

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

**Consolidated Financial Statements for the
Nine Months Ended September 30, 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 referred to as the "Group") as of September 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with 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 September 30, 2023 and 2022, its consolidated financial performance for the three months ended September 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 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

November 9, 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)

| ASSETS | September 30, 2023 | | December 31, 2022 | | September 30, 2022 | |
|---|--------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|-------------------|
| | Amount | % | Amount | % | Amount | % |
| Cash and cash equivalents (Notes 4, 6 and 35) | \$ 46,871,267 | 2 | \$ 51,758,581 | 2 | \$ 37,907,240 | 1 |
| Due from the Central Bank and call loans to banks (Notes 4, 6 and 35) | 149,185,869 | 5 | 149,988,138 | 6 | 230,525,855 | 9 |
| Financial assets at fair value through profit or loss (Notes 4, 7, 33 and 35) | 70,659,697 | 3 | 31,485,681 | 1 | 65,116,503 | 2 |
| Financial assets at fair value through other comprehensive income (Notes 4, 8, 10, 33 and 36) | 259,633,178 | 9 | 214,615,957 | 8 | 223,200,689 | 8 |
| Investments in debt instruments at amortized cost (Notes 4, 5, 9, 10, 33 and 36) | 442,350,214 | 16 | 485,011,259 | 18 | 379,200,488 | 14 |
| Receivables, net (Notes 4, 11 and 12) | 21,253,194 | 1 | 22,446,573 | 1 | 24,079,213 | 1 |
| Current tax assets (Notes 4 and 30) | 114,084 | - | 44,675 | - | 54,104 | - |
| Discounts and loans, net (Notes 4, 5, 12, 33, 34 and 35) | 1,751,222,737 | 63 | 1,685,320,445 | 63 | 1,731,390,698 | 63 |
| Other financial assets, net (Notes 4 and 13) | 1,271,216 | - | 1,768,723 | - | 2,866,144 | - |
| Property and equipment, net (Notes 4 and 15) | 21,080,949 | 1 | 21,030,975 | 1 | 20,961,447 | 1 |
| Right-of-use assets, net (Notes 4 and 16) | 1,981,520 | - | 1,954,493 | - | 2,020,674 | - |
| Investment property, net (Notes 4 and 17) | 13,841,371 | - | 13,845,593 | - | 13,847,189 | 1 |
| Intangible assets, net (Notes 4 and 18) | 1,020,276 | - | 1,121,815 | - | 1,094,611 | - |
| Deferred tax assets (Notes 4 and 30) | 4,294,851 | - | 3,390,756 | - | 6,477,700 | - |
| Other assets, net (Notes 19 and 36) | <u>902,786</u> | <u>-</u> | <u>1,068,655</u> | <u>-</u> | <u>1,346,750</u> | <u>-</u> |
| TOTAL | <u>\$ 2,785,683,209</u> | <u>100</u> | <u>\$ 2,684,852,319</u> | <u>100</u> | <u>\$ 2,740,089,305</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | | | |
| Deposits from the Central Bank and banks (Notes 4, 20 and 35) | \$ 104,295,032 | 4 | \$ 52,877,055 | 2 | \$ 114,335,086 | 4 |
| Financial liabilities at fair value through profit or loss (Notes 4, 7 and 33) | 2,642,949 | - | 6,920,062 | - | 14,054,490 | 1 |
| Securities sold under repurchase agreements (Note 4) | 17,545,187 | 1 | 941,013 | - | 17,703,862 | 1 |
| Payables (Notes 4, 21 and 28) | 44,702,477 | 2 | 31,965,424 | 1 | 29,837,078 | 1 |
| Current tax liabilities (Notes 4 and 30) | 1,326,225 | - | 896,855 | - | 582,290 | - |
| Deposits and remittances (Notes 4, 22 and 35) | 2,358,249,476 | 85 | 2,349,882,620 | 88 | 2,304,263,665 | 84 |
| Bank notes payable (Notes 4, 23 and 33) | 49,175,313 | 2 | 51,219,465 | 2 | 51,234,182 | 2 |
| Other financial liabilities (Notes 4 and 24) | 1,058,654 | - | 858,883 | - | 967,056 | - |
| Reserve for liabilities (Notes 4, 5, 26 and 27) | 3,229,937 | - | 3,023,164 | - | 4,578,755 | - |
| Lease liabilities (Notes 4 and 16) | 1,830,662 | - | 1,794,804 | - | 1,863,505 | - |
| Deferred tax liabilities (Notes 4 and 30) | 10,811,746 | - | 9,430,267 | 1 | 12,088,663 | - |
| Other liabilities (Notes 4, 15 and 25) | <u>9,901,237</u> | <u>-</u> | <u>6,014,489</u> | <u>-</u> | <u>21,902,265</u> | <u>1</u> |
| Total liabilities | <u>2,604,768,895</u> | <u>94</u> | <u>2,515,824,101</u> | <u>94</u> | <u>2,573,410,897</u> | <u>94</u> |
| EQUITY (Notes 4, 28 and 30) | | | | | | |
| Capital stock | | | | | | |
| Common stock | 108,582,930 | 4 | 105,934,566 | 4 | 105,934,566 | 4 |
| Retained earnings | | | | | | |
| Legal reserve | 46,674,889 | 2 | 43,043,607 | 2 | 43,043,607 | 2 |
| Special reserve | 12,201,590 | - | 12,201,590 | - | 12,201,590 | - |
| Unappropriated earnings | 10,959,580 | - | 12,218,872 | - | 8,623,723 | - |
| Other equity | <u>2,495,325</u> | <u>-</u> | <u>(4,370,417)</u> | <u>-</u> | <u>(3,125,078)</u> | <u>-</u> |
| Total equity | <u>180,914,314</u> | <u>6</u> | <u>169,028,218</u> | <u>6</u> | <u>166,678,408</u> | <u>6</u> |
| TOTAL | <u>\$ 2,785,683,209</u> | <u>100</u> | <u>\$ 2,684,852,319</u> | <u>100</u> | <u>\$ 2,740,089,305</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)

| | For the Three Months Ended September 30 | | | | For the Nine Months Ended September 30 | | | |
|--|---|--------------|--------------------|-------------|--|--------------|---------------------|-------------|
| | 2023 | | 2022 | | 2023 | | 2022 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| INTEREST INCOME (Notes 4, 29 and 35) | \$ 16,847,842 | 175 | \$ 11,441,592 | 125 | \$ 47,290,940 | 161 | \$ 27,771,247 | 110 |
| INTEREST EXPENSE (Notes 29 and 35) | <u>(11,292,385)</u> | <u>(117)</u> | <u>(4,768,477)</u> | <u>(52)</u> | <u>(30,617,978)</u> | <u>(104)</u> | <u>(9,421,450)</u> | <u>(37)</u> |
| NET INCOME OF INTEREST | <u>5,555,457</u> | <u>58</u> | <u>6,673,115</u> | <u>73</u> | <u>16,672,962</u> | <u>57</u> | <u>18,349,797</u> | <u>73</u> |
| NET NON-INTEREST INCOME | | | | | | | | |
| Net service fee income (Notes 4 and 29) | 1,332,755 | 14 | 1,024,301 | 11 | 3,879,438 | 13 | 3,340,054 | 13 |
| Gain on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 29) | 2,062,925 | 21 | 534,774 | 6 | 6,749,547 | 23 | 1,199,227 | 5 |
| Realized gain (loss) on financial assets at fair value through other comprehensive income (Notes 4 and 29) | 457,715 | 5 | (29,391) | (1) | 1,386,152 | 5 | 354,171 | 1 |
| Gain (loss) arising from derecognition of financial assets at amortized cost | (189,859) | (2) | 6 | - | (232,656) | (1) | (1,639) | - |
| Foreign exchange gain (Notes 4 and 33) | 360,120 | 3 | 981,878 | 11 | 681,279 | 2 | 1,763,043 | 7 |
| Net other non-interest income (loss) (Note 13) | <u>75,235</u> | <u>1</u> | <u>(7,929)</u> | <u>-</u> | <u>234,508</u> | <u>1</u> | <u>133,982</u> | <u>1</u> |
| Net non-interest income | <u>4,098,891</u> | <u>42</u> | <u>2,503,639</u> | <u>27</u> | <u>12,698,268</u> | <u>43</u> | <u>6,788,838</u> | <u>27</u> |
| NET REVENUE AND GAINS | <u>9,654,348</u> | <u>100</u> | <u>9,176,754</u> | <u>100</u> | <u>29,371,230</u> | <u>100</u> | <u>25,138,635</u> | <u>100</u> |
| BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12) | <u>(855,103)</u> | <u>(9)</u> | <u>(756,927)</u> | <u>(8)</u> | <u>(2,308,076)</u> | <u>(8)</u> | <u>(2,138,177)</u> | <u>(8)</u> |
| OPERATING EXPENSES | | | | | | | | |
| Employee benefits expenses (Notes 4 and 29) | (2,957,684) | (31) | (3,097,656) | (34) | (9,389,243) | (32) | (8,635,284) | (34) |
| Depreciation and amortization expenses (Notes 4 and 29) | (416,135) | (4) | (404,002) | (5) | (1,240,107) | (4) | (1,172,380) | (5) |
| Other general and administrative expenses | <u>(1,262,027)</u> | <u>(13)</u> | <u>(1,115,608)</u> | <u>(12)</u> | <u>(3,670,688)</u> | <u>(12)</u> | <u>(3,220,477)</u> | <u>(13)</u> |
| Total operating expenses | <u>(4,635,846)</u> | <u>(48)</u> | <u>(4,617,266)</u> | <u>(51)</u> | <u>(14,300,038)</u> | <u>(48)</u> | <u>(13,028,141)</u> | <u>(52)</u> |
| INCOME BEFORE INCOME TAX | 4,163,399 | 43 | 3,802,561 | 41 | 12,763,116 | 44 | 9,972,317 | 40 |
| INCOME TAX EXPENSE (Notes 4 and 30) | <u>(937,025)</u> | <u>(9)</u> | <u>(601,900)</u> | <u>(6)</u> | <u>(2,526,494)</u> | <u>(9)</u> | <u>(1,451,799)</u> | <u>(6)</u> |
| NET INCOME | <u>3,226,374</u> | <u>34</u> | <u>3,200,661</u> | <u>35</u> | <u>10,236,622</u> | <u>35</u> | <u>8,520,518</u> | <u>34</u> |

(Continued)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | For the Three Months Ended September 30 | | | | For the Nine Months Ended September 30 | | | |
|--|---|-----------|---------------------|-----------|--|-----------|---------------------|-----------|
| | 2023 | | 2022 | | 2023 | | 2022 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | | | | |
| Items that will not be reclassified to profit or loss, net of tax: | | | | | | | | |
| Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income | \$ 1,741,641 | 18 | \$ (1,792,043) | (20) | \$ 6,726,456 | 23 | \$ (3,289,579) | (13) |
| Items that will be reclassified to profit or loss, net of tax: | | | | | | | | |
| Exchange differences on translation (Note 4) | 1,387,159 | 14 | 1,716,434 | 19 | 1,308,317 | 4 | 3,440,464 | 14 |
| Revaluation losses on investments in debt instruments measured at fair value through other comprehensive income | (1,120,880) | (12) | (2,133,012) | (23) | (481,626) | (2) | (8,154,210) | (33) |
| (Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income | 6,627 | - | 754 | - | 6,114 | - | 1,405 | - |
| Income tax related to items that will be reclassified to profit or loss (Notes 4 and 30) | (56,178) | - | (81,121) | (1) | (83,386) | - | (48,360) | - |
| Other comprehensive income (loss), net of tax | 1,958,369 | 20 | (2,288,988) | (25) | 7,475,875 | 25 | (8,050,280) | (32) |
| TOTAL COMPREHENSIVE INCOME | <u>\$ 5,184,743</u> | <u>54</u> | <u>\$ 911,673</u> | <u>10</u> | <u>\$ 17,712,497</u> | <u>60</u> | <u>\$ 470,238</u> | <u>2</u> |
| NET PROFIT ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Bank | <u>\$ 3,226,374</u> | <u>33</u> | <u>\$ 3,200,661</u> | <u>35</u> | <u>\$ 10,236,622</u> | <u>35</u> | <u>\$ 8,520,518</u> | <u>34</u> |
| Non-controlling interests | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Bank | <u>\$ 5,184,743</u> | <u>54</u> | <u>\$ 911,673</u> | <u>10</u> | <u>\$ 17,712,497</u> | <u>60</u> | <u>\$ 470,238</u> | <u>2</u> |
| Non-controlling interests | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> | <u>-</u> |
| EARNINGS PER SHARE (Note 31) | | | | | | | | |
| Basic | <u>\$ 0.30</u> | | <u>\$ 0.29</u> | | <u>\$ 0.94</u> | | <u>\$ 0.78</u> | |
| Diluted | <u>\$ 0.30</u> | | <u>\$ 0.29</u> | | <u>\$ 0.94</u> | | <u>\$ 0.78</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)

| | Equity Attributable to Owners of the Bank | | | | | Other Equity | | Total Equity |
|---|---|-----------------------|----------------------|----------------------|-------------------------|---|---|-----------------------|
| | Capital Stock | | Retained Earnings | | | Exchange Differences on Translation of Foreign Financial Statements | Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income | |
| | Common Stock (In Thousands) | Amount | Legal Reserve | Special Reserve | Unappropriated Earnings | | | |
| BALANCE, JANUARY 1, 2022 | 10,488,571 | \$ 104,885,708 | \$ 40,320,456 | \$ 12,201,590 | \$ 9,130,892 | \$ (3,313,666) | \$ 8,227,475 | \$ 171,452,455 |
| Appropriation of 2021 earnings | | | | | | | | |
| Legal reserve appropriated | - | - | 2,723,151 | - | (2,723,151) | - | - | - |
| Cash dividends | - | - | - | - | (5,244,285) | - | - | (5,244,285) |
| Stock dividends | 104,886 | 1,048,858 | - | - | (1,048,858) | - | - | - |
| Net income for the nine months ended September 30, 2022 | - | - | - | - | 8,520,518 | - | - | 8,520,518 |
| Other comprehensive income (loss) for the nine months ended September 30, 2022, net of tax | - | - | - | - | - | 3,251,750 | (11,302,030) | (8,050,280) |
| Total comprehensive income (loss) for the nine months ended September 30, 2022 | - | - | - | - | 8,520,518 | 3,251,750 | (11,302,030) | 470,238 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | (11,393) | - | 11,393 | - |
| BALANCE, SEPTEMBER 30, 2022 | <u>10,593,457</u> | <u>\$ 105,934,566</u> | <u>\$ 43,043,607</u> | <u>\$ 12,201,590</u> | <u>\$ 8,623,723</u> | <u>\$ (61,916)</u> | <u>\$ (3,063,162)</u> | <u>\$ 166,678,408</u> |
| BALANCE, 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 |
| Appropriation of 2022 earnings | | | | | | | | |
| Legal reserve appropriated | - | - | 3,631,282 | - | (3,631,282) | - | - | - |
| Cash dividends | - | - | - | - | (5,826,401) | - | - | (5,826,401) |
| Stock dividends | 264,836 | 2,648,364 | - | - | (2,648,364) | - | - | - |
| Net income for the nine months ended September 30, 2023 | - | - | - | - | 10,236,622 | - | - | 10,236,622 |
| Other comprehensive income for the nine months ended September 30, 2023, net of tax | - | - | - | - | - | 1,216,414 | 6,259,461 | 7,475,875 |
| Total comprehensive income for the nine months ended September 30, 2023 | - | - | - | - | 10,236,622 | 1,216,414 | 6,259,461 | 17,712,497 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | 610,133 | - | (610,133) | - |
| BALANCE, SEPTEMBER 30, 2023 | <u>10,858,293</u> | <u>\$ 108,582,930</u> | <u>\$ 46,674,889</u> | <u>\$ 12,201,590</u> | <u>\$ 10,959,580</u> | <u>\$ 300,200</u> | <u>\$ 2,195,125</u> | <u>\$ 180,914,314</u> |

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)

| | For the Nine Months Ended September 30 | |
|--|---|---------------------|
| | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income before income tax | \$ 12,763,116 | \$ 9,972,317 |
| Non-cash (income and gains) or expenses and losses | | |
| Expected credit loss recognized on trade receivables | 2,308,076 | 2,138,177 |
| Depreciation expense | 922,925 | 913,212 |
| Amortization expense | 317,182 | 259,168 |
| Interest income | (47,290,940) | (27,771,247) |
| Dividend income | (1,546,729) | (1,367,402) |
| Interest expense | 30,617,978 | 9,421,450 |
| Net gain on financial assets or liabilities at fair value through profit or loss | (15,046,433) | (20,068,317) |
| Loss on disposal of investments | 373,897 | 1,006,618 |
| Unrealized foreign exchange losses | 8,296,886 | 18,869,090 |
| Other adjustments | (90,578) | 451,893 |
| Changes in operating assets and liabilities | | |
| Decrease (increase) in due from the Central Bank | 4,094,583 | (3,869,694) |
| (Increase) decrease in financial assets at fair value through profit or loss | (34,605,314) | 21,274,423 |
| Decrease in receivables | 2,776,187 | 220,470 |
| Increase in discounts and loans | (68,206,359) | (178,622,152) |
| Increase in financial assets at fair value through other comprehensive income | (38,907,517) | (61,453,049) |
| Decrease in investments in debt instruments at amortized cost | 42,661,142 | 26,055,927 |
| Decrease in other financial assets | 491,821 | 986,964 |
| Decrease in other assets | 170,917 | 125,856 |
| Decrease in deposits from the Central Bank and banks | (113,317) | (221,898) |
| Increase in deposits and remittances | 8,366,856 | 136,822,433 |
| Increase (decrease) in payables | 8,022,289 | (8,800,626) |
| Decrease in financial liabilities at fair value through profit or loss | (2,716,592) | (17,924,674) |
| Decrease in reserve for liabilities | (28,122) | (176,208) |
| Increase (decrease) in other financial liabilities | 199,771 | (34,846) |
| Increase in other liabilities | <u>3,894,295</u> | <u>18,715,775</u> |
| Cash used in operations | (82,273,980) | (73,076,340) |
| Interest received | 46,434,510 | 26,623,894 |
| Dividends received | 1,436,946 | 1,362,646 |
| Interest paid | (25,952,795) | (7,606,224) |
| Income taxes paid | <u>(1,703,126)</u> | <u>(987,767)</u> |
| Net cash used in operating activities | <u>(62,058,445)</u> | <u>(53,683,791)</u> |

(Continued)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

| | For the Nine Months Ended September 30 | |
|---|---|-----------------------|
| | 2023 | 2022 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property and equipment | \$ (455,765) | \$ (480,338) |
| Acquisition of intangible assets | (200,086) | (694,253) |
| Acquisition of investment properties | <u>(559)</u> | <u>-</u> |
| Net cash used in investing activities | <u>(656,410)</u> | <u>(1,174,591)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in due to the Central Bank and banks | 51,531,294 | 14,667,616 |
| Proceeds from issuing bank notes | 1,000,000 | - |
| Repayments of bank notes | (3,000,000) | - |
| Cash dividends paid | (5,826,401) | (5,244,285) |
| Increase in securities sold under repurchase agreements | 16,604,174 | 16,331,002 |
| Repayments of the principal portion of lease liabilities | <u>(497,529)</u> | <u>(474,953)</u> |
| Net cash generated from financing activities | <u>59,811,538</u> | <u>25,279,380</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | <u>1,308,317</u> | <u>3,440,464</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (1,595,000) | (26,138,538) |
| 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>\$ 103,225,099</u> | <u>\$ 168,368,137</u> |
| | September 30 | |
| | 2023 | 2022 |
| Reconciliation of cash and cash equivalents | | |
| Cash and cash equivalents in the balance sheets | \$ 46,871,267 | \$ 37,907,240 |
| Call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7 | <u>56,353,832</u> | <u>130,460,897</u> |
| Cash and cash equivalents at end of period | <u>\$ 103,225,099</u> | <u>\$ 168,368,137</u> |

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

(Concluded)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND BUSINESS SCOPE

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

The Bank mainly engages in the following business:

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

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank’s board of directors on November 9, 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 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 endorsed by the FSC for application starting from 2024

| <u>New, Amended and Revised Standards and Interpretations</u> | <u>Effective Date Announced by IASB (Note 1)</u> |
|---|--|
| Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback” | January 1, 2024 (Note 2) |
| 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 |
| Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements” | January 1, 2024 (Note 3) |

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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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

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

| New, Amended and Revised Standards and Interpretations | Effective Date Announced by IASB (Note 1) |
|--|--|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined by IASB |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information" | January 1, 2023 |
| Amendments to IAS 21 "Lack of Exchangeability" | January 1, 2025 (Note 2) |

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF 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:

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the 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

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|----------------------------|-----------------------|----------------------|-----------------------|
| Cash on hand | \$ 13,549,829 | \$ 22,729,933 | \$ 12,787,625 |
| Checks for clearing | 16,017,509 | 13,974,453 | 3,655,705 |
| Due from banks | 15,540,249 | 13,382,702 | 19,923,082 |
| Foreign currencies on hand | <u>1,763,680</u> | <u>1,671,493</u> | <u>1,540,828</u> |
| | <u>\$ 46,871,267</u> | <u>\$ 51,758,581</u> | <u>\$ 37,907,240</u> |

Refer to the consolidated statements of cash flows for the cash and cash equivalents reconciliation information as of September 30, 2023 and 2022. Cash and cash equivalents as of December 31, 2022 as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated balance sheets as follows:

| | December 31, 2022 |
|---------------------------|-----------------------|
| Cash and cash equivalents | \$ 51,758,581 |
| Call loans to banks | <u>53,061,518</u> |
| | <u>\$ 104,820,099</u> |

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

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|-------------------------------|-----------------------|-----------------------|-----------------------|
| Call loans to banks | \$ 56,353,832 | \$ 53,061,518 | \$ 130,460,897 |
| Reserve for checking accounts | 12,011,228 | 14,710,869 | 25,263,899 |
| Reserve for demand accounts | 62,609,214 | 62,702,031 | 59,064,916 |
| Reserve for foreign deposits | 706,718 | 680,352 | 695,110 |
| Others | <u>17,504,877</u> | <u>18,833,368</u> | <u>15,041,033</u> |
| | <u>\$ 149,185,869</u> | <u>\$ 149,988,138</u> | <u>\$ 230,525,855</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.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|--|-----------------------|----------------------|-----------------------|
| Financial assets mandatorily classified at FVTPL | | | |
| Derivative financial assets (not under hedge accounting) | | | |
| Futures | \$ 1,225,973 | \$ 1,099,905 | \$ 1,137,017 |
| Forward exchange contracts | 54,837 | 133,047 | 133,652 |
| Interest rate swaps | 322,558 | 240,578 | 258,719 |
| Currency swaps | 12,604,470 | 7,782,948 | 31,133,355 |
| Currency call option premiums | 61,037 | 46,904 | 131,065 |
| Non-derivative financial assets | | | |
| Investments in bills | 54,428,324 | 15,170,225 | 28,179,733 |
| Domestic listed stocks | 221,354 | 97,948 | 116,653 |
| Domestic unquoted stocks | 614,594 | 474,967 | 466,244 |
| Funds | 118,286 | 53,708 | 19,977 |
| Government bonds | 402,996 | 3,621,274 | 4,801 |
| Corporate bonds | 157,972 | 2,764,177 | 2,860,463 |
| Bank notes | <u>447,296</u> | <u>-</u> | <u>674,824</u> |
| | <u>\$ 70,659,697</u> | <u>\$ 31,485,681</u> | <u>\$ 65,116,503</u> |

The par values of notes provided for transactions with repurchase agreements were \$20,100 thousand and \$60,300 thousand as of September 30, 2023 and 2022, respectively.

Financial Liabilities at FVTPL

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|--|-----------------------|----------------------|-----------------------|
| Financial liabilities held for trading | | | |
| Derivative financial liabilities (not applying hedge accounting) | | | |
| Forward exchange contracts | \$ 95,814 | \$ 75,175 | \$ 387,332 |
| Interest rate swaps | 288,528 | 213,693 | 260,508 |
| Currency swaps | 2,197,557 | 6,584,287 | 13,275,562 |
| Currency put option premiums | <u>61,050</u> | <u>46,907</u> | <u>131,088</u> |
| | <u>\$ 2,642,949</u> | <u>\$ 6,920,062</u> | <u>\$ 14,054,490</u> |

The Group entered into derivative contracts during the nine months ended September 30, 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 September 30, 2023, December 31, 2022 and September 30, 2022 were as follows:

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|----------------------------|-----------------------|----------------------|-----------------------|
| Currency swaps | \$ 406,654,966 | \$ 539,973,723 | \$ 674,863,252 |
| Currency options | 20,016,182 | 16,582,846 | 23,572,968 |
| Forward exchange contracts | 8,522,555 | 10,225,060 | 17,825,706 |
| Interest rate swaps | 52,747,426 | 62,923,726 | 79,535,153 |

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|---|-----------------------|-----------------------|-----------------------|
| Investments in equity instruments at FVTOCI | | | |
| Domestic listed stocks | \$ 17,958,631 | \$ 13,905,929 | \$ 13,624,271 |
| Domestic unquoted stocks | 11,269,112 | 8,438,981 | 10,120,983 |
| Beneficiary and asset-based securities | <u>225,225</u> | <u>232,875</u> | <u>227,925</u> |
| | <u>29,452,968</u> | <u>22,577,785</u> | <u>23,973,179</u> |
| Investments in debt instruments at FVTOCI | | | |
| Government bonds | 55,767,784 | 51,802,752 | 50,490,699 |
| Corporate bonds | 73,782,806 | 70,619,681 | 75,209,044 |
| Bank notes | 68,487,724 | 61,770,611 | 65,113,776 |
| Bonds issued by international organizations | 18,982,584 | 2,845,119 | 3,089,940 |
| Beneficiary and asset-based securities | 12,900,866 | 3,831,173 | 4,113,166 |
| Investments in bills | <u>258,446</u> | <u>1,168,836</u> | <u>1,210,885</u> |
| | <u>230,180,210</u> | <u>192,038,172</u> | <u>199,227,510</u> |
| | <u>\$ 259,633,178</u> | <u>\$ 214,615,957</u> | <u>\$ 223,200,689</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 agreements were \$18,594,675 thousand, \$852,800 thousand and \$900,600 thousand as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively.
- Government bonds placed as deposits in courts amounted to \$373,900 thousand, \$237,600 thousand and \$218,200 thousand as of September 30, 2023, December 31, 2022 and September 30, 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 \$449,713 thousand, \$420,637 thousand and \$463,676 thousand as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively. 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

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|---|-----------------------|-----------------------|-----------------------|
| Investments in bills | \$ 309,007,742 | \$ 363,113,218 | \$ 293,136,448 |
| Bank notes | 66,065,196 | 45,936,665 | 47,028,781 |
| Corporate bonds | 7,614,355 | 7,908,926 | 4,653,074 |
| Government bonds | 27,980,368 | 40,542,330 | 11,671,302 |
| Bonds issued by international organizations | 12,187,986 | 11,583,998 | 6,034,898 |
| Beneficiary and asset-based securities | <u>19,494,567</u> | <u>15,926,122</u> | <u>16,675,985</u> |
| | <u>\$ 442,350,214</u> | <u>\$ 485,011,259</u> | <u>\$ 379,200,488</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 \$161,425 thousand, \$153,625 thousand and \$159,100 thousand as of September 30, 2023, December 31, 2022 and September 30, 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 by Central Bank and pledged for call loans from banks amounted to \$5,300,000 thousand as of September 30, 2023, December 31, 2022 and September 30, 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.

September 30, 2023

| | At FVTOCI | At Amortized Cost | Total |
|-------------------------------------|-----------------------|-----------------------|-----------------------|
| Gross carrying amount | \$ 238,534,241 | \$ 442,370,029 | \$ 680,904,270 |
| Less: Allowance for impairment loss | <u>(57,733)</u> | <u>(19,815)</u> | <u>(77,548)</u> |
| Amortized cost | 238,476,508 | <u>\$ 442,350,214</u> | 680,826,722 |
| Adjustment to fair value | <u>(8,296,298)</u> | | <u>(8,296,298)</u> |
| | <u>\$ 230,180,210</u> | | <u>\$ 672,530,424</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> |

September 30, 2022

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

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

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

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

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

September 30, 2023

| Category | Expected Loss Rate | At FVTOCI | At Amortized Cost |
|------------|--------------------|-----------------------|-----------------------|
| Performing | 0%-0.4012% | <u>\$ 238,534,241</u> | <u>\$ 442,370,029</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> |

September 30, 2022

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

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 | 5,657 | - | - | 5,657 |
| Derecognition | (4,725) | - | - | (4,725) |
| Changes in exchange rates or others | <u>5,182</u> | <u>-</u> | <u>-</u> | <u>5,182</u> |
| Balance at September 30, 2023 | <u>\$ 57,733</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 57,733</u> |
| Balance at January 1, 2022 | \$ 53,656 | \$ - | \$ - | \$ 53,656 |
| Purchase of investments in debt instruments | 10,214 | - | - | 10,214 |
| Derecognition | (6,031) | - | - | (6,031) |
| Changes in exchange rates or others | <u>(2,778)</u> | <u>-</u> | <u>-</u> | <u>(2,778)</u> |
| Balance at September 30, 2022 | <u>\$ 55,061</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 55,061</u> |

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 | 5,777 | - | - | 5,777 |
| Derecognition | (5) | - | - | (5) |
| Changes in exchange rates or others | <u>962</u> | <u>-</u> | <u>-</u> | <u>962</u> |
| Balance at September 30, 2023 | <u>\$ 19,815</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 19,815</u> |
| Balance at January 1, 2022 | \$ 4,596 | \$ - | \$ - | \$ 4,596 |
| Purchase of investments in debt instruments | 8,916 | - | - | 8,916 |
| Changes in exchange rates or others | <u>(1,134)</u> | <u>-</u> | <u>-</u> | <u>(1,134)</u> |
| Balance at September 30, 2022 | <u>\$ 12,378</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 12,378</u> |

11. RECEIVABLES, NET

a. Details of receivables

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|--|-----------------------|----------------------|-----------------------|
| Accounts receivable | \$ 5,594,074 | \$ 7,972,996 | \$ 11,332,220 |
| Accrued incomes | 3,129 | 9,408 | 5,693 |
| Interest receivable | 7,318,807 | 5,849,600 | 4,422,053 |
| Acceptances receivable | 3,458,151 | 4,665,622 | 3,804,153 |
| Credit cards accounts receivable | 3,245,164 | 2,919,757 | 3,057,134 |
| Settlement price | 618,162 | 475,381 | 855,323 |
| Accounts receivable for settlement | 641,791 | 674,056 | 648,875 |
| Other receivables | <u>723,252</u> | <u>280,392</u> | <u>333,531</u> |
| | 21,602,530 | 22,847,212 | 24,458,982 |
| Less: Allowance for bad debts, receivables | <u>(349,336)</u> | <u>(400,639)</u> | <u>(379,769)</u> |
| | <u>\$ 21,253,194</u> | <u>\$ 22,446,573</u> | <u>\$ 24,079,213</u> |

b. Allowance for receivables

1) Movements in the allowance for receivables

| For the Nine Months Ended September 30, 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 | (669) | 1,079 | (410) | - | - | - |
| Transfers to credit-impaired financial assets | (698) | (276) | 974 | - | - | - |
| Transfers to 12-month expected credit losses | 735 | (509) | (226) | - | - | - |
| Financial assets derecognized for the period | (9,629) | (1,044) | 2,484 | (8,189) | - | (8,189) |
| Purchase or originated financial assets | 15,184 | 1,639 | 17,973 | 34,796 | - | 34,796 |

(Continued)

For the Nine Months Ended September 30, 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 |
|--|--|--|---|--|--|-------------------|
| 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 | \$ - | \$ - | \$ - | \$ - | \$ (65,275) | \$ (65,275) |
| Doubtful debts written off | - | - | (19,633) | (19,633) | - | (19,633) |
| Changes in exchange rates or others | <u>172</u> | <u>8</u> | <u>6,818</u> | <u>6,998</u> | <u>-</u> | <u>6,998</u> |
| Ending balance | <u>\$ 16,825</u> | <u>\$ 3,961</u> | <u>\$ 147,129</u> | <u>\$ 167,915</u> | <u>\$ 181,421</u> | <u>\$ 349,336</u> |

(Concluded)

For the Nine Months Ended September 30, 2022

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

(Continued)

| For the Nine Months Ended September 30, 2022 | | | | | | |
|--|---------------------------------------|---------------------------------------|----------------------------------|--|--|-------------------|
| | 12-Month Expected Credit Losses | Lifetime Expected Credit Losses | Realized Credit Impairment | Loss Recognized Based on IFRS 9 | Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing Loans and Bad Debts | Total |
| Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts | \$ - | \$ - | \$ - | \$ - | \$ 85,302 | \$ 85,302 |
| Doubtful debts written off | - | - | (11,668) | (11,668) | - | (11,668) |
| Changes in exchange rates or others | <u>82</u> | <u>17</u> | <u>251</u> | <u>350</u> | <u>-</u> | <u>350</u> |
| Ending balance | <u>\$ 9,595</u> | <u>\$ 3,491</u> | <u>\$ 141,146</u> | <u>\$ 154,232</u> | <u>\$ 225,537</u> | <u>\$ 379,769</u> |

(Concluded)

2) Movements in the total carrying amount of receivables

| For the Nine Months Ended September 30, 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 | (19,304) | 21,377 | (2,073) | - |
| Transfers to credit-impaired financial assets | (2,778) | (690) | 3,468 | - |
| Transfers to 12-month expected credit losses | 14,224 | (12,580) | (1,644) | - |
| Purchase or originated financial assets | 11,592,839 | 121,082 | 34,199 | 11,748,120 |
| Derecognized | (12,957,598) | (77,226) | (24,767) | (13,059,591) |
| Doubtful debts written off | - | - | (19,633) | (19,633) |
| Changes in exchange rates or others | <u>75,129</u> | <u>1,149</u> | <u>10,144</u> | <u>86,422</u> |
| Ending balance | <u>\$ 21,154,560</u> | <u>\$ 197,328</u> | <u>\$ 250,642</u> | <u>\$ 21,602,530</u> |

| | For the Nine Months Ended September 30, 2022 | | | |
|---|--|---|--|----------------------|
| | 12-Month Expected Credit Losses | Significant Increase in Risk Due to Lifetime Expected Credit Losses | Credit Impairment Due to Lifetime Expected Credit Losses | Total |
| Beginning balance | \$ 22,630,646 | \$ 172,155 | \$ 433,188 | \$ 23,235,989 |
| Changes from financial instruments recognized at the beginning of the period: | | | | |
| Transfers to lifetime expected credit loss | (29,818) | 29,963 | (145) | - |
| Transfers to credit-impaired financial assets | (4,975) | (151) | 5,126 | - |
| Transfers to 12-month expected credit losses | 9,926 | (5,234) | (4,692) | - |
| Purchase or originated financial assets | 14,022,588 | 72,522 | 215,204 | 14,310,314 |
| Derecognized | (12,578,094) | (141,979) | (390,986) | (13,111,059) |
| Doubtful debts written off | - | - | (11,668) | (11,668) |
| Changes in exchange rates or others | 33,524 | 1,501 | 381 | 35,406 |
| Ending balance | <u>\$ 24,083,797</u> | <u>\$ 128,777</u> | <u>\$ 246,408</u> | <u>\$ 24,458,982</u> |

12. DISCOUNTS AND LOANS, NET

a. Details of discounts and loans

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|---------------------------------|-------------------------|-------------------------|-------------------------|
| Negotiated and discounted | \$ 1,057,182 | \$ 2,043,136 | \$ 2,824,474 |
| Overdrafts | 1,038,271 | 1,140,736 | 1,100,259 |
| Short-term loans | 403,628,956 | 371,217,024 | 423,097,598 |
| Margin loans receivable | 302,585 | 203,307 | 235,522 |
| Medium-term loans | 586,770,125 | 571,256,827 | 567,145,277 |
| Long-term loans | 777,119,796 | 758,023,442 | 754,928,854 |
| Overdue loans | <u>2,839,485</u> | <u>3,473,480</u> | <u>3,350,095</u> |
| | 1,772,756,400 | 1,707,357,952 | 1,752,682,079 |
| Less: Allowance for loan losses | <u>(21,533,663)</u> | <u>(22,037,507)</u> | <u>(21,291,381)</u> |
| | <u>\$ 1,751,222,737</u> | <u>\$ 1,685,320,445</u> | <u>\$ 1,731,390,698</u> |

Loans of which the accrual of interest income was ceased internally as of September 30, 2023, December 31, 2022 and September 30, 2022 were \$2,839,485 thousand, \$3,473,480 thousand and \$3,350,095 thousand, respectively. The amounts of interest income that would have been accrued on these loans for the nine months ended September 30, 2023 and 2022 were \$67,509 thousand and \$70,352 thousand, respectively.

The Group did not write off any loans without legal claims process during the nine months ended September 30, 2023 and 2022.

b. Allowance for discounts and loans

1) Movements in the allowance for discounts and loans

| For the Nine Months Ended September 30, 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 | (88,579) | 92,571 | (3,992) | - | - | - |
| Transfers to credit impaired financial assets | (1,168) | (19,899) | 21,067 | - | - | - |
| Transfers to 12-month expected credit losses | 478,765 | (466,770) | (11,995) | - | - | - |
| Financial assets derecognized for the period | (1,418,823) | (847,535) | 697,117 | (1,569,241) | - | (1,569,241) |
| Purchased or originated financial assets | 1,227,340 | 1,305,100 | 1,105,758 | 3,638,198 | - | 3,638,198 |
| 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 | - | - | - | - | 608,933 | 608,933 |
| Doubtful debts written off | - | - | (3,253,259) | (3,253,259) | - | (3,253,259) |
| Changes in exchange rates or others | 13,013 | 4,207 | 54,305 | 71,525 | - | 71,525 |
| Ending balance | <u>\$ 2,931,617</u> | <u>\$ 2,929,002</u> | <u>\$ 2,698,851</u> | <u>\$ 8,559,470</u> | <u>\$ 12,974,193</u> | <u>\$ 21,533,663</u> |

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

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

| For the Nine Months Ended September 30, 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 | (10,613,023) | 10,650,964 | (37,941) | - |
| Transfers to credit-impaired financial assets | (921,768) | (575,705) | 1,497,473 | - |
| Transfers to 12-month expected credit losses | 8,708,457 | (8,651,109) | (57,348) | - |
| Financial assets derecognized for the period | (585,815,638) | (32,812,725) | (4,755,631) | (623,383,994) |
| Purchase or originated financial assets | 649,532,146 | 33,188,042 | 3,186,240 | 685,906,428 |
| Doubtful debts written off | - | - | (3,253,259) | (3,253,259) |
| Changes in exchange rates or others | 5,810,858 | 226,774 | 91,641 | 6,129,273 |
| Ending balance | <u>\$ 1,689,010,034</u> | <u>\$ 75,061,298</u> | <u>\$ 8,685,068</u> | <u>\$ 1,772,756,400</u> |

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

- c. Details of provision for bad debts expense, commitment and guarantee for the three months and the nine months ended September 30, 2023 and 2022

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|--|-------------------|---|---------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Provision for receivable and loan (including overdue loan) losses | \$ 816,993 | \$ 833,014 | \$ 2,073,182 | \$ 2,077,340 |
| (Reversal of) provision for loan commitments | 38,981 | (31,588) | 195,251 | 36,527 |
| (Reversal of) provision for guarantee liabilities | (87) | (42,577) | 34,950 | 26,117 |
| (Reversal of) provision for others | <u>(784)</u> | <u>(1,922)</u> | <u>4,693</u> | <u>(1,807)</u> |
| | <u>\$ 855,103</u> | <u>\$ 756,927</u> | <u>\$ 2,308,076</u> | <u>\$ 2,138,177</u> |

13. OTHER FINANCIAL ASSETS

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|---|-----------------------|----------------------|-----------------------|
| Time deposits with original maturities of more than 3 months | \$ 1,103,000 | \$ 1,764,400 | \$ 2,678,400 |
| Exchange bills negotiated | 6,859 | 3,863 | 27,811 |
| Overdue receivables | 3,481 | 4,932 | 4,098 |
| Call loan to securities brokers | 161,425 | - | 159,100 |
| Less: Allowance for bad debts | <u>(3,549)</u> | <u>(4,472)</u> | <u>(3,265)</u> |
| | <u>\$ 1,271,216</u> | <u>\$ 1,768,723</u> | <u>\$ 2,866,144</u> |

The market rates of time deposits with original maturities of more than 3 months were ranging from 2.90%-3.00% and 2.35%-3.15% for the nine months ended September 30, 2023 and 2022, respectively.

14. SUBSIDIARIES

Subsidiaries Included in Consolidated Financial Statements

| Investor | Investee | Main Business | % of Ownership | | |
|----------|--|---------------|-----------------------|----------------------|-----------------------|
| | | | September 30, 2023 | December 31, 2022 | September 30, 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

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|--------------------------------------|-----------------------|----------------------|-----------------------|
| Assets used by the Group | \$ 20,868,358 | \$ 20,828,724 | \$ 20,757,246 |
| Assets leased under operating leases | <u>212,591</u> | <u>202,251</u> | <u>204,201</u> |
| | <u>\$ 21,080,949</u> | <u>\$ 21,030,975</u> | <u>\$ 20,961,447</u> |

a. Asset used by the Group

| Cost | Freehold Land | Buildings | Machinery Equipment | Transportation Equipment | Miscellaneous Equipment | Leasehold Improvements | Construction in Progress and Prepayments for Buildings and Equipment | Total |
|--|----------------------|---------------------|------------------------|-----------------------------|----------------------------|---------------------------|--|----------------------|
| 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 | 76,346 | 173,455 | 79,733 | 25,137 | 47,715 | 11,562 | 127,435 | 541,383 |
| Disposals | - | - | (54,378) | (18,585) | (57,030) | - | - | (129,993) |
| Transfers to assets leased under operating leases | - | (32,405) | - | - | - | - | - | (32,405) |
| Reclassification | - | 1,587 | 14,185 | 2,981 | 983 | 13,048 | (47,984) | (15,200) |
| Effects of foreign currency exchange differences | - | 166 | 884 | 458 | 999 | 1,876 | 71 | 4,454 |
| Balance at September 30, 2023 | <u>\$ 14,894,219</u> | <u>\$ 9,338,721</u> | <u>\$ 4,629,715</u> | <u>\$ 755,540</u> | <u>\$ 1,540,328</u> | <u>\$ 1,058,207</u> | <u>\$ 608,347</u> | <u>\$ 32,825,077</u> |
| Accumulated depreciation and impairment | | | | | | | | |
| Balance at January 1, 2023 | \$ - | \$ 4,850,449 | \$ 3,793,778 | \$ 659,648 | \$ 1,396,546 | \$ 927,693 | \$ - | \$ 11,628,114 |
| Disposals | - | - | (54,034) | (18,498) | (56,915) | - | - | (129,447) |
| Depreciation expense | - | 139,276 | 171,957 | 19,205 | 31,502 | 22,064 | - | 384,004 |
| Transfers to assets leased under operating leases | - | (15,768) | - | - | - | - | - | (15,768) |
| Reclassification | - | 85,619 | - | - | - | - | - | 85,619 |
| Effect of foreign currency exchange differences | - | 105 | 765 | 330 | 946 | 2,051 | - | 4,197 |
| Balance at September 30, 2023 | <u>\$ -</u> | <u>\$ 5,059,681</u> | <u>\$ 3,912,466</u> | <u>\$ 660,685</u> | <u>\$ 1,372,079</u> | <u>\$ 951,808</u> | <u>\$ -</u> | <u>\$ 11,956,719</u> |
| Carrying amount at September 30, 2023 | <u>\$ 14,894,219</u> | <u>\$ 4,279,040</u> | <u>\$ 717,249</u> | <u>\$ 94,855</u> | <u>\$ 168,249</u> | <u>\$ 106,399</u> | <u>\$ 608,347</u> | <u>\$ 20,868,358</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> |
| Cost | | | | | | | | |
| Balance at January 1, 2022 | \$ 14,817,873 | \$ 9,335,623 | \$ 4,810,890 | \$ 738,067 | \$ 1,521,271 | \$ 991,535 | \$ 349,782 | \$ 32,565,041 |
| Additions | - | 12,005 | 227,032 | 15,219 | 24,399 | 5,218 | 196,465 | 480,338 |
| Disposals | - | (179,599) | (518,069) | (11,156) | (18,367) | - | - | (727,191) |
| Reclassification | - | 640 | 32,305 | - | 2,527 | 7,216 | (105,404) | (62,716) |
| Effects of foreign currency exchange differences | - | 20,417 | 4,612 | 953 | 3,044 | 6,564 | 738 | 36,328 |
| Balance at September 30, 2022 | <u>\$ 14,817,873</u> | <u>\$ 9,189,086</u> | <u>\$ 4,556,770</u> | <u>\$ 743,083</u> | <u>\$ 1,532,874</u> | <u>\$ 1,010,533</u> | <u>\$ 441,581</u> | <u>\$ 32,291,800</u> |
| Accumulated depreciation and impairment | | | | | | | | |
| Balance at January 1, 2022 | \$ - | \$ 4,768,940 | \$ 4,109,168 | \$ 648,891 | \$ 1,374,975 | \$ 893,748 | \$ - | \$ 11,795,722 |
| Disposals | - | (105,912) | (517,968) | (11,124) | (18,215) | - | - | (653,219) |
| Depreciation expense | - | 140,213 | 163,322 | 18,567 | 32,579 | 21,987 | - | 376,668 |
| Effects of foreign currency exchange differences | - | 2,484 | 3,076 | 722 | 2,837 | 6,264 | - | 15,383 |
| Balance at September 30, 2022 | <u>\$ -</u> | <u>\$ 4,805,725</u> | <u>\$ 3,757,598</u> | <u>\$ 657,056</u> | <u>\$ 1,392,176</u> | <u>\$ 921,999</u> | <u>\$ -</u> | <u>\$ 11,534,554</u> |
| Carrying amount at September 30, 2022 | <u>\$ 14,817,873</u> | <u>\$ 4,383,361</u> | <u>\$ 799,172</u> | <u>\$ 86,027</u> | <u>\$ 140,698</u> | <u>\$ 88,534</u> | <u>\$ 441,581</u> | <u>\$ 20,757,246</u> |

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>32,405</u> |
| Balance at September 30, 2023 | <u>\$ 458,910</u> |
| <u>Accumulated depreciation and impairment</u> | |
| Balance at January 1, 2023 | \$ 224,254 |
| Depreciation expense | 6,297 |
| Transfers from assets used by the Group | <u>15,768</u> |
| Balance at September 30, 2023 | <u>\$ 246,319</u> |
| Carrying amount at September 30, 2023 | <u>\$ 212,591</u> |
| <u>Cost</u> | |
| Balance at January 1, 2022 and September 30, 2022 | <u>\$ 426,505</u> |
| <u>Accumulated depreciation and impairment</u> | |
| Balance at January 1, 2022 | \$ 216,444 |
| Depreciation expense | <u>5,860</u> |
| Balance at September 30, 2022 | <u>\$ 222,304</u> |
| Carrying amount at September 30, 2022 | <u>\$ 204,201</u> |
| Carrying amount at December 31, 2021 and January 1, 2022 | <u>\$ 210,061</u> |

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

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

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|----------------|-------------------------------|------------------------------|-------------------------------|
| Year 1 | \$ 52,804 | \$ 63,842 | \$ 64,869 |
| Year 2 | 40,454 | 58,972 | 59,236 |
| Year 3 | 28,197 | 28,000 | 27,280 |
| Year 4 | 11,817 | 14,279 | 16,918 |
| Year 5 | 6,531 | 7,659 | 9,987 |
| Year 5 onwards | <u>2,721</u> | <u>7,619</u> | <u>9,251</u> |
| | <u>\$ 142,524</u> | <u>\$ 180,371</u> | <u>\$ 187,541</u> |

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

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

16. LEASE ARRANGEMENTS

a. Right-of-use assets

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|--|--|----------------------|---|
| <u>Carrying amount</u> | | | |
| Land | \$ 1,028 | \$ 1,694 | \$ 2,008 |
| Buildings | 1,883,009 | 1,867,689 | 1,937,123 |
| Machinery equipment | 11,037 | - | - |
| Transportation equipment | 76,483 | 74,353 | 68,690 |
| Miscellaneous equipment | <u>9,963</u> | <u>10,757</u> | <u>12,853</u> |
| | <u>\$ 1,981,520</u> | <u>\$ 1,954,493</u> | <u>\$ 2,020,674</u> |
| | For the Nine Months Ended September 30 | | |
| | 2023 | 2022 | |
| Additions to right-of-use assets | | <u>\$ 529,469</u> | <u>\$ 570,301</u> |
| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 |
| | 2023 | 2022 | 2023 |
| | | | 2022 |
| Depreciation charge for right-of-use assets | | | |
| Land | \$ 221 | \$ 299 | \$ 665 |
| Buildings | 162,427 | 164,353 | 489,124 |
| Machinery equipment | 4,256 | - | 4,330 |
| Transportation equipment | 9,394 | 9,370 | 27,922 |
| Miscellaneous equipment | <u>1,957</u> | <u>2,176</u> | <u>5,801</u> |
| | <u>\$ 178,255</u> | <u>\$ 176,198</u> | <u>\$ 527,842</u> |
| | | | <u>\$ 525,777</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 nine months ended September 30, 2023 and 2022.

b. Lease liabilities

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|-----------------|-----------------------|----------------------|-----------------------|
| Carrying amount | \$ <u>1,830,662</u> | \$ <u>1,794,804</u> | \$ <u>1,863,505</u> |

Range of discount rate for lease liabilities was as follows:

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|--------------------------|-----------------------|----------------------|-----------------------|
| Land | 0.31%-1.23% | 0.30%-1.23% | 0.30%-1.23% |
| Buildings | 0.20%-5.52% | 0.20%-4.82% | 0.20%-4.32% |
| Machinery equipment | 0.31%-2.89% | 0.31%-2.89% | 0.31%-2.89% |
| Transportation equipment | 0.26%-3.53% | 0.26%-3.53% | 0.26%-3.53% |
| Miscellaneous equipment | 0.26%-3.54% | 0.23%-3.54% | 0.26%-3.54% |

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 \$48,890 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 nine months ended September 30, 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 September 30 | | For the Nine Months Ended September 30 | |
|---|--|------------------|---|---------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Expenses relating to short-term leases | \$ <u>5,133</u> | \$ <u>9,481</u> | \$ <u>33,692</u> | \$ <u>29,569</u> |
| Expenses relating to low-value asset leases | \$ <u>2,457</u> | \$ <u>4,116</u> | \$ <u>15,429</u> | \$ <u>13,880</u> |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | \$ <u>74,006</u> | \$ <u>45,588</u> | \$ <u>169,344</u> | \$ <u>136,380</u> |
| Total cash outflow for leases | | | \$ <u>(218,465)</u> | \$ <u>(179,829)</u> |

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

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

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|-------------------|-------------------------------|------------------------------|-------------------------------|
| Lease commitments | <u>\$ 49,504</u> | <u>\$ 32,827</u> | <u>\$ 25,318</u> |

17. INVESTMENT PROPERTY

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|-------------------------------|-------------------------------|------------------------------|-------------------------------|
| Completed investment property | <u>\$ 13,841,371</u> | <u>\$ 13,845,593</u> | <u>\$ 13,847,189</u> |

Except for depreciation recognized, the Group had no significant additions, disposals, and impairment of investment property during the nine months ended September 30, 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 lease of investment properties as of September 30, 2023, December 31, 2022 and September 30, 2022 was as follows:

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|----------------|-------------------------------|------------------------------|-------------------------------|
| Year 1 | \$ 162,534 | \$ 176,307 | \$ 179,356 |
| Year 2 | 144,635 | 160,873 | 170,374 |
| Year 3 | 112,932 | 115,011 | 116,934 |
| Year 4 | 57,559 | 98,794 | 98,730 |
| Year 5 | 38,910 | 92,461 | 91,986 |
| Year 5 onwards | <u>127,767</u> | <u>130,232</u> | <u>136,253</u> |
| | <u>\$ 644,337</u> | <u>\$ 773,678</u> | <u>\$ 793,633</u> |

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

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

The investment properties are measured and stated at cost in the consolidated balance sheets. For management's purpose, the Group periodically measures the fair value of investment properties in accordance with the Group's internal rules and procedures. The Group conducts valuation process regularly, which is measured by level 3 inputs. The fair values were \$30,581,572 thousand, \$30,390,299 thousand and \$30,390,299 thousand as of September 30, 2023, December 31, 2022 and September 30, 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 September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022 were as follows:

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---------------------------|--|-----------|---|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Rental incomes | \$ 39,984 | \$ 40,621 | \$ 120,889 | \$ 115,320 |
| Direct operating expenses | \$ 26,957 | \$ 32,125 | \$ 77,680 | \$ 92,923 |

18. INTANGIBLE ASSETS

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|---|-----------------------|----------------------|------------------------------|
| Computer software | \$ 1,020,276 | \$ 1,121,815 | \$ 1,094,611 |
| | | | Computer Software |
| Balance at January 1, 2023 | | | \$ 1,121,815 |
| Additions | | | 200,086 |
| Amortization expense | | | (316,801) |
| Reclassification | | | 15,200 |
| Effects of foreign currency exchange differences and others | | | (24) |
| Balance at September 30, 2023 | | | \$ 1,020,276 |
| Balance at January 1, 2022 | | | \$ 595,639 |
| Additions | | | 694,253 |
| Amortization expense | | | (258,802) |
| Reclassification | | | 62,053 |
| Effects of foreign currency exchange differences and others | | | 1,468 |
| Balance at September 30, 2022 | | | \$ 1,094,611 |

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

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|----------------------------------|-----------------------|----------------------|-----------------------|
| Refundable deposits | \$ 570,413 | \$ 917,270 | \$ 1,013,750 |
| Assumed collateral and residuals | 23,418 | 23,418 | 23,418 |
| Less: Accumulated impairment | (23,418) | (23,418) | (23,418) |
| Prepayments | 331,649 | 150,261 | 331,762 |
| Others | 724 | 1,124 | 1,238 |
| | \$ 902,786 | \$ 1,068,655 | \$ 1,346,750 |

20. DEPOSITS FROM THE CENTRAL BANK AND BANKS

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|---|-------------------------------|------------------------------|-------------------------------|
| Deposits from the Central Bank | \$ 25,128 | \$ 28,790 | \$ 27,762 |
| Deposits from banks | 207,074 | 275,336 | 162,193 |
| Overdrafts on banks | 425,602 | 335,724 | 181,515 |
| Call loans from banks | 103,477,807 | 52,036,391 | 113,760,651 |
| Deposits transferred from Chunghwa Post Co., Ltd. | <u>159,421</u> | <u>200,814</u> | <u>202,965</u> |
| | <u>\$ 104,295,032</u> | <u>\$ 52,877,055</u> | <u>\$ 114,335,086</u> |

21. PAYABLES

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|--------------------------------------|-------------------------------|------------------------------|-------------------------------|
| Checks issued to payees for clearing | \$ 16,281,960 | \$ 14,700,835 | \$ 7,645,089 |
| Accounts payable | 5,970,748 | 1,769,376 | 2,576,731 |
| Accrued expenses | 2,530,712 | 2,726,462 | 1,979,829 |
| Accrued interest | 7,921,035 | 3,206,271 | 3,284,208 |
| Acceptances | 3,467,023 | 4,821,600 | 4,311,650 |
| Others | <u>8,530,999</u> | <u>4,740,880</u> | <u>10,039,571</u> |
| | <u>\$ 44,702,477</u> | <u>\$ 31,965,424</u> | <u>\$ 29,837,078</u> |

22. DEPOSITS AND REMITTANCES

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|------------------------------------|-------------------------------|------------------------------|-------------------------------|
| Checking account deposits | \$ 39,746,127 | \$ 50,326,098 | \$ 36,760,618 |
| Demand deposits | 543,576,022 | 577,033,413 | 598,092,275 |
| Time deposits | 662,273,863 | 658,000,012 | 624,103,808 |
| Negotiable certificates of deposit | 3,995,433 | 3,993,710 | 3,591,440 |
| Savings account deposits | 1,107,791,933 | 1,058,786,678 | 1,040,407,778 |
| Remittances | <u>866,098</u> | <u>1,742,709</u> | <u>1,307,746</u> |
| | <u>\$ 2,358,249,476</u> | <u>\$ 2,349,882,620</u> | <u>\$ 2,304,263,665</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 were 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 bank notes were redeemed on September 27, 2023.

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 | September 30, 2023 | December 31, 2022 | September 30, 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 |
| | | | (Continued) |

| Bank Note, Interest Rate and Maturity Date | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|---|-------------------------------|------------------------------|-------------------------------------|
| 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 |
| 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>75,313</u> | <u>119,465</u> | <u>134,182</u> |
| | <u>\$ 49,175,313</u> | <u>\$ 51,219,465</u> | <u>\$ 51,234,182</u> (Concluded) |

24. OTHER FINANCIAL LIABILITIES

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|--|-------------------------------|------------------------------|-------------------------------|
| Principal received on structured notes | \$ 872,811 | \$ 592,873 | \$ 671,950 |
| Appropriations for loans | <u>185,843</u> | <u>266,010</u> | <u>295,106</u> |
| | <u>\$ 1,058,654</u> | <u>\$ 858,883</u> | <u>\$ 967,056</u> |

The principal as 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

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|--------------------|-----------------------|----------------------|-----------------------|
| Advance receipts | \$ 882,580 | \$ 798,263 | \$ 825,411 |
| Guarantee deposits | 9,006,823 | 5,207,067 | 21,065,000 |
| Deferred revenue | <u>11,834</u> | <u>9,159</u> | <u>11,854</u> |
| | <u>\$ 9,901,237</u> | <u>\$ 6,014,489</u> | <u>\$ 21,902,265</u> |

26. RESERVE FOR LIABILITIES

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|--|-----------------------|----------------------|-----------------------|
| Reserve for employee benefits (Note 27) | \$ 2,087,607 | \$ 2,100,080 | \$ 3,595,833 |
| Reserve for guarantee liabilities | 677,441 | 654,446 | 704,617 |
| Reserve for loan commitments | 387,130 | 191,042 | 192,546 |
| Reserve for decommissioning restoration and rehabilitation costs | 45,166 | 45,944 | 53,395 |
| Reserve for contingencies | 845 | - | 579 |
| Others | <u>31,748</u> | <u>31,652</u> | <u>31,785</u> |
| | <u>\$ 3,229,937</u> | <u>\$ 3,023,164</u> | <u>\$ 4,578,755</u> |

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

| For the Nine Months Ended September 30, 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 | (1,875) | 1,875 | - | - | - | - |
| Transfers to 12-month expected credit losses | 13,556 | (12,595) | (961) | - | - | - |
| Financial assets derecognized for the period | (130,866) | (3,745) | (551) | (135,162) | - | (135,162) |
| Purchase or originated financial assets | 308,791 | 27,700 | - | 336,491 | - | 336,491 |
| Recognized impairment difference based on the laws | - | - | - | - | 15,978 | 15,978 |
| Changes in exchange rates or others | <u>1,244</u> | <u>628</u> | <u>-</u> | <u>1,872</u> | <u>-</u> | <u>1,872</u> |
| Ending balance | <u>\$ 542,954</u> | <u>\$ 53,142</u> | <u>\$ 20,744</u> | <u>\$ 616,840</u> | <u>\$ 479,479</u> | <u>\$ 1,096,319</u> |

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

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 \$74,635 thousand, \$75,507 thousand, \$231,525 thousand and \$229,896 thousand for the three months ended and for the nine months ended September 30, 2023 and 2022, respectively.

28. EQUITY

a. Capital

Common stock

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|---|-----------------------|-----------------------|-----------------------|
| Shares granted (in thousands) | <u>12,000,000</u> | <u>12,000,000</u> | <u>12,000,000</u> |
| Capital stock granted | <u>\$ 120,000,000</u> | <u>\$ 120,000,000</u> | <u>\$ 120,000,000</u> |
| Shares issued and fully paid (in thousands) | <u>10,858,293</u> | <u>10,593,457</u> | <u>10,593,457</u> |
| Capital stock issued | <u>\$ 108,582,930</u> | <u>\$ 105,934,566</u> | <u>\$ 105,934,566</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 paid-in capital increased by \$2,648,364 thousand and \$1,048,858 thousand out of retained earnings in August 2023 and August 2022, respectively. As of September 30, 2023 and 2022, the Bank's authorized and registered capital were both \$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 \$108,582,930 thousand and \$105,934,566 thousand divided into 10,858,293 thousand and 10,593,457 thousand outstanding shares at \$10 par value, respectively.

b. Distribution of earnings and dividends policy

Under the dividends 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 approved in the stockholders' meeting on June 16, 2023 and 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> |
| Stock dividends | <u>\$ 2,648,364</u> | <u>\$ 1,048,858</u> |
| Cash dividends per share (NT\$) | \$0.55 | \$0.50 |
| Stock dividends per share (NT\$) | \$0.25 | \$0.10 |

c. Special reserve

| | September 30, 2023 | December 31, 2022 | September 30, 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 income of interest

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|--|--|---------------------|---|----------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Interest income | | | | |
| Loans | \$ 12,381,909 | \$ 8,897,087 | \$ 35,307,181 | \$ 22,199,846 |
| Due from and call loans to banks | 1,000,304 | 661,621 | 2,735,897 | 1,088,464 |
| Investments in marketable securities | 3,384,914 | 1,836,379 | 9,007,931 | 4,380,072 |
| Others | <u>80,715</u> | <u>46,505</u> | <u>239,931</u> | <u>102,865</u> |
| | <u>16,847,842</u> | <u>11,441,592</u> | <u>47,290,940</u> | <u>27,771,247</u> |
| Interest expense | | | | |
| Deposits | (9,491,350) | (4,002,320) | (26,470,470) | (7,957,432) |
| Due to Central Bank and call loans from banks | (1,390,948) | (480,159) | (3,232,592) | (729,959) |
| Others | <u>(410,087)</u> | <u>(285,998)</u> | <u>(914,916)</u> | <u>(734,059)</u> |
| | <u>(11,292,385)</u> | <u>(4,768,477)</u> | <u>(30,617,978)</u> | <u>(9,421,450)</u> |
| Net income of interest | <u>\$ 5,555,457</u> | <u>\$ 6,673,115</u> | <u>\$ 16,672,962</u> | <u>\$ 18,349,797</u> |

b. Net service fee income

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|-----------------------------|--|------------------|---|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Service fee income | | | | |
| Fees from import and export | \$ 55,113 | \$ 63,991 | \$ 165,441 | \$ 194,655 |
| Remittance fees | 88,031 | 88,353 | 257,112 | 259,940 |
| Loan fees | 181,040 | 147,281 | 580,972 | 576,758 |
| Fees from trust | 319,963 | 204,455 | 795,288 | 631,256 |
| Fees from trust business | 111,385 | 106,104 | 322,893 | 324,893 |
| Fees from insurance agency | 603,028 | 398,054 | 1,761,500 | 1,280,089 |
| Others | <u>333,573</u> | <u>328,889</u> | <u>994,315</u> | <u>998,884</u> |
| | <u>1,692,133</u> | <u>1,337,127</u> | <u>4,877,521</u> | <u>4,266,475</u> |

(Continued)

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|----------------------------------|--|---------------------|---|------------------------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Service charge | | | | |
| Interbank fees | \$ (45,322) | \$ (42,053) | \$ (134,285) | \$ (122,880) |
| Charges from trust | (594) | (305) | (1,063) | (1,863) |
| Custodian fees | (28,925) | (29,289) | (85,256) | (92,573) |
| Charges from insurance agency | (72,077) | (48,786) | (178,832) | (147,503) |
| Others | <u>(212,460)</u> | <u>(192,393)</u> | <u>(598,647)</u> | <u>(561,602)</u> |
| | <u>(359,378)</u> | <u>(312,826)</u> | <u>(998,083)</u> | <u>(926,421)</u> |
| Net service fee income | <u>\$ 1,332,755</u> | <u>\$ 1,024,301</u> | <u>\$ 3,879,438</u> | <u>\$ 3,340,054</u> (Concluded) |

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

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|--|--|-------------------|---|---------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Realized gain (loss) on financial assets or liabilities measured at FVTPL | | | | |
| Stocks | \$ 103,527 | \$ 13,952 | \$ 130,003 | \$ 7,664 |
| Bonds | (3,407) | 3,462 | 4,690 | (583) |
| Bills | (30) | (480) | (30) | (492) |
| Derivative financial instruments | 1,675,037 | 315,784 | 5,431,509 | 1,040,500 |
| Net interest gain | 219,178 | 82,561 | 620,324 | 248,885 |
| Stock dividends and bonus | <u>10,438</u> | <u>7,123</u> | <u>19,337</u> | <u>8,253</u> |
| | <u>2,004,743</u> | <u>422,402</u> | <u>6,205,833</u> | <u>1,304,227</u> |
| Valuation gain (loss) on financial assets or liabilities measured at FVTPL | | | | |
| Stocks and mutual funds | (209,177) | (45,958) | (48,272) | 34,469 |
| Bonds | (4,284) | 22,438 | (163,401) | 82,523 |
| Bills | (85) | 1,326 | (3,231) | 10,045 |
| Derivative financial instruments | <u>271,728</u> | <u>134,566</u> | <u>758,618</u> | <u>(232,037)</u> |
| | <u>58,182</u> | <u>112,372</u> | <u>543,714</u> | <u>(105,000)</u> |
| | <u>\$ 2,062,925</u> | <u>\$ 534,774</u> | <u>\$ 6,749,547</u> | <u>\$ 1,199,227</u> |

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

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---------------------------|--|--------------------|---|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Stock dividends and bonus | \$ 716,866 | \$ 790,463 | \$ 1,527,392 | \$ 1,359,149 |
| Disposal gains | | | | |
| Bonds | 24,890 | 23,244 | 210,700 | 199,593 |
| Disposal losses | | | | |
| Bonds | <u>(284,041)</u> | <u>(843,098)</u> | <u>(351,940)</u> | <u>(1,204,571)</u> |
| | <u>\$ 457,715</u> | <u>\$ (29,391)</u> | <u>\$ 1,386,152</u> | <u>\$ 354,171</u> |

e. Depreciation and amortization expense

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|--|--|-------------------|---|---------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Property and equipment | \$ 130,027 | \$ 130,441 | \$ 390,301 | \$ 382,528 |
| Investment property | 1,596 | 1,629 | 4,782 | 4,907 |
| Right-of-use assets | 178,255 | 176,198 | 527,842 | 525,777 |
| Intangible assets and other deferred assets | <u>106,257</u> | <u>95,734</u> | <u>317,182</u> | <u>259,168</u> |
| | <u>\$ 416,135</u> | <u>\$ 404,002</u> | <u>\$ 1,240,107</u> | <u>\$ 1,172,380</u> |

f. Employee benefits expenses

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|--|---------------------|---|---------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Short-term employee benefits | \$ 2,634,416 | \$ 2,788,419 | \$ 8,430,910 | \$ 7,702,247 |
| Post-employment benefits | | | | |
| Defined contribution plans | 62,316 | 59,553 | 188,955 | 181,265 |
| Defined benefit plans (Note 27) | 74,635 | 75,507 | 231,525 | 229,896 |
| High-yield savings account for employees | 146,394 | 145,953 | 435,091 | 432,433 |
| Other post-employment benefits | 28,875 | 28,196 | 86,334 | 84,624 |
| Termination benefits | <u>11,048</u> | <u>28</u> | <u>16,428</u> | <u>4,819</u> |
| | <u>\$ 2,957,684</u> | <u>\$ 3,097,656</u> | <u>\$ 9,389,243</u> | <u>\$ 8,635,284</u> |

g. Employees' compensation and remuneration of directors

The Bank accrued employees' compensation and remuneration of directors at the rates of 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the three months and the nine months ended September 30, 2023 and 2022 are as follows:

Accrual rate

| | For the Nine Months Ended September 30 | |
|---------------------------|---|-------------|
| | 2023 | 2022 |
| Employees' compensation | 5.00% | 5.00% |
| Remuneration of directors | 0.40% | 0.40% |

Amount

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---------------------------|--|-------------|---|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| | Cash | Cash | Cash | Cash |
| Employees' compensation | \$ 224,809 | \$ 207,935 | \$ 683,309 | \$ 532,435 |
| Remuneration of directors | \$ 17,900 | \$ 17,000 | \$ 54,400 | \$ 43,400 |

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:

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|-------------|
| | 2022 | 2021 |
| | Cash | Cash |
| Employees' compensation | \$ 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 | \$ 689,611 | \$ 55,169 | \$ 534,849 | \$ 42,788 |
| Amounts recognized in the annual consolidated financial statements | \$ 692,192 | \$ 55,000 | \$ 537,415 | \$ 42,707 |
| Differences | \$ (2,581) | \$ 169 | \$ (2,566) | \$ 81 |

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

30. INCOME TAX

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

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|--|-------------------|---|---------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Current income tax | | | | |
| In respect of the current period | \$ 752,941 | \$ 535,660 | \$ 2,162,176 | \$ 1,244,493 |
| Income tax on unappropriated earnings | - | - | - | 3,044 |
| Deferred income tax | | | | |
| In respect of the current period | <u>184,084</u> | <u>66,240</u> | <u>364,318</u> | <u>204,262</u> |
| Income tax expense recognized in profit or loss | <u>\$ 937,025</u> | <u>\$ 601,900</u> | <u>\$ 2,526,494</u> | <u>\$ 1,451,799</u> |

b. Income tax recognized in other comprehensive income

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|--|------------------|---|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| <u>Deferred tax</u> | | | | |
| In respect of the current period: | | | | |
| Exchange differences on translation | \$ 75,309 | \$ 110,564 | \$ 91,902 | \$ 188,714 |
| Unrealized losses of financial assets at FVTOCI | <u>(19,131)</u> | <u>(29,443)</u> | <u>(8,516)</u> | <u>(140,354)</u> |
| Total income tax recognized in other comprehensive income | <u>\$ 56,178</u> | <u>\$ 81,121</u> | <u>\$ 83,386</u> | <u>\$ 48,360</u> |

c. Income tax assessments

The Bank's income tax returns through 2019 and 2021 have been examined and cleared by the tax authority.

The income tax returns of Chang Hwa Bank Venture Capital Co., Ltd. through 2021 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 16, 2023. The basic and diluted after-tax earnings per stock of three months and nine months ended September 30, 2023 were adjusted retrospectively as follows:

Unit: NT\$ Per Stock

| | Before Adjusted Retrospectively | | After Adjusted Retrospectively | |
|----------------------------|--|---|--|---|
| | For the Three Months Ended September 30, 2022 | For the Nine Months Ended September 30, 2022 | For the Three Months Ended September 30, 2022 | For the Nine Months Ended September 30, 2022 |
| Basic earnings per stock | <u>\$ 0.30</u> | <u>\$ 0.80</u> | <u>\$ 0.29</u> | <u>\$ 0.78</u> |
| Diluted earnings per stock | <u>\$ 0.30</u> | <u>\$ 0.80</u> | <u>\$ 0.29</u> | <u>\$ 0.78</u> |

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

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---------------------------|--|---------------------|---|---------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Net profit for the period | <u>\$ 3,226,374</u> | <u>\$ 3,200,661</u> | <u>\$ 10,236,622</u> | <u>\$ 8,520,518</u> |

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

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|--|--|-------------------|---|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Weighted average number of common stock used in computation of basic earnings per stock | 10,858,293 | 10,858,293 | 10,858,293 | 10,858,293 |
| Effect of potentially dilutive common stock: | | | | |
| Employees' compensation | <u>39,612</u> | <u>31,046</u> | <u>51,847</u> | <u>40,131</u> |
| Weighted average number of common stock used in the computation of diluted earnings per stock | <u>10,897,905</u> | <u>10,889,339</u> | <u>10,910,140</u> | <u>10,898,424</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

September 30, 2023

| | Carrying Amount | Fair Value | | | |
|------------------------------------|--------------------|---------------|----------------|------------|----------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| <u>Financial assets</u> | | | | | |
| Financial assets at amortized cost | \$ 442,350,214 | \$ 98,152,379 | \$ 331,345,843 | \$ - | \$ 429,498,222 |
| <u>Financial liabilities</u> | | | | | |
| Bank notes payable | 49,175,313 | - | 75,313 | 48,607,378 | 48,682,691 |

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 |

September 30, 2022

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

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

1) Fair value hierarchy

September 30, 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 | \$ 927,078 | \$ 55,019,319 | \$ 444,425 | \$ 56,390,822 |
| Financial assets mandatorily measured at FVTPL | | | | |
| Stock and fund investments | 479,781 | 30,028 | 444,425 | 954,234 |
| Bond investments | 447,297 | 560,967 | - | 1,008,264 |
| Others | - | 54,428,324 | - | 54,428,324 |
| Financial assets at FVTOCI | 152,862,183 | 95,501,883 | 11,269,112 | 259,633,178 |
| Stock investments | 17,958,631 | - | 11,269,112 | 29,227,743 |
| Bond investments | 121,519,015 | 95,501,883 | - | 217,020,898 |
| Others | 13,384,537 | - | - | 13,384,537 |
| <u>Derivative financial products</u> | | | | |
| Assets | | | | |
| Financial assets at FVTPL | 1,225,973 | 13,042,902 | - | 14,268,875 |
| Liabilities | | | | |
| Financial liabilities at FVTPL | - | 2,642,949 | - | 2,642,949 |

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 |

September 30, 2022

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

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

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

For the nine months ended September 30, 2023

| Financial Assets | Financial Assets at FVTPL Equity Instrument | Financial Assets at FVTOCI Equity Instrument |
|--|--|---|
| Beginning balance | \$ 396,054 | \$ 8,397,508 |
| Recognized in profit or loss (loss on financial assets or liabilities at FVTPL) | (60,327) | - |
| Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI) | - | 2,851,605 |
| Purchase | 244,864 | 19,999 |
| Sell | (18,809) | - |
| Transfer out of Level 3 | (151,670) | - |
| Transfer to Level 3 | 34,313 | - |
| Ending balance | <u>\$ 444,425</u> | <u>\$ 11,269,112</u> |

For the nine months ended September 30, 2022

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

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. For affected financial instrument contracts, the Group has completed amendments with most contract counterparties, and some of them are still in the process of agreement amendments.

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

September 30, 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 | \$ 729,318 | 1 | \$ - | - | \$ - | - | \$ - | - |
| Holding bonds | 2,018,657 | 6 | - | - | - | - | - | - |

September 30, 2022

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

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 stocks and domestic and overseas funds. 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 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 September 30, 2023 and 2022, the Group's VaR factors based on historical simulation method were as follows:

| For the Nine Months Ended September 30, 2023 | | | | |
|---|-------------------|-------------------|-------------------|-----------------------|
| | Average | Highest | Lowest | Ending Balance |
| Exchange VaR | \$ 419,843 | \$ 460,220 | \$ 385,586 | \$ 449,029 |
| Interest rate VaR | 146,848 | 304,597 | 13,439 | 73,437 |
| Equity securities VaR | <u>6,200</u> | <u>12,170</u> | <u>1,263</u> | <u>4,958</u> |
| Value at risk | <u>\$ 572,891</u> | <u>\$ 776,987</u> | <u>\$ 400,288</u> | <u>\$ 527,424</u> |

| For the Nine Months Ended September 30, 2022 | | | | |
|---|-------------------|-------------------|-------------------|-----------------------|
| | Average | Highest | Lowest | Ending Balance |
| Exchange VaR | \$ 191,176 | \$ 211,182 | \$ 169,170 | \$ 206,871 |
| Interest rate VaR | 3,398 | 5,283 | 1,486 | 4,210 |
| Equity securities VaR | <u>1,395</u> | <u>2,173</u> | <u>726</u> | <u>748</u> |
| Value at risk | <u>\$ 195,969</u> | <u>\$ 218,638</u> | <u>\$ 171,382</u> | <u>\$ 211,829</u> |

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of September 30, 2023, December 31, 2022 and September 30, 2022 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

| September 30, 2023 | | | |
|---------------------------|-------------------------|----------------------|---------------------------|
| | Foreign Currency | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 8,373,944 | 32.2850 | \$ 270,352,782 |
| GBP | 57,973 | 39.2200 | 2,273,701 |
| AUD | 2,622,633 | 20.5700 | 53,947,561 |
| HKD | 483,238 | 4.1250 | 1,993,357 |
| CAD | 79,303 | 23.9400 | 1,898,514 |
| ZAR | 4,227,142 | 1.6820 | 7,110,053 |
| JPY | 122,964,565 | 0.2161 | 26,572,642 |
| EUR | 1,028,256 | 33.9400 | 34,899,009 |
| NZD | 153,726 | 19.1900 | 2,950,002 |
| RMB | 9,169,527 | 4.4120 | 40,455,953 |

(Continued)

| September 30, 2023 | | | |
|------------------------------|---------------------|------------------|-----------------------|
| | Foreign Currency | Exchange Rate | New Taiwan Dollars |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | \$ 15,083,146 | 32.2850 | \$ 486,959,369 |
| GBP | 56,031 | 39.2200 | 2,197,536 |
| AUD | 1,647,144 | 20.5700 | 33,881,752 |
| HKD | 470,421 | 4.1250 | 1,940,487 |
| CAD | 79,832 | 23.9400 | 1,911,178 |
| ZAR | 4,184,280 | 1.6820 | 7,037,959 |
| JPY | 158,022,091 | 0.2161 | 34,148,574 |
| EUR | 1,007,138 | 33.9400 | 34,182,264 |
| NZD | 117,541 | 19.1900 | 2,255,612 |
| RMB | 9,181,797 | 4.4120 | 40,510,088 |
| | | | (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)

| | September 30, 2022 | | |
|------------------------------|---------------------|------------------|-----------------------|
| | Foreign Currency | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 9,381,235 | 31.8200 | \$ 298,510,898 |
| GBP | 108,141 | 35.4900 | 3,837,924 |
| AUD | 2,515,534 | 20.6700 | 51,996,088 |
| HKD | 721,570 | 4.0530 | 2,924,523 |
| CAD | 116,097 | 23.2400 | 2,698,094 |
| ZAR | 4,277,979 | 1.7690 | 7,567,745 |
| JPY | 76,449,105 | 0.2200 | 16,818,803 |
| EUR | 1,048,302 | 31.2200 | 32,727,988 |
| NZD | 266,030 | 18.2100 | 4,844,406 |
| RMB | 12,959,198 | 4.4640 | 57,849,860 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 15,756,823 | 31.8200 | 501,382,108 |
| GBP | 94,329 | 35.4900 | 3,347,736 |
| AUD | 1,486,696 | 20.6700 | 30,730,006 |
| HKD | 567,960 | 4.0530 | 2,301,942 |
| CAD | 99,600 | 23.2400 | 2,314,704 |
| ZAR | 4,163,211 | 1.7690 | 7,364,720 |
| JPY | 121,605,342 | 0.2200 | 26,753,175 |
| EUR | 1,028,425 | 31.2200 | 32,107,429 |
| NZD | 185,735 | 18.2100 | 3,382,234 |
| RMB | 11,678,547 | 4.4640 | 52,133,034 |

For the three months ended September 30, 2023 and 2022, net foreign exchange gains were \$360,120 thousand and \$981,878 thousand, respectively. For the nine months ended September 30, 2023 and 2022, net foreign exchange gains were \$681,279 thousand and \$1,763,043 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 Group has already petitioned or withdrawn the debtor's collateral.
- The case has been agreed to be repaid in installments and is exempt from being listed as an overdue loan.
- The case was negotiated and adopted in accordance with the debt negotiation mechanism set by the Association of Banks in 2006.
- The case has been negotiated and agreed upon in accordance with "The Statute for Consumer Debt Clearance" (excluding secured debt fulfilled under the original contractual conditions).
- The case is ruled to undergo restructuring or liquidation by the court.
- The case is ruled to be restricted by the court.
- The case is declared bankrupt by the court.
- The case involves credit accounts of a debtor, excluding credit card accounts, which is partly transferred to class A and B non-performing loans (excluding the sixth item of class B: The credit account is totally guaranteed and the interest payment is not past due during the inheritance period after the death of the debtor and the collateral provider), as well as overdue loans or bad debt loans.

- Enterprises apply to 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 credit risk the 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 segments credit assets as either domestic banking, overseas corporate banking - overseas, and individual banking business. Macroeconomic indicators for segment are estimated using the domestic economic growth rate, global economic growth rate, economic growth rate in Southeast Asia and the domestic unemployment rate, respectively, and are updated at least once a year.

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

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

| | September 30 | |
|---------------------|---------------------|---------------------|
| | 2023 | 2022 |
| Discounts and loans | <u>\$ 3,186,240</u> | <u>\$ 3,537,055</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. In accordance with risk ratings, the Group differentiates between the credit risk limits of the same legal entity and the group entities in order to supervise the concentration of credit risk in these categories, and control single counterparty, related companies, industries, and the ultimate risk 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, business development strategies, etc.

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

September 30, 2023

| | Carrying Amount | Maximum Exposure to Credit Risk Mitigated by | | | |
|---|------------------|--|----------------------------|---------------------------|------------------|
| | | Collateral | Master Netting Arrangement | Other Credit Enhancements | Total |
| Discounts and loans | \$ 1,772,756,400 | \$ 1,229,355,678 | \$ - | \$ - | \$ 1,229,355,678 |
| Financial assets at FVTPL | 70,659,697 | 4,917,154 | - | - | 4,917,154 |
| Investments in debt instruments at FVTOCI | 230,180,210 | 8,442,153 | - | - | 8,442,153 |
| Investments in debt instruments at amortized cost | 442,350,214 | - | - | - | - |

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 | - | - | - | - |

September 30, 2022

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

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

| Discounts and Loans | | | | |
|---|--|---|---|-------------------------|
| September 30, 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 (Note) | \$ 1,053,476,882 | \$ 26,999,627 | \$ 39,987 | \$ 1,080,516,496 |
| Levels 16-18 | - | 46,123,057 | 1,095,443 | 47,218,500 |
| Levels 19-21 | - | - | 6,335,537 | 6,335,537 |
| No rating | <u>635,533,152</u> | <u>1,938,614</u> | <u>1,214,101</u> | <u>638,685,867</u> |
| Total carrying amount | <u>\$ 1,689,010,034</u> | <u>\$ 75,061,298</u> | <u>\$ 8,685,068</u> | <u>\$ 1,772,756,400</u> |
| Expected credit losses | \$ 2,931,873 | \$ 2,929,003 | \$ 2,698,851 | \$ 8,559,727 |
| 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>12,973,936</u> |
| | | | | <u>\$ 21,533,663</u> |

Note: In addition to quantitative indicators, the Group takes qualitative indicators into consideration as well.

| 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 (Note) | \$ 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> |

Note: In addition to quantitative indicators, the Group takes qualitative indicators into consideration as well.

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

Note: In addition to quantitative indicators, the Group takes qualitative indicators into consideration as well.

| Guarantees in Guarantee Business | | | | |
|----------------------------------|--|--|--|---------------|
| September 30, 2023 | | | | |
| | Stage 1 12-month Expected Credit Losses | Stage 2 Lifetime Expected Credit Losses | Stage 3 Lifetime Expected Credit Losses | Total |
| Carrying amount | \$ 57,696,005 | \$ 991,193 | \$ 86,825 | \$ 58,774,023 |
| Expected credit losses | 196,514 | 13,071 | 20,744 | 230,329 |

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

| Loan Commitments | | | | |
|--|--|---|---|-----------------------|
| September 30, 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 | \$ 116,119,396 | \$ 3,643,968 | \$ 1 | \$ 119,763,365 |
| Carry amount - cancellable | <u>665,704,395</u> | <u>15,828,468</u> | <u>59,320</u> | <u>681,592,183</u> |
| | <u>\$ 781,823,791</u> | <u>\$ 19,472,436</u> | <u>\$ 59,321</u> | <u>\$ 801,355,548</u> |
| Expected credit losses - non-cancellable | \$ 94,052 | \$ 39,161 | \$ - | \$ 133,213 |
| Expected credit losses - cancellable | <u>242,021</u> | <u>178</u> | <u>95</u> | <u>242,294</u> |
| | <u>\$ 336,073</u> | <u>\$ 39,339</u> | <u>\$ 95</u> | <u>\$ 375,507</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 | | | | |
|--|--|--|--|-----------------------|
| September 30, 2022 | | | | |
| | Stage 1 12-month Expected Credit Losses | Stage 2 Lifetime Expected Credit Losses | Stage 3 Lifetime Expected Credit Losses | Total |
| Carry amount - non-cancellable | \$ 76,383,152 | \$ 4,167,719 | \$ 366 | \$ 80,551,237 |
| Carry amount - cancellable | <u>625,715,693</u> | <u>13,502,281</u> | <u>86,493</u> | <u>639,304,467</u> |
| | <u>\$ 702,098,845</u> | <u>\$ 17,670,000</u> | <u>\$ 86,859</u> | <u>\$ 719,855,704</u> |
| Expected credit losses - non-cancellable | \$ 72,909 | \$ 37,198 | \$ 101 | \$ 110,208 |
| Expected credit losses - cancellable | <u>80,709</u> | <u>367</u> | <u>119</u> | <u>81,195</u> |
| | <u>\$ 153,618</u> | <u>\$ 37,565</u> | <u>\$ 220</u> | <u>\$ 191,403</u> |

d) Maximum exposure to credit risk

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

As of September 30, 2023, December 31, 2022 and September 30, 2022, the maximum exposures to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrevocably maximum amount of exposure) were as follows:

| Financial Instrument Type | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|---|-------------------------------|------------------------------|-------------------------------|
| Unused loan commitments (excluding credit card) | \$ 119,763,365 | \$ 77,169,775 | \$ 80,551,237 |
| Credit card commitments | 200,356 | 197,579 | 360,288 |
| Unused issued letters of credit | 23,850,050 | 20,282,544 | 28,752,642 |
| Guarantees in guarantee business | 58,774,023 | 55,259,791 | 60,268,118 |

e) Situation of credit risk concentration

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

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

| Industry Type | September 30, 2023 | |
|-------------------------|-------------------------|------------------------|
| | Carrying Amount | Percentage of Item (%) |
| Financial and insurance | \$ 118,191,300 | 7 |
| Manufacturing | 474,562,091 | 27 |
| Wholesale and retail | 160,129,893 | 9 |
| Real estate and leasing | 153,663,149 | 9 |
| Service | 44,021,885 | 2 |
| Individuals | 619,855,031 | 35 |
| Others | 202,333,051 | 11 |
| | <u>\$ 1,772,756,400</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 | 209,476,961 | 12 |
| | <u>\$ 1,707,357,952</u> | |
| Industry Type | September 30, 2022 | |
| | Carrying Amount | Percentage of Item (%) |
| Financial and insurance | \$ 107,709,760 | 6 |
| Manufacturing | 457,568,119 | 26 |
| Wholesale and retail | 164,623,189 | 10 |
| Real estate and leasing | 146,105,319 | 8 |
| Service | 43,562,999 | 3 |
| Individuals | 616,359,103 | 35 |
| Others | 216,753,590 | 12 |
| | <u>\$ 1,752,682,079</u> | |

| Geographic Location | September 30, 2023 | |
|----------------------------|---------------------------|-------------------------------|
| | Carrying Amount | Percentage of Item (%) |
| Asia | \$ 1,641,069,919 | 93 |
| America | 75,877,682 | 4 |
| Europe | 30,640,251 | 2 |
| Others | <u>25,168,548</u> | 1 |
| | <u>\$ 1,772,756,400</u> | |

| Geographic Location | December 31, 2022 | |
|----------------------------|--------------------------|-------------------------------|
| | 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 |
| | <u>\$ 1,707,357,952</u> | |

| Geographic Location | September 30, 2022 | |
|----------------------------|---------------------------|-------------------------------|
| | Carrying Amount | Percentage of Item (%) |
| Asia | \$ 1,628,196,810 | 93 |
| America | 75,228,525 | 4 |
| Europe | 28,801,231 | 2 |
| Others | <u>20,455,513</u> | 1 |
| | <u>\$ 1,752,682,079</u> | |

| Securities Type | September 30, 2023 | |
|------------------------|---------------------------|-------------------------------|
| | Carrying Amount | Percentage of Item (%) |
| Unsecured | \$ 543,400,722 | 31 |
| Secured | | |
| Properties | 1,051,914,041 | 59 |
| Others | <u>177,441,637</u> | 10 |
| | <u>\$ 1,772,756,400</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 | September 30, 2022 | |
| | Carrying Amount | Percentage of Item (%) |
| Unsecured | \$ 572,102,400 | 33 |
| Secured | | |
| Properties | 1,015,760,748 | 58 |
| Others | <u>164,818,931</u> | 9 |
| | <u>\$ 1,752,682,079</u> | |

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

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

4) Liquidity risk management

a) The definition of liquidity risk

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

b) Liquidity risk management procedures

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

As of September 30, 2023 and 2022, the ratios of the liquidity reserve were 24.22% and 22.64%, respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.

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

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

(In Thousands of New Taiwan Dollars)

| Item | September 30, 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 | \$ 29,678,729 | \$ - | \$ - | \$ - | \$ - | \$ 29,678,729 |
| Due from the Central Bank and call loans to banks | 47,438,579 | 5,874,273 | 6,558,878 | 10,740,256 | 34,335,888 | 104,947,874 |
| Financial assets at FVTPL | 55,714,285 | - | - | - | 71,269 | 55,785,554 |
| Receivables | 11,773,246 | 1,131,149 | 616,798 | 712,751 | 109,254 | 14,343,198 |
| Discounts and loans | 83,667,291 | 131,719,198 | 169,076,697 | 221,808,184 | 896,673,405 | 1,502,944,775 |
| Investments in equity instruments at FVTOCI | - | - | - | - | 29,452,968 | 29,452,968 |
| Investments in debt instruments at FVTOCI | - | 199,993 | - | 7,820,676 | 88,377,063 | 96,397,732 |
| Investments in debt instruments at amortized cost | 174,399,893 | 35,700,000 | 5,047,867 | 49,947,673 | 24,901,987 | 289,997,420 |
| Other maturity funds inflow items | - | - | - | - | 14,271,467 | 14,271,467 |
| | <u>402,672,023</u> | <u>174,624,613</u> | <u>181,300,240</u> | <u>291,029,540</u> | <u>1,088,193,301</u> | <u>2,137,819,717</u> |
| Major maturity fund outflows | | | | | | |
| Deposits from the Central Bank and banks | 227,031 | 107,428 | - | 53,001 | - | 387,460 |
| Due to the Central Bank and banks | 15,000 | 15,000 | - | - | - | 30,000 |
| Securities sold under repurchase agreements | 810,344 | 672,808 | - | - | - | 1,483,152 |
| Payables | 28,904,686 | 3,082,132 | 241,093 | 2,484,476 | 1,814,749 | 36,527,136 |
| Deposits and remittances | 141,680,415 | 161,883,294 | 181,212,701 | 296,738,399 | 947,913,362 | 1,729,428,171 |
| Bank notes payable | - | - | - | 22,290,000 | 26,810,000 | 49,100,000 |
| Other maturity fund outflow items | 39,089 | 69,762 | 28,090 | 239,417 | 3,319,699 | 3,696,057 |
| | <u>171,676,565</u> | <u>165,830,424</u> | <u>181,481,884</u> | <u>321,805,293</u> | <u>979,857,810</u> | <u>1,820,651,976</u> |
| Gap | <u>\$ 230,995,458</u> | <u>\$ 8,794,189</u> | <u>\$ (181,644)</u> | <u>\$ (30,775,753)</u> | <u>\$ 108,335,491</u> | <u>\$ 317,167,741</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 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 | September 30, 2022 | | | | | |
|---|-----------------------|------------------------|-----------------------|------------------------|----------------------|-----------------------|
| | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
| Major maturity fund inflows | | | | | | |
| Cash and cash equivalents | \$ 16,655,835 | \$ - | \$ - | \$ - | \$ - | \$ 16,655,835 |
| Due from the Central Bank and call loans to banks | 53,536,481 | 5,973,341 | 6,132,409 | 9,135,707 | 33,399,284 | 108,177,222 |
| Financial assets at FVTPL | 28,787,408 | - | - | - | - | 28,787,408 |
| Receivables | 15,948,198 | 891,110 | 659,527 | 495,196 | 66,734 | 18,060,765 |
| Discounts and loans | 103,121,210 | 139,697,728 | 146,227,646 | 220,939,960 | 867,901,299 | 1,477,887,843 |
| Investments in equity instruments at FVTOCI | - | - | - | - | 23,973,179 | 23,973,179 |
| Investments in debt instruments at FVTOCI | - | 299,836 | - | 497,701 | 90,114,635 | 90,912,172 |
| Investments in debt instruments at amortized cost | 194,230,000 | 10,900,000 | 18,860,000 | 18,713,900 | 21,401,170 | 264,105,070 |
| Other maturity funds inflow items | - | - | - | - | 14,206,699 | 14,206,699 |
| | <u>412,279,132</u> | <u>157,762,015</u> | <u>171,879,582</u> | <u>249,782,464</u> | <u>1,051,063,000</u> | <u>2,042,766,193</u> |
| Major maturity fund outflows | | | | | | |
| Deposits from the Central Bank and banks | 180,904 | 112,430 | - | 94,393 | - | 387,727 |
| Due to the Central Bank and banks | 3,015,000 | 15,000 | - | - | - | 3,030,000 |
| Securities sold under repurchase agreements | 738,130 | 306,440 | 10,233 | - | - | 1,054,803 |
| Payables | 31,018,002 | 2,132,748 | 1,005,427 | 1,009,922 | 1,338,545 | 36,504,644 |
| Deposits and remittances | 124,668,901 | 167,183,659 | 172,067,802 | 256,336,611 | 936,628,613 | 1,656,885,586 |
| Bank notes payable | - | - | - | 10,000,000 | 41,100,000 | 51,100,000 |
| Other maturity fund outflow items | 19,375 | 202,175 | 54,053 | 302,529 | 4,931,352 | 5,509,484 |
| | <u>159,640,312</u> | <u>169,952,452</u> | <u>173,137,515</u> | <u>267,743,455</u> | <u>983,998,510</u> | <u>1,754,472,244</u> |
| Gap | <u>\$ 252,638,820</u> | <u>\$ (12,190,437)</u> | <u>\$ (1,257,933)</u> | <u>\$ (17,960,991)</u> | <u>\$ 67,064,490</u> | <u>\$ 288,293,949</u> |

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

(In Thousands of United States Dollars)

| Item | September 30, 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 | \$ 106,079 | \$ - | \$ - | \$ - | \$ - | \$ 106,079 |
| Due from the Central Bank and call loans to banks | 800,914 | 165,200 | 56,401 | 22,584 | 25,233 | 1,070,332 |
| Financial assets at FVTPL | 4,893 | - | - | - | - | 4,893 |
| Receivables | 301,098 | 84,258 | 100,692 | 20,561 | 9,503 | 516,112 |
| Discounts and loans | 520,764 | 389,749 | 263,666 | 484,156 | 4,237,241 | 5,895,576 |
| Investments in debt instruments at FVTOCI | 18,992 | 83,684 | 334,429 | 519,106 | 2,399,460 | 3,355,671 |
| Investments in debt instruments at amortized cost | 100,000 | - | 65,579 | 421,083 | 2,385,311 | 2,971,973 |
| Other maturity fund inflow items | 5,000 | - | - | - | 3,079 | 8,079 |
| | <u>1,857,740</u> | <u>722,891</u> | <u>820,767</u> | <u>1,467,490</u> | <u>9,059,827</u> | <u>13,928,715</u> |
| Major maturity fund outflows | | | | | | |
| Deposits from the Central Bank and banks | 7,484 | - | - | - | 67 | 7,551 |
| Due to the Central Bank and banks | 1,803,687 | 692,000 | - | - | - | 2,495,687 |
| Payables | 499,331 | 102,525 | 22,195 | 12,016 | 1,579 | 637,646 |
| Securities sold under repurchase agreements | - | 276,672 | 220,836 | - | - | 497,508 |
| Deposits and remittances | 4,005,910 | 5,120,244 | 2,730,113 | 2,059,266 | 2,544,416 | 16,459,949 |
| Other maturity fund outflow items | 30,037 | 1,000 | 1,710 | 10,765 | 218,490 | 262,002 |
| | <u>6,346,449</u> | <u>6,192,441</u> | <u>2,974,854</u> | <u>2,082,047</u> | <u>2,764,552</u> | <u>20,360,343</u> |
| Gap | <u>\$ (4,488,709)</u> | <u>\$ (5,469,550)</u> | <u>\$ (2,154,087)</u> | <u>\$ (614,557)</u> | <u>\$ 6,295,275</u> | <u>\$ (6,431,628)</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 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 | September 30, 2022 | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|-----------------------|
| | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
| Major maturity fund inflows | | | | | | |
| Cash and cash equivalents | \$ 115,964 | \$ - | \$ - | \$ - | \$ - | \$ 115,964 |
| Due from the Central Bank and call loans to banks | 2,411,182 | 845,099 | 49,823 | 122,268 | 28,519 | 3,456,891 |
| Financial assets at FVTPL | 89,895 | - | - | - | - | 89,895 |
| Receivables | 832,631 | 74,036 | 93,508 | 20,197 | 5,420 | 1,025,792 |
| Discounts and loans | 689,114 | 983,937 | 422,802 | 310,960 | 4,010,000 | 6,416,813 |
| Investments in debt instruments at FVTOCI | 4,997 | 24,985 | 28,475 | 201,223 | 2,110,235 | 2,369,915 |
| Investments in debt instruments at amortized cost | - | - | - | 41,099 | 1,832,219 | 1,873,318 |
| Other maturity fund inflow items | 5,000 | - | - | - | 19,472 | 24,472 |
| | <u>4,148,783</u> | <u>1,928,057</u> | <u>594,608</u> | <u>695,747</u> | <u>8,005,865</u> | <u>15,373,060</u> |
| Major maturity fund outflows | | | | | | |
| Deposits from the Central Bank and banks | 5,547 | - | - | - | 67 | 5,614 |
| Due to the Central Bank and banks | 1,899,351 | 840,000 | 15,000 | - | - | 2,754,351 |
| Payables | 570,858 | 64,794 | 7,260 | 3,387 | 373 | 646,672 |
| Securities sold under repurchase agreements | 90,748 | 432,478 | - | - | - | 523,226 |
| Deposits and remittances | 4,676,798 | 4,956,738 | 1,646,336 | 2,084,794 | 3,933,635 | 17,298,301 |
| Other maturity fund outflow items | 37,441 | 208 | 107 | 2,535 | 564,909 | 605,200 |
| | <u>7,280,743</u> | <u>6,294,218</u> | <u>1,668,703</u> | <u>2,090,716</u> | <u>4,498,984</u> | <u>21,833,364</u> |
| Gap | <u>\$ (3,131,960)</u> | <u>\$ (4,366,161)</u> | <u>\$ (1,074,095)</u> | <u>\$ (1,394,969)</u> | <u>\$ 3,506,881</u> | <u>\$ (6,460,304)</u> |

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

d) Maturity analysis of derivative financial assets and liabilities

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

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

| Item | September 30, 2023 | | | | | |
|---|--------------------|----------------|---------------|-----------------|-------------|----------------|
| | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
| Foreign currency derivative instruments | | | | | | |
| Outflows | \$ 103,297,791 | \$ 178,933,519 | \$ 66,062,267 | \$ 37,587,224 | \$ - | \$ 385,880,801 |
| Inflows | 106,348,539 | 184,335,591 | 69,010,655 | 38,813,788 | - | 398,508,573 |
| Interest rate derivative instruments | | | | | | |
| Outflows | - | - | - | - | - | - |
| Inflows | 1,217,748 | - | - | - | - | 1,217,748 |
| Others | | | | | | |
| Inflows | 22,723 | - | - | - | - | 22,723 |
| Total outflows | \$ 103,297,791 | \$ 178,933,519 | \$ 66,062,267 | \$ 37,587,224 | \$ - | \$ 385,880,801 |
| Total inflows | \$ 107,589,010 | \$ 184,335,591 | \$ 69,010,655 | \$ 38,813,788 | \$ - | \$ 399,749,044 |

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

e) Maturity analysis of off-balance sheet items

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

(In Thousands of New Taiwan Dollars)

| Item | September 30, 2023 | | | | | |
|--|--------------------|------------|--------------|-----------------|--------------|----------------|
| | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
| Unused loan commitments (excluding credit cards) | \$ 106,650,823 | \$ 406,644 | \$ 1,901,727 | \$ 1,466,558 | \$ 9,337,613 | \$ 119,763,365 |
| Credit card commitments | 10 | 90 | 85 | 358 | 199,813 | 200,356 |
| Unused issued letters of credit | 23,690,939 | 159,111 | - | - | - | 23,850,050 |
| Guarantees in guarantee business | 58,532,564 | 26,472 | 90,446 | 65,439 | 59,102 | 58,774,023 |
| | \$ 188,874,336 | \$ 592,317 | \$ 1,992,258 | \$ 1,532,355 | \$ 9,596,528 | \$ 202,587,794 |

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

34. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

| Item | | | September 30, 2023 | | | | | September 30, 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 | | \$ 1,842,569 | \$ 609,499,997 | 0.30% | \$ 7,045,600 | 382.38% | \$ 2,500,407 | \$ 565,295,561 | 0.44% | \$ 6,559,704 | 262.35% |
| | Unsecured | | 654,464 | 526,211,208 | 0.12% | 6,010,784 | 918.43% | 174,440 | 551,276,899 | 0.03% | 6,244,741 | 3579.88% |
| Consumer finance | Mortgage loans (Note d) | | 283,870 | 390,556,015 | 0.07% | 5,884,688 | 2073.02% | 383,343 | 390,470,838 | 0.10% | 5,883,318 | 1534.74% |
| | Cash cards (Note h) | | - | - | - | - | - | - | - | - | - | - |
| | Credit loans (Note e) | | 8,792 | 3,936,861 | 0.22% | 46,957 | 534.09% | 4,546 | 3,564,885 | 0.13% | 42,699 | 939.27% |
| | Others (Note f) | Secured | 483,999 | 224,090,137 | 0.22% | 2,273,377 | 469.71% | 581,477 | 220,987,479 | 0.26% | 2,250,016 | 386.95% |
| | | Unsecured | 389 | 1,269,824 | 0.03% | 14,372 | 3694.60% | 327 | 1,335,902 | 0.02% | 14,646 | 4478.90% |
| Total | | | 3,274,083 | 1,755,564,042 | 0.19% | 21,275,778 | 649.82% | 3,644,540 | 1,732,931,564 | 0.21% | 20,995,124 | 576.07% |

| Item | | September 30, 2023 | | | | | September 30, 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 | | \$ 3,391 | \$ 3,010,767 | 0.11% | \$ 20,838 | 614.51% | \$ 3,952 | \$ 2,701,901 | 0.15% | \$ 20,904 | 528.95% |
| No recourse receivable factoring (Note g) | | - | 4,946,790 | - | 99,468 | - | - | 5,510,359 | - | 105,104 | - |

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 | September 30, 2023 | | September 30, 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) | \$ - | \$ 186 | \$ - | \$ 308 |
| Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b) | 1,141 | 16,900 | 466 | 18,622 |
| Total | 1,141 | 17,086 | 466 | 18,930 |

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

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

b. Concentration of credit risk

| September 30, 2023 | | | |
|--------------------|--|----------------|--|
| Rank (Note a) | Transaction Party (Note b) | Loans (Note c) | As Proportion of Net Equity (%) (Note d) |
| 1 | A Corporation (railway transportation industry) | \$ 19,320,658 | 10.68 |
| 2 | B Group (uncategorized other financial service industry) | 16,829,588 | 9.30 |
| 3 | C Group (other holdings industry) | 13,771,369 | 7.61 |
| 4 | D Group (steel smelting industry) | 13,170,214 | 7.28 |
| 5 | E Group (liquid crystal panel and components manufacturing industry) | 10,254,958 | 5.67 |
| 6 | F Group (integrated circuit manufacturing) | 9,379,671 | 5.18 |
| 7 | G Group (chemical materials industry) | 9,076,615 | 5.02 |
| 8 | H Group (computer manufacturing industry) | 8,313,171 | 4.60 |
| 9 | I Group (steel manufacturing industry) | 8,004,360 | 4.42 |
| 10 | J Group (liquid crystal panel and components manufacturing industry) | 7,899,946 | 4.37 |

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

Note a: Sorted by the balance of loans on September 30, 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 | September 30, 2023 | | | | |
|---|--------------------|-----------------|-----------------|---------------------|------------------|
| | 1-90 Days | 91-180 Days | 181 Days-1 Year | More Than 1 Year | Total |
| Interest-sensitive assets | \$ 1,763,998,512 | \$ 33,411,950 | \$ 74,460,430 | \$ 190,910,639 | \$ 2,062,781,531 |
| Interest-sensitive liabilities | 437,040,765 | 1,164,662,895 | 92,234,518 | 47,658,826 | 1,741,597,004 |
| Interest sensitivity gap | 1,326,957,747 | (1,131,250,945) | (17,774,088) | 143,251,813 | 321,184,527 |
| Net equity | | | | | 157,045,577 |
| Ratio of interest-sensitive assets to liabilities | | | | | 118.44% |
| Ratio of interest sensitivity gap to net equity | | | | | 204.52% |

(In Thousands of New Taiwan Dollars; %)

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

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

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

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

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

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

| Item | September 30, 2023 | | | | |
|---|--------------------|-------------|-----------------|------------------|---------------|
| | 1-90 Days | 91-180 Days | 181 Days-1 Year | More Than 1 Year | Total |
| Interest-sensitive assets | \$ 13,088,500 | \$ 930,400 | \$ 895,308 | \$ 3,945,592 | \$ 18,859,800 |
| Interest-sensitive liabilities | 20,774,605 | 2,528,174 | 1,614,591 | 10 | 24,917,380 |
| Interest sensitivity gap | (7,686,105) | (1,597,774) | (719,283) | 3,945,582 | (6,057,580) |
| Net equity | | | | | 549,458 |
| Ratio of interest-sensitive assets to liabilities | | | | | 75.69% |
| Ratio of interest sensitivity gap to net equity | | | | | (1,102.46%) |

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

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

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

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

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

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

d. Profitability

| Item | | September 30, 2023 | September 30, 2022 |
|------------------------|-----------|--------------------|--------------------|
| Return on total assets | Pretax | 0.47% | 0.38% |
| | After tax | 0.37% | 0.32% |
| Return on net equity | Pretax | 7.29% | 5.90% |
| | After tax | 5.85% | 5.04% |
| Profit margin | | 34.85% | 33.89% |

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

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

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

Note d: Profitability presented above is cumulative from January 1 to September 30 of 2023 and 2022, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

| | Total | September 30, 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 | \$ 2,259,959,598 | \$ 246,939,727 | \$ 174,628,540 | \$ 227,356,679 | \$ 187,547,401 | \$ 299,838,159 | \$ 1,123,649,092 |
| Major maturity cash outflows | 2,875,493,917 | 115,293,265 | 170,323,049 | 410,832,556 | 389,266,560 | 647,936,069 | 1,141,842,418 |
| Gap | (615,534,319) | 131,646,462 | 4,305,491 | (183,475,877) | (201,719,159) | (348,097,910) | (18,193,326) |

(In Thousands of New Taiwan Dollars)

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

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

(In Thousands of U.S. Dollars)

| | Total | September 30, 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 | \$ 28,532,416 | \$ 9,704,493 | \$ 4,612,723 | \$ 2,774,490 | \$ 2,386,898 | \$ 9,053,812 |
| Major maturity cash outflows | 34,181,618 | 12,951,627 | 7,811,637 | 4,326,843 | 4,637,674 | 4,453,837 |
| Gap | (5,649,202) | (3,247,134) | (3,198,914) | (1,552,353) | (2,250,776) | 4,599,975 |

(In Thousands of U.S. Dollars)

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

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

f. Non-performing loan selling information

| September 30, 2023 | | | | | | | |
|--|-----------------------------------|---|------------|-----------|---------------------|--------------|--------------|
| Transaction Date | Trading Partners | Non-Perform Loan Composition | Book Value | Price | Distribution Profit | Accompanying | Relationship |
| 2022.12.8 sign up, 2023.1.30 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 Bank can offer trust services. The items and amounts of trust accounts as of September 30, 2023 and 2022 were as follows:

| | September 30 | |
|---|-----------------------|-----------------------|
| | 2023 | 2022 |
| Special purpose trust accounts - domestic | \$ 38,149,827 | \$ 38,857,411 |
| Special purpose trust accounts - foreign | 83,670,969 | 74,632,877 |
| Insurance trust | 9,934 | 9,834 |
| Retirement and breeds trust | 1,767,924 | 509,897 |
| Umbilical-cord-blood trust | 15,840,519 | 14,628,271 |
| Money claim and guarantee trust | 51,800 | 51,800 |
| Marketable securities trust | 1,773,249 | 3,934,824 |
| Real estate trust | 36,273,335 | 25,945,558 |
| Securities under custody | 308,325,622 | 288,938,420 |
| Other money trust | <u>3,450,175</u> | <u>4,694,791</u> |
| | <u>\$ 489,313,354</u> | <u>\$ 452,203,683</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 (before June 16, 2023) |
| Taishin International Bank | The subsidiary of Bank's related party in substance (before June 16, 2023) |
| 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 |
| Taiwan High Speed Rail Corporation | Its director is the Bank's corporate director |
| Yang Ming Marine Transport Corporation | Its director is the Bank's corporate director |
| Unity OPTO Technology Co., Ltd. | Its director is the Bank's corporate director |
| Quaser Machine Tools, Inc. | Its director is the Bank's corporate director |
| CSBC Corporation | Its director is the Bank's corporate director |
| Kaohsiung Rapid Transit Corporation | Its director is the Bank's corporate director |

(Continued)

| Name | Relationship |
|--|--|
| Lungteh Shipbuilding Co., Ltd. | Its director is the Bank's corporate director |
| China Airlines, Ltd. | Its director is the Bank's corporate director |
| Taiwan Cooperative Financial Holding Co., Ltd. | Its director is the Bank's corporate director |
| TSEC Corporation | Its director is the Bank's corporate director |
| Yulon Motor Co., Ltd. | Its director is the spouse of the Bank's director |
| China Metal Products Co., Ltd. | Its director is the Bank's director |
| Others | Other related parties (IAS 24 "Related Party Disclosures") |

(Concluded)

b. Significant transactions with related parties

1) Loans

| | Balance | Percentage of Loans (%) |
|----------------------------------|---------------|-------------------------|
| Balance as of September 30, 2023 | \$ 24,742,119 | 1.41 |
| Balance as of December 31, 2022 | 24,136,655 | 1.43 |
| Balance as of September 30, 2022 | 28,023,404 | 1.62 |

For the nine months ended September 30, 2023 and 2022, interest rates ranged from 1.55% to 6.41% and from 1.02% to 4.62%, and interest income was \$438,273 thousand and \$366,767 thousand, respectively.

For the three months ended September 30, 2023 and 2022, interest income was \$148,214 thousand and \$130,907 thousand, respectively.

| | September 30, 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> | | | | | | | |
| 40 accounts | \$ 18,374 | \$ 20,039 | \$ 18,374 | \$ - | Credit | | None |
| <u>Self-use residential mortgage loans</u> | | | | | | | |
| 241 accounts | 1,559,386 | 1,625,850 | 1,559,386 | - | Real estate | | None |
| <u>Others</u> | | | | | | | |
| Taiwan High Speed Rail Corporation | 19,308,161 | 20,318,882 | 19,308,161 | - | Credit and station equipment | | None |
| CSBC Corporation | 1,465,352 | 3,518,825 | 1,465,352 | - | Credit | | None |
| China Metal Products Co., Ltd. | 650,000 | 1,440,000 | 650,000 | - | Credit | | None |
| TSEC Corporation | 612,873 | 681,624 | 612,873 | - | Credit and land and plant | | None |
| Yulon Motor Co., Ltd. | 500,000 | 1,000,000 | 500,000 | - | Credit | | None |
| China Airlines, Ltd. | 200,000 | 750,000 | 200,000 | - | Credit and fund guarantee | | None |
| Lungteh Shipbuilding Co., Ltd. | 117,932 | 291,733 | 117,932 | - | Credit | | None |
| Other - corporation 11 accounts (Note 1) | 307,739 | 3,470,496 | 307,739 | - | Credit and fund guarantee and real estate | | None |
| Other - individual 2 accounts (Note 2) | 2,302 | 2,573 | 2,302 | - | Deposits | | 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 currencies and deposits | None | |
| September 30, 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> | | | | | | | |
| 46 accounts | \$ 20,479 | \$ 21,673 | \$ 20,479 | \$ - | Credit | None | |
| <u>Self-use residential mortgage loans</u> | | | | | | | |
| 245 accounts | 1,657,269 | 1,735,030 | 1,657,269 | - | Real estate | None | |
| <u>Others</u> | | | | | | | |
| Taiwan High Speed Rail Corporation | 20,237,161 | 20,237,161 | 20,237,161 | - | Credit and station equipment | None | |
| Taiwan Cooperative Financial Holding Co., Ltd. | 3,000,000 | 3,000,000 | 3,000,000 | - | Credit | None | |
| CSBC Corporation | 1,188,014 | 3,519,275 | 1,188,014 | - | Credit | None | |
| China Airlines, Ltd. | 750,000 | 750,000 | 750,000 | - | Credit and fund guarantee | None | |
| Unity OPTO Technology Co., Ltd. | 634,665 | 1,267,466 | 634,665 | - | Credit and land and plant | None | |
| Lungteh Shipbuilding Co., Ltd. | 184,014 | 286,454 | 184,014 | - | Credit and land and plant | None | |
| Other - 9 corporation accounts (Note 1) | 351,802 | 649,634 | 341,802 | 10,000 | Credit and fund guarantee and real estate | None | |

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 1.51% on September 30, 2023, December 31, 2022 and September 30, 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

| | September 30, 2023 | | | | |
|--|--------------------|----------------|-----------------------------------|-----------------------------|------------|
| | Ending Balance | Highest Amount | Reserve for Guarantee Liabilities | Interest Rate (Per Annum %) | Collateral |
| CSBC Corporation | \$ 2,044,149 | \$ 2,082,149 | \$ 20,441 | 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 |
| | 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 |
| | September 30, 2022 | | | | |
| | Ending Balance | Highest Amount | Reserve for Guarantee Liabilities | Interest Rate (Per Annum %) | Collateral |
| CSBC Corporation | \$ 2,236,261 | \$ 2,236,261 | \$ 22,363 | 0.50-0.65 | None |
| Yang Ming Marine Transport Corporation | 1,514,475 | 1,514,475 | 15,145 | 0.80-1.00 | None |
| Kaohsiung Rapid Transit Corporation | 6,000 | 6,000 | 60 | 0.50 | None |
| Lungteh Shipbuilding Co., Ltd. | 127,162 | 127,162 | 1,272 | 1.00 | None |

3) Deposits

| | Balance | Percentage of Loans (%) |
|----------------------------------|---------------|-------------------------|
| Balance as of September 30, 2023 | \$ 15,535,639 | 0.66 |
| Balance as of December 31, 2022 | 31,117,406 | 1.32 |
| Balance as of September 30, 2022 | 33,504,834 | 1.45 |

For the nine months ended September 30, 2023 and 2022, the interest rates intervals were both between 0.00% to 13.00%; the interest expense was \$380,772 thousand and \$259,593 thousand, respectively. For the three months ended September 30, 2023 and 2022, the interest expense was \$54,867 thousand and \$102,828 thousand, respectively.

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

4) Transactions of derivative financial products

(In Thousands of New Taiwan Dollars)

| Name | Contract | Duration | September 30, 2023 | | | |
|-------------------------|----------------|-----------------------|--------------------------------|-------------------------------------|---------------------------|------------|
| | | | Nominal Principle Amount | Current Valuation Gain (Loss) | Balance Sheet | |
| | | | | | Subject | Amount |
| Chunghwa Post Co., Ltd. | Currency swaps | 2023.03.09-2024.06.24 | \$ 21,566,380 | \$ 986,453 | Financial assets at FVTPL | \$ 986,453 |

(In Thousands of New Taiwan Dollars)

| Name | Contract | Duration | December 31, 2022 | | | |
|-------------------------|----------------|-----------------------|--------------------------------|-------------------------------------|---------------------------|------------|
| | | | Nominal Principle Amount | Current Valuation Gain (Loss) | Balance Sheet | |
| | | | | | Subject | Amount |
| Chunghwa Post Co., Ltd. | Currency swaps | 2022.04.07-2023.05.22 | \$ 20,524,300 | \$ 320,947 | Financial assets at FVTPL | \$ 320,947 |

(In Thousands of New Taiwan Dollars)

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

5) Call loans to banks and call loans from banks

Call loans to banks

(In Thousands of Original Currencies)

| Name | Department | Currency | September 30, 2023 | | | |
|------------------------|------------------|----------|--------------------|-----------------------------------|--|---|
| | | | Ending Balance | Interest Rate (Per Annum %) | For the Three Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2023 |
| | | | | | Interest Income | Interest Income |
| The Export-Import Bank | DBU | NTD | \$ 1,000,000 | 1.17-1.34 | \$ 956 | \$ 3,214 |
| Land Bank | DBU | NTD | 25,000 | 0.56-1.50 | 93 | 8,607 |
| | London Branch | USD | 20,000 | 5.69-5.74 | 19 | 19 |
| | Hong Kong Branch | USD | 30,000 | 4.32-5.90 | 536 | 1,282 |
| Taiwan Business Bank | Tokyo Branch | USD | 20,000 | 5.57-5.71 | 171 | 171 |
| | OBU | USD | 14,000 | 0.05-3.14 | 53 | 67 |
| | Tokyo Branch | USD | 15,000 | 0.13-3.26 | 85 | 124 |
| | Hong Kong Branch | USD | 10,000 | 1.05-4.03 | 72 | 147 |

| Name | Department | Currency | December 31, 2022 | | |
|-----------|------------------|----------|-------------------|-----------------------------|-----------------|
| | | | 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 |

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

Call loans from banks

(In Thousands of Original Currencies)

| September 30, 2023 | | | | | | |
|----------------------|--------------------|----------|----------------|-----------------------------|---|--|
| Name | Department | Currency | Ending Balance | Interest Rate (Per Annum %) | For the Three Months Ended September 30, 2023 Interest Expense | For the Nine Months Ended September 30, 2023 Interest Expense |
| Land Bank | DBU | NTD | \$ 5,000 | 0.56-1.50 | \$ 2,724 | \$ 2,842 |
| | New York Branch | USD | 50,000 | 4.23-5.68 | 268 | 356 |
| | Los Angeles Branch | USD | 13,000 | 4.27-6.00 | 46 | 309 |
| Taiwan Business Bank | Los Angeles Branch | USD | 7,000 | 5.09-5.90 | 74 | 133 |
| | Singapore Branch | SGD | 4,500 | 3.95-4.00 | 23 | 23 |

| 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 |

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

6) Due from banks and deposits from banks

Due from banks

(In Thousands of New Taiwan Dollars)

| Name | Department | Currency | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|-------------------------|------------|----------|--------------------|-------------------|--------------------|
| | | | Ending Balance | Ending Balance | Ending Balance |
| Land Bank | DBU | NTD | \$ 9 | \$ 4 | \$ 4 |
| Taiwan Business Bank | DBU | NTD | 3 | 7 | 5 |
| Chunghwa Post Co., Ltd. | DBU | NTD | 169 | 113 | 99 |

Deposits from banks

(In Thousands of Original Currencies)

| Name | Department | Currency | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|----------------------------|-----------------|----------|-----------------------|----------------------|-----------------------|
| | | | Ending Balance | Ending Balance | Ending Balance |
| Land Bank | DBU | NTD | \$ 277 | \$ 277 | \$ 277 |
| The Export-Import Bank | DBU | NTD | 1,801 | 2,388 | 573 |
| Taishin International Bank | New York Branch | USD | 67 | 67 | 68 |
| Chunghwa Post Co., Ltd. | DBU | NTD | 219,999 | 275,361 | 271,392 |

c. Compensation of directors and management personnel

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|------------------------------|--|------------------|---|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Short-term employee benefits | \$ 13,585 | \$ 11,517 | \$ 37,642 | \$ 35,947 |
| Post-employment benefits | <u>489</u> | <u>404</u> | <u>1,333</u> | <u>11,909</u> |
| | <u>\$ 14,074</u> | <u>\$ 11,921</u> | <u>\$ 38,975</u> | <u>\$ 47,856</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 September 30, 2023, December 31, 2022 and September 30, 2022 is as follows:

| Pledged Assets | Description | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|---|-----------------------------------|-----------------------|----------------------|-----------------------|
| Investments in debt instruments at FVTOCI | Bonds | \$ 1,373,613 | \$ 1,208,237 | \$ 1,187,631 |
| Investments in debt instruments at amortized cost | Bonds and certificates of deposit | 41,461,425 | 41,453,625 | 41,448,675 |
| Refundable deposits | Cash | 570,413 | 917,270 | 1,013,750 |

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 September 30, 2023, December 31, 2022 and September 30, 2022:

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|--|-----------------------|----------------------|-----------------------|
| Trust liabilities | \$ 489,313,354 | \$ 437,291,046 | \$ 452,203,683 |
| Unused loan commitments (excluding credit cards) | 119,763,365 | 77,169,775 | 80,551,237 |
| Credit card commitments | 200,356 | 197,579 | 360,288 |
| Unused issued letters of credit | 23,850,050 | 20,282,544 | 28,752,642 |
| Guarantees issued in guarantee business | 58,774,023 | 55,259,791 | 60,268,118 |
| Repayment notes and times deposit held for custody | 19,175,512 | 18,843,464 | 18,651,873 |
| Liabilities on joint loans | 189,578 | 271,744 | 300,839 |

The unrecognized commitments for the acquisition of equipment and intangible assets, the commitments for construction, appointment and security service as of September 30, 2023 were \$710,884 thousand, \$188,530 thousand, \$777,450 thousand and \$36,193 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 had appealed to the Supreme Court. The Supreme Court held hearings on September 3, 2019, November 4, 2019, January 14, 2020, May 11, 2020, July 16, 2020, September 30, 2020, November 25, 2020, January 25, 2021, April 12, 2021 and July 26, 2021, respectively. 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. The hearings were held on November 8, 2023.

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 nine months ended September 30, 2023 | None |
| 2 | Acquisition of fixed assets over NT\$300 million or 10% of outstanding capital for the nine months ended September 30, 2023 | None |
| 3 | Disposal of fixed assets over NT\$300 million or 10% of outstanding capital for the nine months ended September 30, 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 September 30, 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 September 30, 2023 | Table 2 |
| 5 | Accumulated purchases and sales balance of specific marketable security over NT\$300 million or 10% of outstanding capital for the nine months ended September 30, 2023 | None |
| 6 | Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the nine months ended September 30, 2023 | None |
| 7 | Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the nine months ended September 30, 2023 | None |
| 8 | Receivables from related parties over NT\$300 million or 10% of outstanding capital as of September 30, 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 Nine Months Ended September 30, 2023 | | | | | | | |
|---|---------------------|----------------------|---|----------------------|--|-------------------|----------------------|
| | Loans | Deposits | Financial Instruments and Investments | Wealth Management | Overseas Branches and Subsidiaries | Others | Total |
| Net income of interest | \$ 9,857,575 | \$ 12,099,576 | \$ (8,170,812) | \$ - | \$ 2,903,368 | \$ (16,745) | \$ 16,672,962 |
| Net service fee income | 1,145,160 | 108,561 | (34,373) | 2,578,385 | 81,705 | - | 3,879,438 |
| Net income on financial instruments | - | - | 8,504,129 | - | 68,959 | - | 8,573,088 |
| Others | 11,879 | - | 6,566 | - | 4,698 | 222,599 | 245,742 |
| Net revenue and gains | <u>11,014,614</u> | <u>12,208,137</u> | <u>305,510</u> | <u>2,578,385</u> | <u>3,058,730</u> | <u>205,854</u> | <u>29,371,230</u> |
| Bad debts expense, commitments and guarantee liability provisions | (1,683,492) | - | (25) | - | (624,559) | - | (2,308,076) |
| Operating expense | - | - | - | - | - | - | (14,300,038) |
| Income before income tax | <u>\$ 9,331,122</u> | <u>\$ 12,208,137</u> | <u>\$ 305,485</u> | <u>\$ 2,578,385</u> | <u>\$ 2,434,171</u> | <u>\$ 205,854</u> | <u>\$ 12,763,116</u> |

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

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

| September 30, 2023 | | | | | | | |
|--------------------|-------------------------|-------------------------|---|----------------------|--|----------------------|-------------------------|
| | Loans | Deposits | Financial Instruments and Investments | Wealth Management | Overseas Branches and Subsidiaries | Others | Total |
| Assets | <u>\$ 1,617,013,060</u> | <u>\$ -</u> | <u>\$ 839,251,732</u> | <u>\$ -</u> | <u>\$ 229,811,655</u> | <u>\$ 99,606,762</u> | <u>\$ 2,785,683,209</u> |
| Liabilities | <u>\$ 1,955,991</u> | <u>\$ 2,280,642,286</u> | <u>\$ 95,821,004</u> | <u>\$ -</u> | <u>\$ 159,005,894</u> | <u>\$ 67,343,720</u> | <u>\$ 2,604,768,895</u> |

| December 31, 2022 | | | | | | | |
|-------------------|-------------------------|-------------------------|---|----------------------|--|-----------------------|-------------------------|
| | Loans | Deposits | Financial Instruments and Investments | Wealth Management | Overseas Branches and Subsidiaries | Others | Total |
| Assets | <u>\$ 1,564,105,867</u> | <u>\$ -</u> | <u>\$ 825,050,218</u> | <u>\$ -</u> | <u>\$ 190,053,146</u> | <u>\$ 105,643,088</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>\$ 51,115,105</u> | <u>\$ 2,515,824,101</u> |

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

TABLE 1

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTEEES’ NAMES AND LOCATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2023 | End of December 31, 2022 | Number of Shares | Percentage of Ownership (%) | 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 1,042,686 | Note 104,268,647 | 100 100 | \$ 13,756,157 1,143,458 | \$ 159,586 79,858 | \$ 159,586 79,858 | |

Note: Limited company organization.

TABLE 2

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 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 | September 30, 2023 | | | | Note |
|---|--|--|-----------------------------|---------------------|--------------------------------|--------------------------------|------------|------|
| | | | | Number of Shares | Carrying Amount (Note 3) | Percentage of Ownership (%) | Fair Value | |
| Chang Hwa Bank Venture Capital Co., Ltd. (CHBVC) | Package Plus Sustainable Integration Co., Ltd. | - | Financial assets at FVTOCI | 256,411 | \$ 10,000 | 6.0 | \$ 10,000 | |
| | Jada International Development Co., Ltd. | - | Financial assets at FVTOCI | 2,919,378 | 30,332 | 8.5 | 30,332 | |
| | Digit Spark Co., Ltd. | - | Financial assets at FVTOCI | 275,000 | 9,999 | 1.4 | 9,999 | |
| | Yuh Shan Environmental Engineering Co., Ltd. | - | Financial assets at FVTPL | 611,764 | 21,412 | 2.1 | 21,412 | |
| | Acer E-enabling Service Business Inc. | - | Financial assets at FVTPL | 134,813 | 34,782 | 0.3 | 34,782 | |
| | Advanced Wireless & Antenna Inc. | - | Financial assets at FVTPL | 233,000 | 6,463 | 0.9 | 6,463 | |
| | Ina Energy Corporation | - | Financial assets at FVTPL | 2,000,000 | 35,200 | 1.0 | 35,200 | |
| | Imedtac Co., Ltd. | - | Financial assets at FVTPL | 300,000 | 10,341 | 2.1 | 10,341 | |
| | Locus Cell Co., Ltd. | - | Financial assets at FVTPL | 2,069,000 | 69,415 | 1.0 | 69,415 | |
| | Great Giant Fibre Garment Co., Ltd. | - | Financial assets at FVTPL | 365,318 | 28,674 | 0.6 | 28,674 | |
| | MegaPro Biomedical Co., Ltd. | - | Financial assets at FVTPL | 250,000 | 7,150 | 0.4 | 7,150 | |
| | Ace Medical Technology Co., Ltd. | - | Financial assets at FVTPL | 1,000,000 | - | 4.8 | - | |
| | Minima Technology Co., Ltd. | - | Financial assets at FVTPL | 570,000 | 11,223 | 1.4 | 11,223 | |
| | PlayNitride Display Co., Ltd. | - | Financial assets at FVTPL | 330,000 | 33,660 | 0.3 | 33,660 | |
| | Sunpower Energy Technology Co., Ltd. | - | Financial assets at FVTPL | 1,112,456 | 26,466 | 4.1 | 26,466 | |
| | Outstanding Management Consultants Co., Ltd. | CHBVC is its director | Financial assets at FVTPL | 117,040 | 1,056 | 19.0 | 1,056 | |
| | Outstanding Capital Limited Partnership | - | Financial assets at FVTPL | - | 7,648 | - | 7,648 | |
| | Mesh Cooperative Ventures, Inc. | - | Financial assets at FVTPL | - | 22,344 | - | 22,344 | |
| | Glory Wheel Enterprise Co., Ltd. | - | Financial assets at FVTPL | 371,800 | 33,000 | 1.0 | 33,000 | |
| | Red Sunrise Co., Ltd. | - | Financial assets at FVTPL | 1,200,000 | 30,000 | 8.6 | 30,000 | |
| | Starlux Airlines Co., Ltd. | - | Financial assets at FVTPL | 5,315,205 | 125,386 | 0.3 | 125,386 | |
| | Tigerair Taiwan Co., Ltd. | - | Financial assets at FVTPL | 210,000 | 6,331 | - | 6,331 | |
| | P-Waver Inc. | - | Financial assets at FVTPL | 588,000 | 9,996 | 3.9 | 9,996 | |
| | Champ-Ray Industrial Co., Ltd. | - | Financial assets at FVTPL | 600,000 | 30,000 | 2.4 | 30,000 | |
| | Annji Pharmaceutical Co., Ltd. | - | Financial assets at FVTPL | 1,500,000 | 45,000 | 1.7 | 45,000 | |
| | Techplasma Technology Co., Ltd. | - | Financial assets at FVTPL | 210,000 | 10,000 | 0.6 | 10,000 | |
| | Mercuries F&B Co., Ltd. | - | Financial assets at FVTPL | 333,000 | 29,970 | 0.6 | 29,970 | |
| | Handa Pharmaceuticals, Inc. | - | Financial assets at FVTPL | 300,000 | 44,988 | 0.2 | 44,988 | |
| | Trio Technology International Group Co., Ltd. | - | Financial assets at FVTPL | 300,000 | 19,500 | 0.7 | 19,500 | |
| | Jhu Jian Catering Co., Ltd. | - | Financial assets at FVTPL | 150,000 | 18,000 | 0.4 | 18,000 | |
| | Ion Electronic Materials Co., Ltd. | - | Financial assets at FVTPL | 12,000 | 1,354 | - | 1,354 | |
| | Forward BioT Venture Capital | - | Financial assets at FVTPL | - | 12,000 | - | 12,000 | |

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

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

Note 3: As measured by fair value, fill in the balance of book value after adjustment of the fair value 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. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2023 | Net Income (Loss) of the Investee (Note 2) | % of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of September 30, 2023 | Accumulated Repatriation of Investment Income as of September 30, 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) | \$ 159,586 | 100 | \$ 159,586 | \$ 13,756,157 | \$ - | |

2.

| Accumulated Outward Remittance for Investment in Mainland China September 30, 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) | \$ 27,137,147 |

- 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 NINE MONTHS ENDED SEPTEMBER 30, 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 | \$ 86,968 | Same as normal customers | - |
| | | Chang Hua Commercial Bank, Ltd. | a. | Cash and cash equivalents | 74,106 | Same as normal customers | - |
| | | Chang Hua Commercial Bank, Ltd. | a. | Receivables | 275,225 | Same as normal customers | 0.01 |
| | | Chang Hua Commercial Bank, Ltd. | a. | Other financial assets | 6,618,000 | Same as normal customers | 0.24 |
| | | Chang Hua Commercial Bank, Ltd. | a. | Interest income | 134,869 | Same as normal customers | 0.46 |
| | | Chang Hua Commercial Bank, Ltd. | a. | Net non-interest income | 1,300 | Same as normal customers | - |
| | | Chang Hwa Bank Venture Capital Co., Ltd. | a. | Deposits and remittances | 377,649 | Same as normal customers | 0.01 |
| | | Chang Hwa Bank Venture Capital Co., Ltd. | a. | Other liabilities | 5 | Same as normal customers | - |
| | | Chang Hwa Bank Venture Capital Co., Ltd. | a. | Interest expense | 1,677 | Same as normal customers | 0.01 |
| | | Chang Hwa Bank Venture Capital Co., Ltd. | a. | Net non-interest income | 1,845 | 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. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2023**

| Name of Major Shareholders | Shares | |
|---|------------------|-----------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| Ministry of Finance | 1,323,950,082 | 12.19 |
| Chunghwa Post Co., Ltd. | 814,418,157 | 7.50 |
| Taishin Financial Holdings Co., Ltd. | 626,805,451 | 5.77 |
| National Development Fund, Executive Yuan | 588,830,293 | 5.42 |

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