03.31-2023.04.26	12,391	15	Financial assets at fair value through profit or loss	\$ 15

(In Thousands of New Taiwan Dollars)

December 31, 2022						
Name	Contract	Duration	Nominal Principle Amount	Current Valuation Gain (Loss)	Balance Sheet	
					Subject	Amount
Chunghwa Post Co., Ltd.	Currency swaps	2022.4.7-2023.5.22	\$ 20,524,300	\$ 320,947	Financial assets at fair value through profit or loss	\$ 320,947

(In Thousands of New Taiwan Dollars)

March 31, 2022						
Name	Contract	Duration	Nominal Principle Amount	Current Valuation Gain (Loss)	Balance Sheet	
					Subject	Amount
Chunghwa Post Co., Ltd.	Currency swaps	2021.7.22-2022.7.22	\$ 13,718,400	\$ 344,758	Financial assets at fair value through profit or loss	\$ 351,917

5) Call loans to banks and call loans from banks

Call loans to banks

(In Thousands of Original Currencies)

March 31, 2023					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Income
The Export-Import Bank Land Bank	DBU	NTD	\$ 700,000	1.17-1.30	\$ 681
	DBU	NTD	13,025,000	0.56-1.38	6,169
	OBU	USD	25,000	4.25-5.23	52
Taiwan Business Bank	Hong Kong Branch	USD	10,000	4.32-5.35	132
	Hong Kong Branch	USD	10,000	4.60-4.95	43

December 31, 2022					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Income
Land Bank	DBU	NTD	\$ 25,000	0.08-1.30	\$ 8,198
	OBU	USD	30,000	0.05-4.28	1,339
	Hong Kong Branch	USD	26,000	0.23-4.32	1,008
	Singapore Branch	USD	10,000	4.25	105

March 31, 2022					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Income
Chunghwa Post Co., Ltd.	DBU	NTD	\$ 15,000	0.08-0.62	\$ 77
Land Bank	DBU	NTD	10,000	0.08-0.48	416
	OBU	USD	165,000	0.05-0.56	108
	Hong Kong Branch	USD	55,000	0.23-0.37	34
Taiwan Business Bank	OBU	USD	50,000	0.23-2.30	10
	Tokyo Branch	USD	15,000	0.13-0.56	6
	Hong Kong Branch	USD	20,000	0.60-1.05	1
Taichung Commercial Bank	DBU	NTD	500,000	0.28-0.58	1,227

Call loans from banks

(In Thousands of Original Currencies)

March 31, 2023					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Land Bank	DBU	NTD	\$ 5,000	0.56-1.30	\$ 99
	OBU	USD	15,000	4.58-4.90	104
	New York Branch	USD	15,000	4.23-5.17	17
Taiwan Business Bank	London Branch	EUR	7,000	2.03-3.07	35

December 31, 2022					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Land Bank	DBU	NTD	\$ 5,000	0.08-1.22	\$ 85

March 31, 2022					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Land Bank	DBU	NTD	\$ 5,000	0.08-0.48	\$ 12
	New York Branch	USD	20,000	0.09-0.58	3
	London Branch	USD	10,000	0.14-0.39	8
Taiwan Business Bank	Singapore Branch	SGD	8,000	0.28-0.75	3
Taichung Commercial Bank	OBU	ZAR	15,000	3.50-5.30	472

6) Due from banks and deposits from banks

Due from banks

(In Thousands of New Taiwan Dollars)

Name	Department	Currency	March 31, 2023	December 31, 2022	March 31, 2022
			Ending Balance	Ending Balance	Ending Balance
Land Bank	DBU	NTD	\$ 4	\$ 4	\$ 4
Taiwan Business Bank	DBU	NTD	1	7	4,712
Chunghwa Post Co., Ltd.	DBU	NTD	96	113	127

Deposits from banks

(In Thousands of Original Currencies)

Name	Department	Currency	March 31, 2023	December 31, 2022	March 31, 2022
			Ending Balance	Ending Balance	Ending Balance
Land Bank	DBU	NTD	\$ 277	\$ 277	\$ 277
The Export-Import Bank	DBU	NTD	1,282	2,388	1,955
Chunghwa Post Co., Ltd.	DBU	NTD	216,124	275,361	255,008
Taishin International Bank	New York Branch	USD	67	67	68

c. Compensation of directors and management personnel

	For the Three Months Ended March 31	
	2023	2022
Short-term employee benefits	\$ 13,588	\$ 14,003
Post-employment benefits	<u>437</u>	<u>11,070</u>
	<u>\$ 14,025</u>	<u>\$ 25,073</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.

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 in the amounts of \$4,410 thousand and \$68 thousand each on April 6, 2022 and February 15, 2022, with its subsidiaries Chang Hua Commercial Bank, Ltd. and Chang Hwa Bank Venture Capital Co., Ltd. In 2023, the Bank recognized other income according to the former contract in the amount of \$1,300 thousand.

36. PLEDGED ASSETS

The summary of the Group's pledged assets as of March 31, 2023, December 31, 2022 and March 31, 2022 is as follows:

Pledged Assets	Description	March 31, 2023	December 31, 2022	March 31, 2022
Investments in debt instruments at FVTOCI	Bonds	\$ 1,246,570	\$ 1,208,237	\$ 6,818,616
Investments in debt instruments at amortized cost	Bonds and certificates of deposit	41,452,200	41,453,625	41,442,900
Refundable deposits	Cash	677,056	917,270	995,355
Reserves for demand account	Cash	-	-	35,000,000

37. CONTINGENT LIABILITIES AND COMMITMENTS

- a. In addition to those mentioned in Note 7, the Group had the following contingent liabilities and commitments as of March 31, 2023, December 31, 2022 and March 31, 2022:

	March 31, 2023	December 31, 2022	March 31, 2022
Trust liabilities	\$ 448,991,921	\$ 437,291,046	\$ 434,370,953
Unused loan commitments (excluding credit cards)	88,521,958	77,169,775	93,246,568
Credit card commitments	313,703	197,579	302,781
Unused issued letters of credit	28,023,828	20,282,544	35,871,287
Guarantees issued in guarantee business	56,041,422	55,259,791	64,741,650
Repayment notes and times deposit held for custody	18,618,339	18,843,464	17,072,351
Liabilities on joint loans	241,662	271,744	394,865

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction, appointment and security service as of March 31, 2023 were \$702,571 thousand, \$67,654 thousand, \$775,905 thousand and \$106,752 thousand, respectively.

- 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 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 convened a mediation court for TDK Corporation 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. The customer filed a lawsuit against the Bank at the Taiwan Taichung District Court on June 25, 2021 regarding the misappropriation of the deposit amount and the loss of wealth management products. The subject-matter amount of money was \$369,778 thousand. On December 20, 2022, the amount of the subject matter of the lawsuit was changed to \$422,695 thousand and no decision has yet been made.

38. 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 three months ended March 31, 2023	None
2	Acquisition of fixed assets over NT\$300 million or 10% of outstanding capital for the three months ended March 31, 2023	None
3	Disposal of fixed assets over NT\$300 million or 10% of outstanding capital for the three months ended March 31, 2023	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 March 31, 2023	None
6	Sale of NPL	Note 34
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 March 31, 2023	Table 2
5	Accumulated purchases and sales balance of specific marketable security over NT\$300 million or 10% of outstanding capital for the three months ended March 31, 2023	None
6	Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the three months ended March 31, 2023	None
7	Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the three months ended March 31, 2023	None
8	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of March 31, 2023	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)

39. 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 Three Months Ended March 31, 2023							
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Oversea Branch	Others	Total
Net interest income	\$ 2,943,245	\$ 4,120,543	\$ (2,385,500)	\$ -	\$ 959,559	\$ (6,117)	\$ 5,631,730
Net service fee income	370,940	44,768	(12,740)	876,357	22,172	-	1,301,497
Net income on financial instrument	-	-	2,594,125	-	176,913	-	2,771,038
Others	2,713	-	215	-	2,808	71,069	76,805
Net revenue and gains	3,316,898	4,165,311	196,100	876,357	1,161,452	64,952	9,781,070
Bad debts expense, commitment and guarantee liability provision	(755,236)	-	(66)	-	(148,362)	-	(903,664)
Operating expenses	-	-	-	-	-	-	(4,645,451)
Income before income tax	<u>\$ 2,561,662</u>	<u>\$ 4,165,311</u>	<u>\$ 196,034</u>	<u>\$ 876,357</u>	<u>\$ 1,013,090</u>	<u>\$ 64,952</u>	<u>\$ 4,231,955</u>

For the Three Months Ended March 31, 2022							
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Oversea Branch	Others	Total
Net interest income	\$ 3,410,875	\$ 1,420,871	(73,292)	\$ -	\$ 696,483	\$ (3,685)	\$ 5,451,252
Net service fee income	387,621	65,421	(10,885)	725,253	20,055	-	1,187,465
Net income on financial instrument	-	-	673,111	-	54,463	-	727,574
Others	3,726	-	660	-	682	58,331	63,399
Net revenue and gains	3,802,222	1,486,292	589,594	725,253	771,683	54,646	7,429,690
Bad debts expense, commitment and guarantee liability provision	(362,144)	-	(112)	-	(195,050)	-	(557,306)
Operating expenses	-	-	-	-	-	-	(4,053,988)
Income before income tax	<u>\$ 3,440,078</u>	<u>\$ 1,486,292</u>	<u>\$ 589,482</u>	<u>\$ 725,253</u>	<u>\$ 576,633</u>	<u>\$ 54,646</u>	<u>\$ 2,818,396</u>

The reported revenue and results on the segment information did not include inter-segment revenue for the three months ended March 31, 2023 and 2022.

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

March 31, 2023						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branch and Subsidiaries	Total
Assets	<u>\$ 1,564,044,319</u>	<u>\$ -</u>	<u>\$ 869,483,385</u>	<u>\$ -</u>	<u>\$ 213,593,905</u>	<u>\$ 2,740,600,711</u>
Liabilities	<u>\$ 1,840,289</u>	<u>\$ 2,285,462,803</u>	<u>\$ 80,041,831</u>	<u>\$ -</u>	<u>\$ 146,117,742</u>	<u>\$ 2,565,784,100</u>

December 31, 2022						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branch and Subsidiaries	Total
Assets	<u>\$ 1,564,105,867</u>	<u>\$ -</u>	<u>\$ 825,050,218</u>	<u>\$ -</u>	<u>\$ 190,053,146</u>	<u>\$ 2,684,852,319</u>
Liabilities	<u>\$ 2,026,743</u>	<u>\$ 2,272,707,202</u>	<u>\$ 82,300,885</u>	<u>\$ -</u>	<u>\$ 107,674,166</u>	<u>\$ 2,515,824,101</u>

March 31, 2022						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branch and Subsidiaries	Total
Assets	<u>\$ 1,527,979,504</u>	<u>\$ -</u>	<u>\$ 839,516,915</u>	<u>\$ -</u>	<u>\$ 189,391,437</u>	<u>\$ 2,642,809,832</u>
Liabilities	<u>\$ 2,520,076</u>	<u>\$ 2,139,288,118</u>	<u>\$ 121,217,466</u>	<u>\$ -</u>	<u>\$ 128,284,177</u>	<u>\$ 2,469,744,553</u>

TABLE 1

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTEEES’ NAMES AND LOCATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

(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 March 31, 2023	End of December 31, 2022	Stock	Ownership Interest (%)	Book Value			
Chang Hwa Bank	Chang Hua Commercial Bank, Ltd. Chang Hwa Bank Venture Capital Co., Ltd.	China Taiwan	Banking Venture capital	\$ 12,117,288 1,042,686	\$ 12,117,288 600,000	Note 104,268,647	100 100	\$ 13,782,979 1,287,416	\$ 86,263 136,989	\$ 86,263 136,989	

Note: Limited company organization.

TABLE 2

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2023
(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	March 31, 2023				Note
				Number of Shares	Carrying Amount (Note 3)	Percentage of Ownership (%)	Fair Value	
Chang Hwa Bank Venture Capital Co., Ltd. (CHBVC)	Jada International Development Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,919,378	\$ 45,455	8.5	\$ 45,455	
	Package Plus Sustainable Integration Co., Ltd.	-	Financial assets at fair value through other comprehensive income	100,000	100,000	6.0	100,000	
	Yuh Shan Environmental Engineering Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	38,470	2.0	38,470	
	Acer E-enabling Service Business Inc.	-	Financial assets at fair value through profit or loss	405,813	90,293	1.0	90,293	
	Advanced Wireless & Antenna Inc.	-	Financial assets at fair value through profit or loss	250,000	6,435	1.0	6,435	
	Ina Energy Corporation	-	Financial assets at fair value through profit or loss	2,000,000	44,520	1.0	44,520	
	Imedtac Co., Ltd.	-	Financial assets at fair value through profit or loss	300,000	15,669	2.1	15,669	
	Locus Cell Co., Ltd.	-	Financial assets at fair value through profit or loss	2,857,000	133,365	1.4	133,365	
	Great Giant Fibre Garment Co., Ltd.	-	Financial assets at fair value through profit or loss	365,318	35,385	0.6	35,385	
	MegaPro Biomedical Co., Ltd.	-	Financial assets at fair value through profit or loss	250,000	6,108	0.4	6,108	
	Ace Medical Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000,000	13,880	4.9	13,880	
	Mesh Cooperative Ventures, Inc.	-	Financial assets at fair value through profit or loss	-	16,859	-	16,859	
	Minima Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	570,000	13,064	1.5	13,064	
	Evergreen Aviation Technologies Corporation	-	Financial assets at fair value through profit or loss	485,000	47,433	0.1	47,433	
	PlayNitride Display Co., Ltd.	-	Financial assets at fair value through profit or loss	330,000	33,000	0.6	33,000	
	Sunpower Energy Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,112,456	32,518	4.2	32,518	
	Outstanding Management Consultants Co., Ltd.	CHBVC is its director	Financial assets at fair value through profit or loss	117,040	1,170	19.0	1,170	
	Outstanding Capital Limited Partnership	-	Financial assets at fair value through profit or loss	-	7,422	-	7,422	
	Hongde Energy Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	120,000	16,200	0.1	16,200	
	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	2,000,000	56,960	0.1	56,960	
	P-Waver Inc.	-	Financial assets at fair value through profit or loss	588,000	9,996	4.9	9,996	
	Wowprime Corp. Unsecured Convertible Bond	-	Financial assets at fair value through profit or loss	30,000	3,510	-	3,510	
	Gamamobi Taiwan Co., Ltd.	-	Financial assets at fair value through profit or loss	400,000	-	2.0	-	

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 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 THREE MONTHS ENDED MARCH 31, 2023
(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, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2023	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2023	Accumulated Repatriation of Investment Income as of March 31, 2023	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)	\$ 86,263	100	\$ 86,263	\$ 13,782,979	\$ -	

2.

Accumulated Outward Remittance for Investment in Mainland China March 31, 2023	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)	\$ 26,222,492

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

a.

Direct investment in mainland China.

b.

Investment in mainland China through reinvestment in existing enterprise in a third area.

c.

Others.

Note 2: Equity in the profit (loss):

a.

If the entity is still in the preparation stage and there is no equity in profit (loss), the condition should be noted.

b.

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.

1)

Financial statements audited (reviewed) by international accounting firms that cooperate with the accounting firms in the ROC.

2)

Financial statements audited (reviewed) by the Taiwan-based parent company's CPA.

3)

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:

a.

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.

b.

The subsidiaries whose issued stocks 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 THREE MONTHS ENDED MARCH 31, 2023
(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.	Deposits from the Central Bank and banks	\$ 108,286	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Cash and cash equivalents	78,594	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Receivables	185,082	Same as normal customers	0.01
		Chang Hua Commercial Bank, Ltd.	a.	Other financial assets	6,663,000	Same as normal customers	0.24
		Chang Hua Commercial Bank, Ltd.	a.	Interest income	44,331	Same as normal customers	0.45
		Chang Hua Commercial Bank, Ltd.	a.	Net non-interest income	1,300	Same as normal customers	0.01
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Deposits and remittances	503,238	Same as normal customers	0.02
		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	530	Same as normal customers	0.01
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Net non-interest income	615	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
MARCH 31, 2023**

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.	1,101,237,849	10.39
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 without physical registration (including treasury shares) is more than 5%. The share capital recorded in the Bank's consolidated financial statement and the actual number of shares delivered without physical registration may be different due to the basis of preparation and calculation.