

Stock code: 2897
Published Date: April 18, 2023
<https://mops.twse.com.tw>
<https://www.o-bank.com>



2022 Annual Report



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Name of Overseas Exchange Where Securities Are Listed and Method of Inquiry: None

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(Summary Translation)

This document is prepared in accordance with the Chinese version and is for reference only. In the event of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

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Care for the nature, save the future.

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I. Letter to Shareholders

The year 2022 saw the world undergo dramatic economic changes and financial market swings due to geopolitical tensions and surging inflation. For its part, Taiwan was further hit by an escalating pandemic that dampened consumer demand. According to the Directorate General of Budget, Accounting, and Statistics of the Executive Yuan, Taiwan's GDP expansion in 2022 thus shrank from a year earlier to 2.45%. As a whole, Taiwan's financial services industry recorded a 48.7% year-over-year plunge in pretax profit to NT\$479.8 billion due to rising inflation and fluctuations in equities and bonds as well as an insurance industry hemorrhage caused by pandemic insurance claims. By contrast, higher interest rates and growth in loans pushed the banking sector's pretax profit by 12.1% from the year before to NT\$432.1 billion.

Against its pursuit of growth opportunities while vigorously upholding stability, the year 2022 saw the Bank continue growing its core business and improving its earnings structure. At the parent level, total assets amounted to NT\$356 billion and revenue, NT\$9.1 billion, in 2022. Parent net profit soared 173% year-on-year to NT\$5.034 billion; earnings per share thus jumped to a record high of NT\$1.8. A major driver of this earning upsurge was a one-off gain of some NT\$3 billion from the merger of the Bank's subsidiary IBT Leasing Co., Ltd. with Jih Sun International Leasing & Finance Co., Ltd. at the end of the year. Even without this gain, the Bank's 2022 parent net profit amounted to NT\$2.004 billion, a new high since its transformation into a commercial bank in 2017. Meanwhile, the Bank registered yet another new high since its 2017 transformation: a nearly 60% year-over-year increase in earnings from its core business without taking into account investment income. In terms of asset quality, the Bank recorded an NPL ratio of 0.35% at the end of 2022. The provisions coverage ratio came in at 431.51% while the capital adequacy ratio, 14.49%. When it comes to the attainment of budgeted targets, the Bank recorded consolidated and parent net profit equivalent to 152% and 216%, respectively, of its targets set for 2022. In June 2022, Taiwan Ratings granted the Bank long- and short-term ratings of "twA" and "twA-1" respectively.

In 2022, the Bank's consolidated total assets amounted to NT\$577.3 billion and consolidated revenue, NT\$12.121 billion. Consolidated net profit came in at NT\$5.808 billion, up about 82% from a year earlier. Of the Bank's invested companies, China Bills Finance Corp. saw its net profit fall to NT\$1.04 billion in 2022 due to shrunk interest spreads in the bills market following the Fed's rapid interest rate hikes and losses on valuation of investment positions. U.S.-based EverTrust Bank (wholly owned by IBT Holdings Corp.) could only manage to uphold 2022 net profit at NT\$317 million, largely unchanged from a year earlier, as higher interest rates could not fully offset the adverse impact of fierce competition and a softer property market on lending momentum. For its investment in the venture capital sector, the Bank booked net profit of around NT\$133 million for 2022. On December 1, 2022, the Bank's subsidiary IBT Leasing Co., Ltd. merged with Jih Sun International Leasing & Finance Co., Ltd., thereby creating Infinite Finance Co., Ltd. In 2022, the Bank booked investment income of NT\$267 million in the leasing sector: IBT Leasing Co., Ltd.'s net profit for the first 11 months of the year plus Infinite Finance's earnings contribution calculated under the equity method. As Taiwan's fourth-largest leasing company by assets, Infinite Finance promises to build on the synergies thus created to further expand in the leasing business over time. Separately, Beijing Sunshine Consumer Finance Co., Ltd.—the Bank's joint venture with China Everbright Bank and China CYTS Tours Holding Co., Ltd.—contributed 2022 investment income of NT\$116 million calculated under the equity method, up 22% from the year before.

A summary of the Bank's business plan and strategic objectives achieved for 2022 therein is as follows:

1. Expand customer base and improve earnings structure

In terms of corporate banking, the Bank further readjusted the configuration of lending to conglomerate clients and expanded its MME customer base to increase interest-spread income. Thanks to expanded access to syndicated loans, trade finance, and TMU operations, this also contributed to higher fee income. In particular, the Hong Kong Branch became a key earnings driver as both its lending scale and interest spread expanded further. Likewise, the Bank's newly formed international finance sales team effectively took advantage of interest-spread opportunities in overseas markets while helping with risk diversification at the same time. When it comes to retail banking, the Bank further strengthened customer management, bolstered risk appetite and discriminatory pricing capacity, and optimized the lending process. In turn, the Bank's outstanding balance of unsecured loans exceeded the NT\$10 billion mark. Separately, the Bank also continued to develop new varieties of structured products, broaden wealth management offerings and develop the capacity for customization, and strengthen retail and corporate banking collaboration to enhance fee income for wealth management. Thanks to these efforts toward niche lending and customized wealth management services, the Bank enjoyed the increase in net interest margin (NIM), interest spread, and fee income in 2022.

2. Focus on innovation and optimization of processes

To effectively meet new types of customer needs, the Bank continued to draw on cross-sector collaboration and strategic alliances in expanding services fit for different emerging scenarios. Equal emphasis was placed on strengthening middle and back office support, improving workflow automation and data applications, and consolidating information systems. This ongoing improvement of product and service quality and customer experiences making use of digital channels is essential to cementing customer loyalty and hence more transactions going forward. For a third straight year in 2022, we won from Excellence magazine the Best Internet Bank Award in its annual survey of the country's banking industry, an honor attesting to the Bank's commitment to delivering a more satisfying financial services experience through provision of innovative products and services.

3. Enhance efficacy in management and operations

To further enhance operational efficacy, the Bank implemented a new Funds Transfer Pricing (FTP) system and strengthened asset and liability management to help business units focus on attaining the Bank's strategic goals and bolster its loan/deposit structure. Meanwhile, data management and applications were put in place to bolster data-based decision-making throughout and promote datamation across the board. To further enhance operating efficiency, the Bank also implemented reorganization that consolidated corporate and retail banking units at the beginning of the year. Divisions were set up to take charge of various operations and boost synergies across the Bank. An optimized compensation policy was adopted to tie bonuses to performance more closely and have accountability taken more seriously. Separately, a merger involving the Bank's leasing subsidiary was completed, thereby expanding the economies of scale of its leasing business and giving a boost to its earnings prospects.

4. Fulfill corporate social responsibility and attain sustainability

O-Bank is Taiwan's first listed company and financial services provider to have been certified as a B Corporation. This token of international recognition attests to our commitment to employees, the environment, and society. In addition to endeavors across corporate governance, employee care, customer relations, environmental protection, and social engagement, we have responded to such issues as climate change and net-zero carbon emissions by making inroads into green banking and gradually incorporating sustainability considerations into banking operations. One example is including the sustainability performance of investment and lending targets as a key factor in our decision-making process. In 2022, the Bank undertook analysis and management of climate change risks as well as carbon audits of investment and lending targets. The goal is to draw on the power of finance to induce all industries to move toward sustainability.

Moreover, the Bank is proactive to join forces with consumers to create a win-win business model beneficial to the community and environment as well. In March 2022, we collaborated with Mastercard to launch the “Carbon Emission Calculator” project. Thanks to this pioneer initiative, consumers can find out the carbon emission from each purchase, an effective incentive for taking action. Moreover, the Bank took the lead to launch a low-carbon credit card that offers cashbacks on the basis of carbon emissions. Consumers are given a solid incentive to do more in carbon reduction. Among other accolades earned in 2022, the Bank won Taiwan Institute of Sustainable Energy’s Corporate Sustainability Report Awards, Awards for Taiwan’s Top 100 Sustainability Paradigm Enterprises, Gender Equality Awards, and Creativity in Communication Awards. Further attesting to the Bank’s CSR achievement is the ESG Risk Rating of 8.7—a measure of negligible risk—granted by Sustainlytics. According to statistics compiled by Taiwan Depository & Clearing Corp., such a high rating placed the Bank at No. 1 of Taiwan’s financial services providers, third place among all local listed companies, and among the top 1% of all the rated businesses worldwide as of the end of April 2022. It is an unequivocal testimony to the Bank’s dedication to striving for sustainable development and doing good together with all stakeholders.

Given still hefty inflation, monetary tightening, and geopolitical tensions, the global economy appears poised to keep slowing in 2023. For its part, Taiwan is set to benefit from a pickup in domestic demand and related industries as the pandemic further loses its grip. Nevertheless, a slowing world economy will surely weigh on the country's external trade and investment activity. Thus, the growth of the Taiwan economy will rely on the private consumption.

Given uncertain risks hovering over the global economy, adopting the development of financial regulation, and competition posed by emerging rivals from outside the financial services industry, the Bank has prudently set the following key objectives and strategies for 2022:

1. Consolidate customer base and product resources to enhance fee income

In 2023, the Bank will persist with its bid for a boutique bank with a commitment to further optimizing customer configuration, expanding product diversity, and enhancing the capacity for customization, thereby maximizing capital use efficiency. Priority will also be given to bolstering interdepartmental coordination, strengthening product penetration, expanding transactions across syndicated and structured lending, trade finance, TMU, and cash management, and grasping opportunities for serving high-asset customers in wealth management, thereby enhancing fee income.

2. Focus on business transformation to win over business

The Bank will continue to expand niche lending to the MME segment among others, gradually develop digital personal loans and micro-SME unsecured loans by the Hong Kong Branch's loan extension and cross-border syndicated lending. Meanwhile, emphasis will be placed on strengthening our capacity for innovative support and optimizing the decision-making and implementation processes of risk management. As the green energy industry is gaining momentum fast, the Bank will also bolster resources consolidation and risk management while seeking investment and lending opportunities in the green energy and energy storage sectors.

3. Improve deposit structure, widen interest spreads, bolster risk management

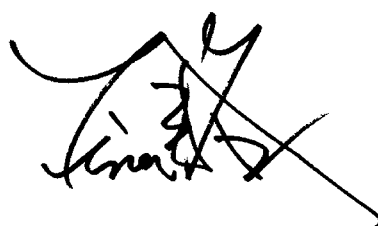
The Bank will continue to refine its asset and liability pricing and structure and bolster cash management services, thereby keeping capital cost under control, enhance interest spreads, and maximize our return on capital. Special attention, meanwhile, will be paid to meeting the NSFR and LCR requirements for liquidity. Given the potential risk of a global recession, the Bank will also continue to strengthen various risk management measures, including tighter control over the loan concentration and asset quality of corporate banking, improvement of our risk assessment and rating models, and bolstering of retail banking's risk management capacity and efficiency. Equally important is to bolster our risk appetite, improve our monitoring and management of market risk, and strengthen applications of hedging strategies, thereby increasing the stability of financial assets.

4. Grow talent and bolster ESG to attain sustainability

In 2023, the Bank is ready to undertake a training program for fresh graduate, medium-ranking and senior managers and bolster interdepartmental and cross-company rotation. The objective is to prepare more talent needed for the Bank to achieve its domestic and overseas strategies for the medium-to-long term. To ensure sustainability, the Bank will move up another rung in

corporate governance, customer relations, employee care, environmental protection, and social engagement while building on its core business to work toward green banking and drive the cause of sustainable development and low-carbon transformation. In the days ahead, the Bank is set to stay on the benevolent way of "benefiting others to fulfill oneself" as it pursues excellence in corporate governance, customer relations, employee care, environment friendliness, social engagement, and green banking, thereby creating sustainable value for shareholders and stakeholders alike and attaining corporate sustainability.

It is my belief that with the concerted efforts of each and every one at O-Bank, our performance will be able to get better with each passing day. We look forward to continued support and guidance from all shareholders.



Tina Y. Lo/Chairman

II. Company Profile

1. Date of Incorporation: July 27, 1999

2. Company History:

Industrial Bank of Taiwan (IBT), precursor of O-Bank, was jointly founded by veteran financiers Samuel C. Shieh and Kenneth C. M. Lo in collaboration with a number of private businesses in 1999. As the first newly established industrial bank in Taiwan, IBT took on the mission to support national economic development, participate in key infrastructure projects, provide investment banking services, and foster strategic emerging industries, thereby accelerating the transformation and restructuring of Taiwan's industrial base. Given the tremendous transformation that Taiwan's industrial structure has undergone over the years, IBT considered it a justifiable statement that it had accomplished its mission to help the government support the manufacturing sector. To better cater to the current financial market, the Bank launched into retail banking in January 2017. Taking on the new name of O-Bank, it aims to provide consumers with simple, convenient, and secure digital banking services and, as Taiwan's first Native Digital Bank, draw on financial technology (Fintech) to make real the vision of financial inclusion. In May 2017, O-Bank was listed on the Taiwan Stock Exchange, no less than a milestone on its path toward moving to higher ground of corporate governance and attaining sustainable development.

Since its inception, O-Bank has stood by the core values of "Trust, Outstanding, Unity, Creativity, and Honor" as it strives for higher-than-average growth and sustainable development. When it comes to corporate banking, the Bank positions itself as a "boutique bank" that provides clients with a full spectrum of financial services. The Bank's corporate banking services cover the following: short- and mid- to long-term lending, trade financing, factoring, financial commodities trading, asset securitization, project financing, trust, foreign exchange, and international finance. As an expert in syndicated lending, the Bank provides corporate clients with funding services armed with a wide range of products. Given its specialization in offering financial advisory services, the Bank has also proven a valuable partner in helping corporate clients devise business strategies and improve financial health. In terms of trade finance, the Bank is ready with tools to help corporate clients meet capital management needs in different stages, from factoring and trade financing to fully integrated cash management solutions, so that they can expand business reach, accomplish restructuring and upgrade, and make inroads internationally. When it comes to trust, the O-Bank Number One Real Estate Investment Trust (REITs) Fund, the first of its kind to have secured Financial Supervisory Commission approval in Taiwan in nearly a decade, was listed on the Taiwan Stock Exchange in June 2018. Thanks to the mutual trust and reciprocity attained through long-term cooperation over the years, O-Bank has been recognized by corporate clients as the best financial advisor and principal bank that can deliver win-win outcomes.

In terms of retail banking, O-Bank took the forward-looking step of crafting the first digitally focused bank in Taiwan that combines cloud systems and big data analytics to offer the best possible consumer experience: fully online account opening application, online unsecured loan applications, online fund subscription, online foreign exchange transaction, 24-hour video customer service, and robot advisory services. The latest technology is adopted to create a real-time inclusive financial environment that is easily accessible and knows no boundary. As far as physical outlets are concerned, the Bank operates its head office and main business department in the Taipei Neihu Technology Park as well as the branches in Taipei Nanjung Fuxing, Taoyuan, Hsinchu, Taichung, Kaohsiung, and the business department in Tainan Region etc.

To promote cross-border banking, the Bank set up its offshore banking unit (OBU) in September 2003. This was followed by the opening of the Bank's first overseas branch in Hong Kong in April 2009 to accommodate overseas investment, financing, and Renminbi services. Another objective is to establish a cross-border banking platform that spans Taiwan, Hong Kong, mainland China, and the U.S. with a view to providing customers with a wide range of funding sources and financial services and helping Taiwan-based enterprises with capital allocation and other financial matters in their global expansion.

To accommodate business development and expand business scope, the Bank took action in January 2006 and December 2007 to accumulate a nearly 28% stake in China Bills Finance Corp., thereby launching into the short-term bill sector. This alliance through cooperation across operations, techniques, and outlets aims to create synergies shared by both parties.

To open up more business opportunities and expand business scope, the Bank acquired California-based EverTrust Bank in March 2007, marking a stride in its global push that enabled the Group to bring its financial services to the U.S. West Coast. A bank of healthy finances and assets with a sound track record, EverTrust Bank deals mainly in deposits, loans, cash management, trade finance, and consumer finance. Its eight outlets in the Greater Los Angeles Area and Silicon Valley cater primarily to an ethnic Chinese clientele.

In April 2011, the Bank set up subsidiary IBT Leasing Co., Ltd. by equity investment and set up IBT International Leasing Corp. in Suzhou to offer diverse financial services and consolidate its market standing there. In December 2022, IBT International Leasing Corp., merged with Jih Sun International Leasing and Finance CO., Ltd to become Infinite Finance Co., Ltd.. O-Bank became the second-largest shareholders of the company. It is hoped that we will be able to create a new and synergistic leasing business based on a larger scale.

Separately, O-Bank team up with China Everbright Bank and China CYTS Tours Holding Co., Ltd. to form Beijing Sunshine Consumer Finance Co., Ltd., which became operational in August 2020. The prospective joint venture will provide Chinese consumers with a brand-new digital banking service, thereby giving O-Bank an extra push in its bid for the Greater China market.

Even as the Bank strives aggressively for expansion, it is equally earnest to assert itself beyond the business sphere. The Corporate Culture Promotion Committee initiated in 2013 was followed by the Corporate Social Responsibility Committee in 2015. To make real the vision of sustainable development, the Bank first committed itself to five key areas: corporate governance, employee care, customer relations, social engagement, and environmental protection. Recent years, it went a step further to include green finance as the sixth key area. Clearly defined objectives are set and specific departments are charged with the responsibility of tracking endeavors undertaken to achieve them, as part of its systematic implementation of corporate social responsibility initiatives. Last year has even seen the Bank undertake nearly 100 upgrade and restructuring plans.

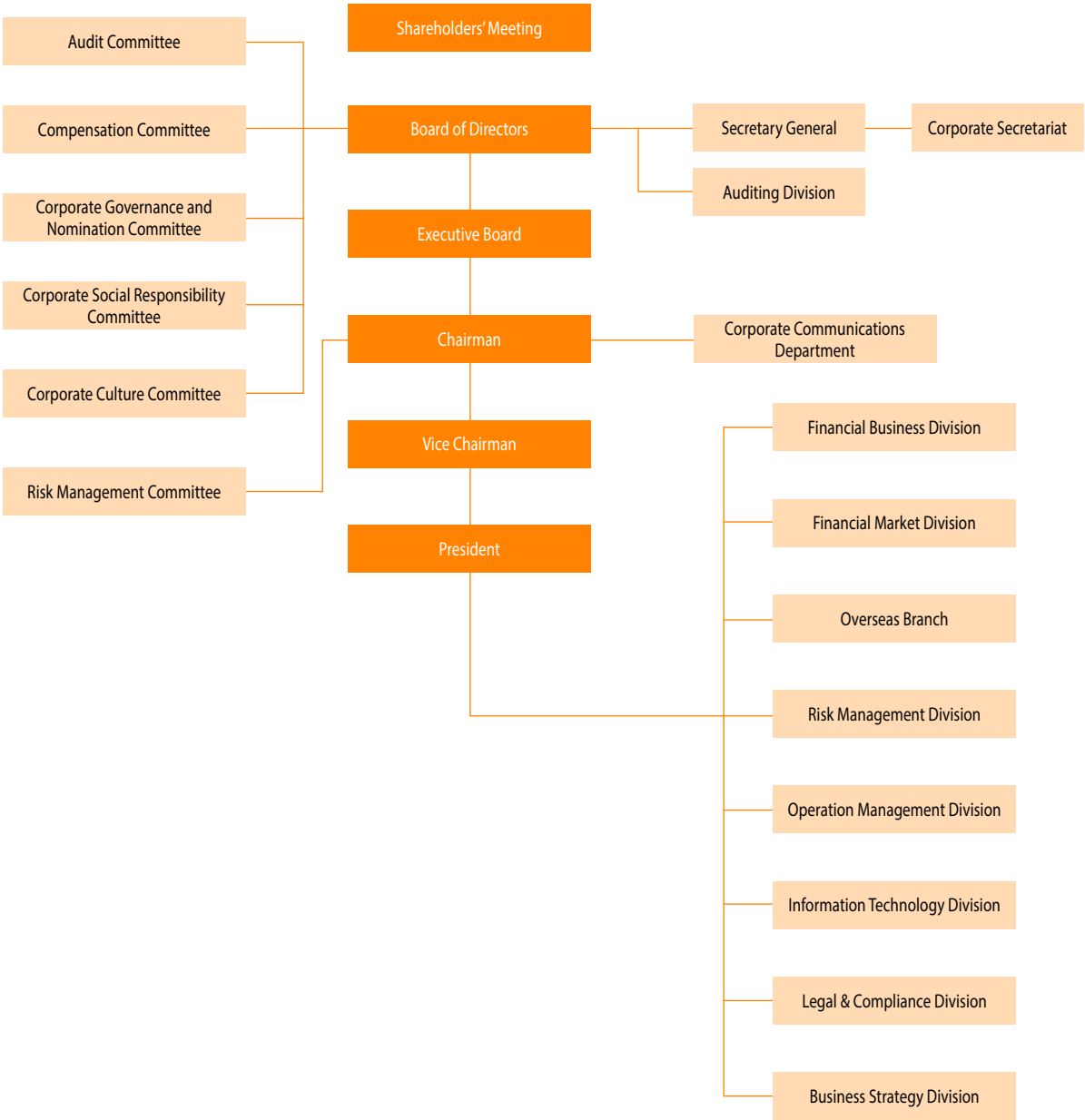
In October 2017 the Bank persuaded B Lab of the U.S. to certify it as a B Corporation. O-Bank is not only the first listed company and financial services provider in Taiwan but also the first listed bank worldwide to be thus certified. It will continue to strive for a win-win outcome for both the society and the environment. In May 2021, The Bank introduced the Task Force on Climate-related Financial Disclosures (TCFD) and became a member of the TCFD supporter to assess the climate risks and opportunities that may be faced by the bank's operations and investment portfolios. In August 2021, the Bank signed the Equator Principles (EP) to set corporate customers' environmental protection, management integrity, risk management and other sustainability-related issues as items for project financing risk evaluation. Also, O-Bank has incorporated ESG risk assessment into the investment and

III. Corporate Governance Report

1 Organization

A. Organizational System

Record Date: April 18, 2023



B. The duties of the functional committees are as follows:

1. Audit Committee: Composed of the entire number of independent directors, the committee is intended to assist the Board of Directors in performing the duty of oversight. It is supposed to undertake the following: (1) Enact or amend the internal control system, (2) evaluate the effectiveness of the internal control system, (3) enact or amend the SOP of major financial activities such as acquisition or disposal of assets as well as derivatives transactions, (4) review matters in which directors have personal interests, (5) review major asset or derivatives transactions, (6) review major instances of lending funds or providing endorsements or guarantees, (7) review the offering, issuance, or private placement of equity securities, (8) review the appointment, dismissal, or compensation of CPAs, (9) review the appointment and dismissal of financial, accounting, or internal audit managerial officers, (10) review annual and semi-annual financial statements signed or sealed by the chairman, manager and accounting manager, and (11) review other major items stipulated by the Bank or the competent authority.
2. Compensation Committee: Composed of the entire number of independent directors, the committee is intended to assist the Board of Directors in assessing and supervising the Bank's compensation policy and remunerations for directors and managerial officers.
3. Corporate Governance and Nomination Committee: Composed of 3 directors with over half independent directors, the independent directors shall serve as the convener and chairman of the meeting, and the committee is intended to designate the standard of the Board members and find, review list of director candidates submitted by the Corporate Secretariat department and it is submitted to the shareholders' meeting to elect suitable directors after the resolution of the board of directors is submitted; set up and review programs for the director continuing education initiative and succession planning; set up the Bank's Corporate Governance Principles and the Bank's Regulations Governing the Performance Evaluation of the Board of Directors; oversee and supervise corporate governance evaluations and performance evaluations of the Board, and then submit annual corporate social responsibility plan objectives and report to the Board for review and further improvement.
4. Corporate Social Responsibility Committee: Comprising the chairman, vice chairman, and a number of members, the committee is responsible for devising the Bank's corporate social responsibility system and policy directions as well as implementation plans. It is supposed to meet on a regular basis for tracking the implementation of relevant projects and submit a report on implementation results to the Board of Directors each year.
5. Corporate Culture Committee: Composed of the chairman, vice chairman, and a number of members, the committee is responsible for setting corporate culture-related regulations and policies and implementing plans. Also, the committee makes an effort to improve internal measures and adopt policies designed to meet employee needs and build corporate culture and internal cohesion.
6. Risk Management Committee: With the board chairman at the helm, the committee comprises a number of members, including at least two directors appointed by the board chairman. The committee is responsible for reviewing the Bank's risk management mechanism and risk management proposals that call for board approval, supervising risk management measures to be implemented, and checking the efficacy of these efforts.

C. Duties of various departments:

1. Corporate Secretariat: Convocation of shareholders' meetings, meetings of the Board of Directors, Audit Committee, Corporate Governance and Nomination Committee; amendment of the Articles of Incorporation; compilation of annual reports; undertaking of archival, confidential, and other office affairs of the Board of Directors; organization and promotion of corporate governance.
2. Auditing Division: Auditing and supervision of the Bank's departments and domestic/overseas subsidiaries, reviews for internal and external deficiencies and follow-up checks on rectification measures, oversight of internal audits, investigations of unsound lending or investment cases, and evaluation of audit operations of the Bank's departments and subsidiaries.
3. Corporate Communications Department: Establishment and development of the Bank's corporate image and relations with the media, the public, and investors; organization of the press conferences and investor conferences; planning of the press releases and media coverage; announcement of material information overall planning with regard to making public the Bank's information and the communication thereof; undertaking of promotion and communication; monitoring of media reports and handling of media crises; establishment and management of brand image; management and promotion of corporate social responsibility and corporate culture initiatives; assessment of corporate sustainability; compilation of sustainability reports.
4. Financial Business Division: Development and management of corporate banking, consumer banking, digital banking, and offshore banking. It is composed of the following:
 - (1) Corporate/Commercial Banking Center: Promotion of deposit, lending, and wealth management services; management and upkeep of customer relations.
 - (2) Offshore Banking Unit: Upkeep and amendment of OBU management regulations and contracts; handling of matters in relation to OBU services.
 - (3) Corporate Finance Department: Operations with regard to syndicated corporate lending as well as structured, project, M&A, and cross-border loans; provision of project finance consulting; development, sales, and management of such products as NT dollar and foreign currency NCDs.
 - (4) Global Transaction Service Department: Development, sales, and management of accounts receivable, trade financing, and supply chain financing services.
 - (5) Corporate Cash Management and e-Banking Department: Cash management for corporate banking clients; planning, promotion, and upkeep of electronic banking, online banking, and integrated collection and payment services.
 - (6) Trust Department: Development, planning, promotion, and management of trust services; provision of services for arranging securitized products and advisory services for asset management or realty development.
 - (7) Consumer Lending Department : Management of consumer banking; Strategy planning and implementation management of sales promotion.
 - (8) Wealth Management Department: Drafting of business policy, service content, and marketing strategies and plans that target wealth management customers.

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- (3) Operation Planning Department: Planning of operations strategies, workflow design, resources allocation, and overall management.
 - (4) Finance & Accounting Department: Financial Management Department: Taking charge of accounting and taxation and the assessment of performance of all departments.
 - (5) General Affairs Department: Procurement and management of construction and renovation items as well as other properties; handling of stock affairs, document dispatch and receipt, and other administrative duties.
8. Information Technology Division: Planning and management of the Bank's information systems; implementation and upkeep of its information security policy. It is composed of the following:
- (1) Financial Information Department: Responsible for the framework assessment, process planning and third-party resource management of the wealth management system.
 - (2) Application System Development Department: Planning of retail banking customer data system; Demand category management of data center and data warehousing system.
 - (3) Core Banking System Development Department: development of core systems; digital financial credit application system needs identification, structure evaluation, and workflow planning with regard to channel- and card-related systems.
 - (4) System Development Department: Design, development, and upkeep of the Bank's information applications, internal information system, and management systems.
 - (5) Infrastructure and System Services Department: Implementation and upkeep of policies and standards for various system platforms; operation of the Bank's problem-reporting center and follow-up management.
 - (6) Information Security Department: Review and implementation of Information Security regulations; maintenance and drafting of provisions for relevant policies.
9. Legal & Compliance Division: Study of the Bank's legal affairs; planning, management, and supervision of legal compliance; planning and management of anti-money laundering and countering the financing of terrorism, set up the follows:
- (1) Legal Department: Responsible for the deliberation of relevant business contracts of the whole bank, legal consulting services, research on laws and regulations, and deliberation and handling of legal affairs.
 - (2) Legal Compliance and Money Laundering Prevention Department: Responsible for the planning, management and supervision of laws and regulations, the planning and management of preventing money laundering and combating terrorism.
10. Business Strategy Division: Planning of the Bank's business guidelines and strategies; management of human resources; evaluation of investments. It is composed of the following:
- (1) Strategic Planning Department: Planning, analysis, and implementation of the Bank's business guidelines and strategies; planning and drafting of development strategies for the Bank's global business; planning and implementation of cross-border strategic alliances; planning, designing, and

development of product portfolios; management of and liaison with the Bank's investees, planning and implementation of data governance development strategy.

- (2) Overseas Representative Office: Undertaking of overseas market surveys and analysis and research thereof.
- (3) Human Resources Department: Drafting of human resources policy and regulations governing the administration of personnel; handling of matters in relation to appointment, attendance, compensation, benefits, rewards and penalties, and training.
- (4) Principal Investment Department: Evaluation of investment in domestic and foreign manufacturing and venture capital businesses; follow-up management and disposal of investees.

11. Overseas Branches: Promotion of corporate banking services outside Taiwan; upkeep of customer relations; handling of financial products trading, account affairs, and administrative management.

2. Directors, Supervisors and Management Team

(1) Directors and Supervisors

A. Directors

As of April 19, 2022
Unit: Shares/%

| Title | Nationality/ Place of Incorporation | Name | Gender Age | Date Elected | Term (Years) | Date First Elected | Shareholding when Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship | | | Remarks (Note 2) |
|--|---|--|------------------------------|-----------------|-----------------|------------------------|------------------------------|----------------|----------------------------|----------------|--------------------------------|---|---|---|--|-------------------|--|--|------------------------------|---------------------|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Chairman | Republic of China | Ming Shan Investment Co., Ltd. (Rep.: Lo, Tina Y.) | Female 51-60 years old | 2020.6.19 | Three years | 2011.6.13 2002.5.30 | 250,769,967 *23,972,980 | 10.39 *7.99 | 362,298,574 *23,972,980 | 13.25 *8.02 | - | - | - | - | Vice Chairman, O-Bank Vice Chairman, EverTrust Bank Member, MIT Sloan Asian Executive Board Vice President, Chinese National Association of Industry and Commerce (CNAIC) and convener, CNAIC's Young Entrepreneur Committee Director, Bankers Association of the Republic of China Chief Executive, O-Bank Hong Kong Branch President, IBT Management Corporation MBA, MIT (Massachusetts Institute of Technology) Sloan School of Management, USA | Note 3 | Managing Director Director | Lo, Kenneth C.M. Chen, Shih-Tze | 1st Degree 1st Degree | - |
| Managing Director (Honorary Chairman) | Republic of China | Lo, Kenneth C.M. | Male 81-90 years old | 2020.6.19 | Three years | 1999.7.12 | 1,296,443 *128,945 | 0.05 *0.04 | 1,431,228 *128,945 | 0.05 *0.04 | - | - | - | - | Chairman, O-Bank Chairman EverTrust Bank Director, Cross-Strait Common Market Foundation Managing Director, Cross-Strait CEO Summit Chairman/Honorary Chairman, Chinese National Association of Industry and Commerce President Chinatrust Commercial Bank M.A in Finance, The University of Alabama | Note 4 | Director Chairman | Chen, Shih-Tze Lo, Tina Y. | Spouse 1st Degree | - |

| Title | Nationality/ Place of Incorporation | Name | Gender Age | Date Elected | Term (Years) | Date First Elected | Shareholding when Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship | | | Remarks (Note 2) |
|-------------------------------------|---|--|----------------------------|-----------------|-----------------|------------------------|------------------------------|----------------|----------------------------|----------------|--------------------------------|--------|---|---|---|-------------------|--|------|----------|---------------------|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Managing Director | Republic of China | Taiwan Cement Co., Ltd. (Rep.: Huang, Edward Chien Chiang) | Male 71-80 years old | 2020.6.19 | Three years | 1999.7.12 2022.3.22 | 29,719,000 *2,955,881 | 1.23 *0.99 | 32,808,744 *2,955,881 | 1.20 *0.99 | - - | - - | - - | - | Chairman, Heping Chairman, Ho-Ping Industrial Port Corporation · Chairman, Feng Sheng Industrial Co., Ltd. · Chairman, TCC Fuzhou Cement Co., Ltd. · Director, Ho-Ping Power Company Department of Transportation and Communication Management Science, National Cheng Kung University | Note 5 | - | - | - | -Note 6 |
| Managing Director | Republic of China | Mingshan Investment Co., Ltd. (Rep.: JIAN, ZHI- MING) | Male 61-70 years old | 2020.6.19 | Three years | 2011.6.19 2022.11.2 | 250,769,967 *23,972,980 | 10.39 *7.99 | 362,298,574 *23,972,980 | 13.25 *8.02 | - - | - - | - - | - | Chairman, Risheng Taijun International Leasing Co., Ltd. Director, Taiwan ICBC Leasing Co., Ltd. Director, Taijun International Leasing Co., Ltd. General Manager, China Securities Finance Co., Ltd. Senior Deputy General Manager, Risk Management Department, O-Bank Bachelor of Economics, National Chung Hsing University | Note 7 | - | - | - | Note 8 |
| Independent Managing Director | Republic of China | Hu, Fu-Hsiung | Male 61-70 years old | 2020.6.19 | Three years | 2020.6.19 | - | - | - | - | - | - | - | - | Independent Director, Walsin Lihwa Corporation · Chairman, Taiwan Cooperative Securities Co., Ltd. · Chairman, Joint Credit Information Center · Director, Taiwan Ratings · Director, Mega International Commercial Bank · Director, Taiwan Cooperative Bank · Committee Member, Executive Yuan Financial Restructuring Fund Committee MBA, National Taiwan University | Note 9 | - | - | - | - |
| Independent Director | Republic of China | Lin, Hank H.K. | Male 61-70 years old | 2020.6.19 | Three years | 2020.6.19 | - | - | - | - | - | - | - | - | Chairman, EY Cultural and Educational Foundation · Supervisor, Union MechTronic Inc. · Director, St. Ann Medical Co., Ltd. · Director, Globe Union Industrial Corp. · Managing Partner/CPA, EY Taiwan MBA, City University of New York (Brooklyn College) | Note 7 | - | - | - | - |
| Independent Director | Republic of China | Liu, Richard R.C. | Male 71-80 years old | 2020.6.19 | Three years | 2014.6.6 | - | - | - | - | - | - | - | - | Independent Director, Taiwan Aulisa Medical Devices Technologies, Inc. · Director, Taishin Bank · Independent Director, First Commercial Bank · Managing Director, Hua Nan Bank Secretary General of Ministry of Finance · Master of Economics, University of San Francisco; Master of Public Administration, National Chengchi University | Note 11 | - | - | - | - |

| Title | Nationality/ Place of Incorporation | Name | Gender Age | Date Elected | Term (Years) | Date First Elected | Shareholding when Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship | | | Remarks (Note 2) |
|----------|---|---|------------------------------|-----------------|-----------------|------------------------|------------------------------|---------------|--------------------------|---------------|--------------------------------|--------|---|--------------------|--|-------------------|---|------|----------|---------------------|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Director | Republic of China | Tai Ya Investment Co., Ltd. (Rep.:Chen, Shih-Tze) | Female 71-80 years old | 2020.6.19 | Three years | 2002.5.30 1999.7.12 | 75,307,768 *7,490,185 | 3.12 *2.50 | 83,137,161 *7,490,185 | 3.04 *2.50 | - - | - - | - 1,431,228 *128,945 | - 0.05 *0.04 | - Chairman, Ming Shan Investment Co., Ltd. ∙ Chairman, Yi Chang Investment Co., Ltd. ∙ Chairman, Tai Hsuan Investment Co., Ltd. ∙ Chairman, Tai Ya Investment Co., Ltd. ∙ Director, Kogyoku Foods Co., Ltd. ∙ Director, O-Bank Education Foundation ∙ Supervisor, IBT II Venture Capital Co., Ltd. ∙ Director, International Bank of Taipei ∙ Managing Director, O-Bank Department of Foreign Languages & Literatures, National Taiwan University | Note 12 | Managing Director < | | | |

| Title | Nationality/ Place of Incorporation | Name | Gender Age | Date Elected | Term (Years) | Date First Elected | Shareholding when Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship | | | Remarks (Note 2) |
|----------|---|---|----------------------------|-----------------|-----------------|------------------------|------------------------------|---------------|----------------------------|---------------|--------------------------------|--------------------|---|---|---|-------------------|--|------|----------|---------------------|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Director | Republic of China | Yi Chang Investment Co., Ltd. (Rep.: Yeh, Roy J.Y.) | Male 61-70 years old | 2020.6.19 | Three years | 1999.7.12 2020.6.19 | 240,254,084 *23,786,204 | 9.96 *7.93 | 265,221,793 *23,786,204 | 9.70 *7.95 | - 10,383 *1,000 | - 0.00 *0.00 | - - | - | Chairman, IBT Management Corporation ∙ Chairman, IBT VII Venture Capital Co., Ltd. ∙ Director, IBT International Leasing Corp. ∙ Director/President, IBT Leasing Co., Ltd. ∙ Chief Corporate Banking Officer/Senior Executive Vice President of Risk Management Department, O-Bank Department of Insurance, Tamkang University | Note 17 | - | - | - | -Note 18 |
| Director | Republic of China | Lin, Bill K.C. | Male 51-60 years old | 2020.6.19 | Three years | 2020.6.19 | - | - | 140,000 | 0.005 | - | - | - | - | Director, EasyCard Investment Holding Co., Ltd. ∙ Director, EasyCard Corporation ∙ Director, UUPON INC. ∙ Director, Curdoctor Information Service Corp. ∙ Independent Director, GOMAJI Corp. Ltd. ∙ Director, Taiwan Internet and E-Commerce Association (TIEA) ∙ Chairman, 17Life ∙ Chairman, PayEasy.com Travel Agency ∙ Founder and CEO, Payeasy Digital Integration Co., Ltd. ∙ Executive Consultant of Internet Banking, Taishin International Bank ∙ Sales supervisor of Credit Card Business, Taishin International Bank MBA, Chinese Culture University ∙ EMBA, National Taiwan University | Note 19 | - | - | - | - |

Note 1: "*" denotes Class A Preferred Shares in this Table.

Note 2: The chairman of the Board of Directors and the president or person of an equivalent post (the highest-ranking manager) are not the same person.

Note 3: Positions concurrently assumed by representative Tina Y. Lo : Vice Chairman, EverTrust Bank ∙ Director, The Eisenhower Fellows Association in the Republic of China ∙ Director, Taiwan Institute of Financial Incorporation ∙ Director, Ming Shan Investment Co., Ltd., ∙ Director, Yi Chang Investment Co., Ltd. ∙ Director, Cross-strait Common Market Foundation ∙ Director, Tai Hsuan Investment Co., Ltd. ∙ Director, Tai Ya Investment Co., Ltd. ∙ Director, IBT Holdings Corp. ∙ Director, KC Investments Corp. ∙ Director, Lucky Bamboo Investments Limited ∙ Managing Director of Taiwan Listed Companies Association ∙ Managing Supervisor, Friends of the Police Association ∙ Vice President, Chinese National Association of Industry and Commerce ∙ Director, The Bankers Association of Taipei ∙ Director, Bankers Association of the Republic of China ∙ Honor Director, Taiwan Women on Boards Association ∙ Director, Criminal Investigate Association of Republic of China.

Note 4: Positions concurrently assumed by Kenneth C.M. Lo : Chairman, O-Bank Education Foundation ∙ Chairman, Hong Ju Investment Co., Ltd ∙ Director, National Taiwan University Economic Research Foundation ∙ Director, C.F. Koo Foundation ∙ Director, Taiwan Cement Corporation ∙ Director, Institute for National Policy Research ∙ Director, Andrew T. Huang Medical Education Promotion Fund ∙ Executive Director, Cross-Straits CEO Summit ∙ Director, Taipei Municipal Jiangguo High School Alumni Association ∙ Supervisor, NTU Alumni Association ∙ Supervisor, NTU Alumni Association of Taipei ∙ Honorary Chairman, Chinese National Association of Industry and Commerce.

Note 5: Positions concurrently assumed by representative Edward Chien-Chiang, Huang : Chairman, Tai-Jie Transport & Stowage Corporation ∙ Chairman, Feng Sheng Industrial Co., Ltd. ∙ Chairman, E.G.C. Cement Corporation ∙ Chairman, Ho-Ping Industrial Port Corporation ∙ Chairman, TCC Fuzhou Cement Co., Ltd. ∙ Chairman, TCC Fuzhou Yangyu Port Co., Ltd. ∙ Chairman, TCC (DongGuan) Cement Company Limited ∙ Director, Taiwan Cement Engineering Corporation ∙ Director, TCC Information Systems Corporation ∙ Director, Taiwan Transport & Stowage Co., Ltd. ∙ Director, Ho-Ping Power Company ∙ Director, Ta-Ho Maritime Corporation ∙ Director, Taiwan Cement (Dutch) Holdings B.V. ∙ Director, TCC Shaoguan Cement Co., Ltd. ∙ Director, Chiefolk Company Limited ∙ Director, Hong Kong Cement Company Limited ∙ Director, Hong Kong Concrete Co Ltd ∙ Director, Quon Hing Concrete Co Ltd ∙ Director, Pan Asia Corp ∙ Director, China United Resources Co., Ltd. ∙ Director of China Ship Survey Center ∙ Director, TCC International Holdings Ltd. ∙ Director, TCC International Ltd. (TCCI).

Note 6: The legal person director Taiwan Cement Co., Ltd. has a term of office of three years. On 2022.3.22, its representative was reassigned from Mr. Zhang Anping to Mr. Huang Jianqiang (term from 2022.3.22 to 2023.6.18), and the bank elected Huang Jianqiang on 2022.5.4 Mr. is the managing director.

- Note 7: Representative Jian Zhiming concurrently serves as: Chairman of Risheng Taijun International Leasing Co., Ltd., director of Risheng Quantaitong Passenger Car Leasing Co., Ltd., director of Risheng International Financial Leasing Co., Ltd., director of Taijun International Financial Leasing Co., Ltd. Supervisor of a joint stock company.
- Note 8: The legal person director of Mingshan Investment Co., Ltd. has a term of office of three years. On 2022.11.2, its representative was reassigned from Ms. Luo Yiqian to Mr. Jian Zhiming (term from 2022.11.2 to 2023.6.18). The bank also elected Mr. Jian Zhiming on the same day as the managing director.
- Note 9: Independent executive director Hu Fuxiong concurrently serves as independent director of Walsin Lihwa Co., Ltd.
- Note 10: Independent director Lin Hongguang concurrently serves as: chairman of Taipei Ernst & Young Culture and Education Foundation, director of Chenglin Enterprise Co., Ltd., director of Taichung Private Jumei Social Welfare and Charity Foundation, director of Qiangmao Co., Ltd., supervisor of Guohe Technology Co., Ltd. people.
- Note 11: Independent director Liu Rongzhu concurrently serves as: Independent director of Taiwan Anlisa Medical Equipment Technology Co., Ltd.
- Note 12: Positions concurrently assumed by representative Shih-Tze Chen : Chairman, Ming Shan Investment Co., Ltd. 、 Chairman, Yi Chang Investment Co., Ltd. 、 Chairman, Tai Hsuan Investment Co., Ltd. 、 Chairman, Tai Ya Investment Co., Ltd. 、 Director, Kogyoku Foods Co., Ltd. 、 Director, O-Bank Education Foundation 、 Director, Paradise Palms Ltd. 、 Director, KC Park Co. 、 Director, SKY Capital International Group Inc. 、 Director, Triple Ace Management Co., Ltd.(BVI) 、 Director, Crystal Lake Global Limited 、 Director, Eagle Base Holdings Limited 、 Director, Eagle Dynasty Investments Limited 、 Director, Global Sail Holdings Limited 、 Director, KC Investments Corp. 、 Director, Star International Pacific Ltd. 、 Director, Lucky Bamboo Investments Limited 、 Director, Kenneth Menifee, Inc. 、 Director, KC Holdings (Delaware), Inc. 、 Director, Kenneth Parc , Inc 、 Director, Sapphire Crystal Ltd 、 Supervisor, IBT II Venture Capital Co., Ltd. 、 Supervisor, Prudential Fortune Investment Co., Ltd. 、 Supervisor, Hong Ju Investment Co., Ltd.
- Note 13: Positions concurrently assumed by representative George C.J. Cheng: Chairman, San Ho Development Co., Ltd. 、 Chairman, Abag Enterprise Co., Ltd. 、 Chairman, Abag Investment Holdings Co., Ltd. 、 Director, San Ho Plastics Fabrication Co., Ltd.
- Note 14: Positions concurrently assumed by Mark J.C. Lee : Chairman, Sung Yuan Development Co., Ltd. 、 Director, Chia Wheel Enterprises Co., Ltd. 、 Director, Heng Jih Song Accurate Industries Co., Ltd. 、 Director, Heng Tin Feng Invest Development Co., Ltd. 、 Director, Tong Chuan Invest Development Co., Ltd. 、 Director, Bai Tong Investment Co., Ltd. 、 Director, Heng Ying Mahinery Co., Ltd. 、 Director, Heng Tong Assets Management Co., Ltd. 、 Director, Heng Tong Machinery Co., Ltd. 、 Director, Heng Gi Lie Investment Ltd. Company 、 Director, Chang Yan Investment Co., Ltd. 、 Director, Hong Fu Investment Co., Ltd. 、 Director, Siang Tai Investment Co., Ltd. 、 Director, Hong Da Investment Co., Ltd. 、 Director, Heng Kuo Co., Ltd.
- Note 15: Positions concurrently assumed by representative Elton F.Y. Lee : President, O-Bank 、 Director, EverTrust Bank.
- Note 16: Positions concurrently assumed by representative Gordon W.C. Lin : Chairman, Prudential Fortune Investment Co., Ltd. 、 Supervisor, Gamma Paradigm Capital/Research.
- Note 17: Representative Ye Ruiyi concurrently serves as: Chairman of Taiwan ICBC Technology Consulting Co., Ltd., and Chairman of Taiwan ICBC Seven Venture Capital Co., Ltd.
- Note 18: The legal person director Yichang Investment Co., Ltd. has a term of office of three years. On 2022.11.2, Mr. Ye Ruiyi, the representative, resigned as the executive director, but still serves as the director.
- Note 19: Positions concurrently assumed by Bill K.C. Lin : Director, EasyCard Investment Holding Co., Ltd. 、 Director, EasyCard Corporation 、 Director, UUPON INC. 、 Director, Curdoctor Information Service Corp 、 Independent Director, GOMAJI Corp. Ltd.

B. Major shareholders of the institutional shareholders

Apr. 18, 2023

| Name of Institutional Shareholders | Major Shareholders |
|------------------------------------|--|
| Yi Chang Investment Co., Ltd. | Prudential Fortune Investment Co., Ltd. (55.78%) 、 Triple Ace Management Co., Ltd. (42.8%) 、 Lo, Nina Y.C.(1.43%) |
| Ming Shan Investment Co., Ltd. | KC Investments Corp.(86.11%) 、 Lo, Kenneth C.M.(3.73%) 、 Hong Ju Investment Co., Ltd.(3.63%) 、 Chen, Shih-Tze(3.62%) 、 Lo, Tina Y.(2.91%) |
| Taiwan Cement Corp. | Chia Hsin Cement Corporation (3.56%) 、 Chinatrust Investment Co., Ltd. (3.13%) 、 Old Labor Pension Scheme Fund (1.80%) 、 Yuanta Taiwan High Dividend Fund Dedicated Account (1.78%) 、 Tong Yang Chia Hsin International Corporation (1.74%) 、 Taishin International Commercial Bank Co., Ltd. is entrusted with the custody of Cathay Pacific Taiwan High Dividend Umbrella Securities Investment Trust Fund Taiwan ESG Perpetual High Dividend ETF Securities Investment Trust Fund Account (1.70%) 、 International CSRC Investment Holdings Co., Ltd. (1.69%) 、 Heng Qiang Investment Co., Ltd. (1.67%) 、 Taiwan Life Insurance Co., Ltd.(1.64%) 、 Bank of Taiwan Co., Ltd. Public Education Insurance Department (1.46%). |
| Abag Investment Holdings Co., Ltd. | Cheng, George C.J.(40%) 、 Lin Huei-Chen(20%) 、 Cheng, Po-Yun(20%) 、 Cheng, Po-Wen(20%) |
| Tai Ya Investment Co., Ltd. | Crystal Lake Global Limited (65.91%) 、 Chen, Shih-Tze(34.09%) |

Note: All information disclosed in the above table has been provided by respective institutional shareholders, and O-Bank provided such information accordingly.

C. Major shareholders of the Company's major institutional shareholders

Apr. 18, 2023

| Name of Institutional Shareholders | Major Shareholders |
|--|---|
| Prudential Fortune Investment Co., Ltd. | Lo, Nina Y.C.(96%)、Lo, Kenneth C.M.(2%)、Chen, Shih-Tze(2%) |
| Triple Ace Management Co., Ltd. | Global Sail Holdings Limited (100%) |
| KC Investments Corp. | Paradise Palms Ltd.(100%) |
| Hong Ju Investment Co., Ltd. | Lo, Tina Y.(91.66%)、Lo, Kenneth C.M.(4.17%)、Chen, Shih-Tze(4.17%) |
| Chia Hsin Cement Corporation | Tong Yang Chia Hsin International Corporation(16.44%)、Sung Ju Investment Corporation(8.88%)、Yung-Ping Chang(5.39%)、Taiwan Cement Corporation(3.54%)、Ta-Ho Marinetime Corporation(3.33%)、Nutri Vita Inc.(2.23%)、Chai Hsin Foundation(1.92%)、International Chia Hsin Corporation(1.89%)、Guo-Huei Gu(1.74%)、Chia Hsin ReadyMixed Concrete Corporation(1.70%) |
| Chinatrust Investment Co., Ltd. | Heng Qiang Investment Co., Ltd.(23.38%)、Fu Pin Investment Co., Ltd.(23.33%)、Taiwan Cement Corporation(9.36%)、International CSRC Investment Holdings Co., Ltd.(4.48%)、TCC Investment Co., Ltd(3.45%)、Hoping Industrial Port Corporation(3.31%)、Kun Qing International Development Ltd.(2.97%)、Qiao Tai Investment Co., Ltd.(2.77%)、Chung Ho Textile Co., Ltd.(2.31%)、Ta-Ho Maritime Corporation(2.09%) |
| Old Labor Pension Scheme Fund | None |
| Tong Yang Chia Hsin International Corporation | Chia Hsin Cement Corporation(87.18%)、Chia Hsin Construction & Development Corporation(10.41%)、Chia Min Corporation(0.52%)、Sung Ju Investment Corporation(0.42%)、Ju-Ping Chang(0.25%)、Yung-Ping Chang(0.22%)、Chung-Lien Chung(0.19%)、International Chia Hsin Corporation(0.16%)、An-Ping Chang(0.12%)、C.K. Wang(0.11%) |
| Taishin International Commercial Bank Co., Ltd. is entrusted with the custody of Cathay Pacific Taiwan High Dividend Umbrella Securities Investment Trust Fund Taiwan ESG Perpetual High Dividend ETF Securities Investment Trust Fund Account | None |
| International CSRC Investment Holdings Co., Ltd. | Taiwan Cement Corporation(15.59%)、Chinatrust Investment Co., Ltd.(6.89%)、TCC Investment Co., Ltd.(2.23%)、CS Development & InvestmentCo.(1.50%)、JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds(1.20%)、Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds(1.17%)、Union Cement Traders Inc.(1.16%)、Citigroup (Taiwan) Commercial Bank is entrusted with the custody of the investment account of the Norwegian Central Bank(1.11%)、Global life insurance co., Ltd.(1.02%)、Citigroup (Taiwan) Commercial Bank is entrusted with the custody of the investment account of Boluning Development National Fund Co., Ltd. (0.82%) |
| Heng Qiang Investment Co., Ltd. | Tian-Yi Huo、(49.50%)、Gung-Kai Koo(24.90%)、Hsuan-Hui Koo(25.5995%)、Fu Pin Investment Co., Ltd.(0.0005%) |
| Taiwan Life Insurance Co., Ltd. | China Trust Financial Holdings Co., Ltd.(100%) |
| Bank of Taiwan Co., Ltd. Public Education Insurance Department | None |
| Crystal Lake Global Limited | Chen, Shih-Tze(100%) |

Note: All information disclosed in the above table has been provided by respective institutional shareholders, and O-Bank provided such information accordingly.

D. Professional qualifications and independence analysis of directors

As of April 18, 2023

| Criteria Name | Professional Qualifications and Experiences | Independence (Note) | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|----------------------|--|---------------------|---|
| Lo, Tina Y. | <ul style="list-style-type: none"> ■ Chairman of the Bank ■ Member of the Bank's Corporate Governance and Nomination Committee <p>Ms. Tina Y. Lo chairs the Bank and holds the following concurrent positions: Vice-chairman of the Republic of China Chamber of Commerce and Industry and convener of the Youth Affairs Committee, the first female vice-chairman of the Association since its founding 70 years ago; member, MIT Sloan Asian Executive Board; director, Director, Cross-Strait Common Market Foundation; Director, Bankers Association of the Republic of China, etc.</p> <p>Previously Ms. Lo was the Bank's first Hong Kong Branch chief executive, managing director, and vice chairman as well as the O-Bank Group's chief strategy officer. She was also selected to the WEF's Young Global Leaders (YGL) forum and identified as an Eisenhower Fellowships fellow, making her Taiwan's only recipient of both honors. In 2016, she was appointed by President Tsai Ing-wen to Chinese Taipei's mission to APEC's Business Advisory Council (ABAC).</p> <p>With her expertise in business administration, decision-making, international markets, crisis and risk management, banking, corporate governance, sustainable development, and green finance, Ms. Lo is committed to taking the Bank forward while following the benevolent way of "benefiting others to fulfill oneself." The ultimate goal is to create a reciprocal financial service platform sharing prosperity with customers and join all stakeholders in fostering a win-win future of sustainability.</p> | | 0 |

| Criteria Name | Professional Qualifications and Experiences | Independence (Note) | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|----------------------------|---|--|---|
| Lo, Kenneth C.M. | <ul style="list-style-type: none"> ■ Managing Director of the Bank ■ Honorary Chairman of the Bank <p>Mr. Kenneth C.M. Lo is the Bank's managing director as well as honorary chairman. He holds the following concurrent positions: managing director, Cross-Strait CEO Summit; honorary director, Chinese National Association of Industry and Commerce (CNAIC), etc.</p> <p>Mr. Lo, a veteran banker, and former central bank governor Samuel Shieh teamed up with a number of private businesses to found Industrial Bank of Taiwan (IBT) in 1999. He went on to transform IBT into O-Bank as a commercial bank and get it listed on the Taiwan Stock Exchange in 2017. In his banking career that spans over half a century, he acted as president of Chinatrust Commercial Bank and chairman of the Bank among others, fully attesting to his meeting the Financial Supervisory Commission's requirements for natural-person professional directors. In his long banking career, Mr. Lo has accumulated all the necessary competences: business administration, leadership, decision-making, international perspectives, crisis and risk management, and lending expertise. In the days ahead, the Bank is ready to continue drawing on Mr. Lo's expertise and experience as it strives for business expansion and earnings growth.</p> | | 0 |
| Huang, Edward Chien-Chiang | <ul style="list-style-type: none"> ■ Director of the Bank <p>Mr. Edward Chien-Chiang Huang is director of the Bank. He holds the following concurrent positions: chairman, Ho-Ping Industrial Port Corporation; chairman, Feng Sheng Industrial Co., Ltd.; chairman, TCC Fuzhou Cement Co., Ltd.; director, Ho-Ping Power Company, etc.</p> <p>A professional manager working for the Taiwan Cement group for more than 40 years, Mr. Huang is equipped with the capacity for business judgment, business administration, crisis and risk management as well as industry knowledge and a sound perspective of the global market. The Bank will continue enlisting his expertise and experience in driving growth going forward.</p> | <p>The independence of Mr. Edward Chien-Chiang Huang is as follows:</p> <ul style="list-style-type: none"> ■ Not a director, supervisor, or employee of the Bank or any of its affiliates. ■ Not holding shares, together with those held by his spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Bank | 0 |

| Criteria Name | Professional Qualifications and Experiences | Independence (Note) | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|----------------------|--|---|---|
| Jian Zhiming | <p>■ Managing Director of the Bank</p> <p>Mr. Jian Zhiming is the executive director of the Bank and the chairman of Risheng Taijun International Leasing Co., Ltd.</p> <p>Mr. Jian Zhiming is a senior professional manager with more than 35 years of experience in the financial industry. He once served as a director of ICBC Leasing in Taiwan, as the general manager of China Securities Securities Co., Ltd., and as the chief risk control officer of the Bank. He has operational judgment, operation management, and financial knowledge, risk management and crisis management and other professional capabilities, the bank will continue to develop its business steadily by relying on Mr. Jian Zhiming's financial expertise and rich practical experience.</p> | | 0 |
| Hu, Fu-Hsiung | <p>■ Independent Managing Director of the Bank</p> <p>■ Convener of the Bank's Compensation Committee</p> <p>■ Convener of the Bank's Corporate Governance and Nomination Committee</p> <p>■ Member of the Bank's Audit Committee</p> <p>Mr. Fu-Hsiung Hu is not only the Bank's independent managing director but also Walsin Lihwa Corp.'s independent director.</p> <p>Previously Mr. Hu served as chairman of Taiwan Cooperative Securities Co., Ltd. and Joint Credit Information Center and director of Taiwan Cooperative Bank, Mega International Commercial Bank, and Taiwan Ratings Corp. He also had experience working for such government agencies as the Executive Yuan, Ministry of Economic Affairs, and Council of Agriculture. Given his extensive experience spanning both the financial services industry and the public sector, he fully meets the Financial Supervisory Commission's requirements for natural-person professional directors. In the days ahead, the Bank is ready to further enhance management efficiency by enlisting Mr. Hu's experience and expertise in banking, corporate governance, and risk management.</p> | <p>The Bank appoints its independent directors in accordance with the qualification requirements listed in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and Article 14-2 of the Securities and Exchange Act. On top of requesting a written declaration of independence in the nomination and appointment process, the Bank conducted evaluation against the following criteria to ascertain the independence of Mr. Hu:</p> <ul style="list-style-type: none"> ■ Not a person, spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship who acts as a director, supervisor, or employee of the Bank or any of its affiliates. ■ Not holding any shares, together with those held by his spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship. ■ Not acting as a director, supervisor, or employee of any company with a specific relationship with the Bank. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not a governmental, juridical person or its representative. | 1 |

| Criteria Name | Professional Qualifications and Experiences | Independence (Note) | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|----------------------|---|---|---|
| Lin, Hank H.K. | <ul style="list-style-type: none"> ■ Independent Director of the Bank ■ Convener of the Bank's Audit Committee ■ Member of the Bank's Compensation Committee ■ Member of the Bank's Corporate Governance and Nomination Committee <p>Mr. Hank H.K. Lin is the Bank's independent director. He holds the following concurrent positions: chairman, EY Cultural and Educational Foundation; supervisor, Union MechTronic Inc.; director, St. Ann Medical Co. Ltd.; director, Globe Union Industrial Corp.</p> <p>Mr. Lin spent over 20 years at EY Taiwan as CPA, managing partner, and chief CPA at its Taichung branch. With his ample experience in auditing and competences in finance, accounting, and corporate governance, he helped the Bank's Audit Committee facilitate communication between CPAs and internal audit officers as the Bank strives to improve corporate governance by ensuring fair presentation of financial statements, effective implementation of internal control, and sound management of operational risk.</p> | <p>The Bank appoints its independent directors in accordance with the qualification requirements listed in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and Article 14-2 of the Securities and Exchange Act. On top of requesting a written declaration of independence in the nomination and appointment process, the Bank conducted evaluation against the following criteria to ascertain the independence of Mr. Lin:</p> <ul style="list-style-type: none"> ■ Not a person, spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship who acts as a director, supervisor, or employee of the Bank or any of its affiliates. ■ Not holding any shares, together with those held by his spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship. ■ Not acting as a director, supervisor, or employee of any company with a specific relationship with the Bank ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not a governmental, juridical person or its representative. | 0 |

| Criteria Name | Professional Qualifications and Experiences | Independence (Note) | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|----------------------|--|--|---|
| Liu, Richard R.C. | <ul style="list-style-type: none"> ■ Independent Director of the Bank ■ Member of the Bank's Audit Committee ■ Member of the Bank's Compensation Committee <p>Mr. Richard R.C. Liu is the independent director of the Bank as well as the independent director of Taiwan Aulisa Medical Devices Technologies, Inc.</p> <p>An expert in public administration and economics with international perspectives and economic and financial expertise, Mr. Liu previously held key positions at the Ministry of Economic Affairs and Ministry of Finance. Liu was also director of Taishin International Bank, independent director of First Commercial Bank, and managing director of Hua Nan Bank. Given his solid expertise and experience, Mr. Liu fully meets the Financial Supervisory Commission's requirements for natural-person professional directors. In the days ahead, the Bank is ready to continue enlisting his competences and expertise in banking operations to ensure effective implementation of corporate governance and internal control and keep up its growth momentum.</p> | <p>The Bank appoints its independent directors in accordance with the qualification requirements listed in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and Article 14-2 of the Securities and Exchange Act. On top of requesting a written declaration of independence in the nomination and appointment process, the Bank conducted evaluation against the following criteria to ascertain the independence of Mr. Liu:</p> <ul style="list-style-type: none"> ■ Not a person, spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship who acts as a director, supervisor, or employee of the Bank or any of its affiliates. ■ Not holding any shares, together with those held by his spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship. ■ Not acting as a director, supervisor, or employee of any company with a specific relationship with the Bank. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not a governmental, juridical person or its representative. | 1 |
| Chen, Shih-Tze | <ul style="list-style-type: none"> ■ Director of the Bank <p>Ms. Shih-Tze Chen is the Bank's director. She holds the following concurrent positions: chairman, Ming Shan Investment Co., Ltd.; chairman, Yi Chang Investment Co., Ltd.; chairman, Tai Hsuan Investment Co., Ltd.; chairman, Tai Ya Investment Co., Ltd.; director, Kogyoku Foods Co., Ltd.; director, O-Bank Education Foundation, etc.</p> <p>Besides sitting on the board of International Bank of Taipei, Ms. Chen previously acted as the Bank's managing director. Serving the O-Bank board for more than two decades has fully familiarized her with banking operations and operational management. The Bank will continue enlisting her experience in business judgment and management to keep up growth momentum going forward.</p> | | 0 |

| Criteria Name | Professional Qualifications and Experiences | Independence (Note) | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|----------------------|--|---------------------|---|
| Cheng, George C.J. | <p>■ Director of the Bank</p> <p>Mr. George C.J. Cheng is the Bank's director. He holds the following concurrent positions: chairman, San Ho Development Co., Ltd.; chairman, Abag Enterprise Co., Ltd.; chairman, Abag Investment Holdings Co., Ltd.; director, San Ho Plastics Fabrication Co., Ltd., etc.</p> <p>Mr. Cheng has extensive exposure to industries and competences in business judgment and administration. As Mr. Cheng is well-positioned to counsel on operational strategies and business administration, the Bank is ready to continue enlisting his expertise to bolster operations going forward.</p> | | 0 |
| Lee, Mark J.C. | <p>■ Director of the Bank</p> <p>Mr. Mark J.C. Lee is the Bank's director. He holds the following concurrent positions: chairman, Sung Yuan Development Co., Ltd.; director, Bai Tong Investment Co., Ltd.; director, Heng Gi Lie Investment Ltd.; president, Heng Tong Machinery Co., Ltd.; director, Heng Kuo Co., Ltd.</p> <p>Mr. Lee is equipped with solid experience in business administration and competences in business judgment, business management, and financial accounting. As Mr. Lee is well-positioned to counsel on operational strategies and financial accounting, the Bank is ready to continue enlisting his expertise to achieve its operational goals.</p> | | 0 |
| Lee, Elton F.Y. | <p>■ Director/President of the Bank</p> <p>Mr. Elton F.Y. Lee acts as both the Bank's director and president as well as O-Bank subsidiary EverTrust Bank's director.</p> <p>Prior to his joining O-Bank, Mr. Lee acted as HSBC Taiwan's SVP and commercial banking chief, the first chief executive of HSBC's Suzhou Branch, and VP of HSBC's Shenzhen Branch charged with serving Taiwanese businesses. In 2012, Mr. Lee came to the Bank and became chief executive of its Hong Kong Branch. During his seven-year tenure there, the branch enjoyed an over fivefold surge in pretax profit and made a key earnings driver of the Bank thanks to his dedication to promoting growth and serving customers. Mr. Lee became president of the Bank in February 2020. In the days ahead, the Bank is set to count on Mr. Lee's solid expertise and experience in business administration, leadership, decision-making, and risk management as well as international perspectives to move up to even higher ground going forward.</p> | | 0 |

| Criteria Name | Professional Qualifications and Experiences | Independence (Note) | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|------------------|---|---------------------|---|
| Lin, Gordon W.C. | <p>■ Director of the Bank</p> <p>Mr. Gordon W.C. Lin is the Bank's director. He holds the following concurrent positions: Chairman, Shenfeng Investment Co., Ltd. 、 Gamma Financial Management Consulting Co., Ltd.; supervisor, IBTS Holdings Ltd., etc.</p> <p>Previously Mr. Lin served as the Bank's deputy president, chairman of IBT Securities Co., Ltd., 、 Chairman, IBT Leasing Co., Ltd; Chairman, IBT International Leasing Corp. and director of the O-Bank Education Foundation. In the days ahead, the Bank will continue enlisting his expertise and experience in financial accounting, business management, and banking and leasing businesses to help both the Bank and its leasing subsidiaries keep growing.</p> | | 0 |
| Yeh, Roy J.Y. | <p>■ Managing Director of the Bank</p> <p>Mr. Roy J.Y. Yeh is the Bank's managing director. He holds the following concurrent positions: chairman, IBT Management Corporation; chairman, IBT VII Venture Capital Co., Ltd.; director, IBT Leasing Co., Ltd.; director, IBT International Leasing Corp., etc.</p> <p>Mr. Yeh has accumulated an extensive experience and built up competences in risk management and lending business at the Bank through taking such positions as Chief Corporate Banking Officer, Senior Executive Vice President of Risk Management Department, and president of the Bank's leasing subsidiary. The Bank will continue enlisting Mr. Yeh's expertise and experience to sustain development going forward.</p> | | 0 |
| Lin, Bill K.C. | <p>■ Director of the Bank</p> <p>Mr. Bill K.C. Lin is the Bank's director. He holds the following concurrent positions: Curdoctor Information Service Corp.; independent director, GOMAJI Corp; Director, Corporate legal person Taiwan Long Distance Wisdom Love Public Welfare Alliance.</p> <p>Mr. Lin spent more than five years at Taishin International Bank where he served in the position of assistant manager or a higher or equivalent position in its head office. Given his professional experience in the banking industry, he fully meets the Financial Supervisory Commission's requirements for natural-person professional directors. Separately, Mr. Lin is also a professional equipped with industry knowledge and expertise in digital banking who holds key positions at 17Life Inc., PayEasy Digital Integration Co., Ltd., PayEasy.com, and the Taiwan Internet and E-Commerce Association (TiEA). The Bank will continue enlisting his professional competence to bolster its capacity for innovating corporate banking, personal banking, and digital banking services and enhancing service quality across the board.</p> | | 1 |

Note 1: None of the Bank's directors has committed any of the violations listed in Article 30 of the Company Act.

Note 2: The Bank's directors faithfully stand by the principle of recusal. When it comes to any item involving personal interests that may harm the Bank's interests, directors do not participate in the discussion of and voting on the said item and do not vote on behalf of other directors.

Note 3: "Company with a specific relationship with the Bank" refers to a company defined by Subsection 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

E. Board Diversification and Independence

1. Board Diversification

In accordance with the Articles of Incorporation, the Bank adopts the candidate nomination system for elections of directors. The selection of board members is not dictated by gender, age, race, or nationality, and the Bank shall bring into professional and experienced elites from various fields to conform to the Bank's diversified development. The Board members shall be equipped with the knowledge, skills, and aptitude needed to perform their duties, so as to achieve excellence in corporate governance. Moreover, the Board shall be equipped with the capacity for business judgment, accounting and financial analysis, business administration, risk management, crisis management, industry knowledge, a sound perspective of the global market, leadership, decision making, corporate sustainability knowledge, legal knowledge, and information technology/information security capabilities.

Reflecting its emphasis on the board diversity, the Bank's 8th Board of Directors comprises elites from the financial, industrial and academic communities. With 9 of them holding master's degrees, they span such disciplines as economics, commerce, accounting, insurance, public administration, and languages. Directors representing the Board's capacity for business judgment, business administration, leadership, and decision making are Tina Y. Lo, Kenneth C.M. Lo, Shih-Tze Chen, and Elton F.Y. Lee; financial accounting, Hank H.K. Lin, Mark J.C. Lee, and Gordon W.C. Lin; risk management, Roy J.Y. Yeh, Fu-Hsiung Hu, and Nina Y.C. Lo; international perspectives, Tina Y. Lo, Huang, Edward Chien-Chiang, Liu, Richard R.C., and Richard R.C. Liu; information technology and information security, Hu Fuxiong, Lin Hongguang and Lin Kunzheng. As such, all members of the Board of Directors are not only equipped with the knowledge, skills, and aptitude needed to perform their duties but also fully competent in the areas of banking, finance, commerce, law, and industry respectively.

Of the Bank's 14 incumbent directors, three are independent directors, (or 21.4%,) recorded not more than 9 years of service. In terms of age distribution, three directors are aged under 60, six between 61-70, and five over 71, attesting to a thorough mix of experience and innovation. Furthermore, the Bank pays attention to gender equality in the composition of its Board of Directors, with the proportion of female directors was gradually increased to 1/3 by 2030. In the Bank's 8th Board of Directors, there are two female directors, or 14%. Priority will be given to considering female candidates in future board elections in order to attain the aforesaid aim. Separately, there is one director (7%) who is the employee (including employees of the Bank's affiliates) in a concurrent capacity.

At its 5th meeting on December 23, 2020, the Bank's 8th Board of Directors enacted the Bank's "Diversity Policy, Independence Standard, Continuing Education Initiative Program, and Succession Planning for the Board of Directors." The Bank makes it a point to adopt the policy of diversity with regard to composition of the Board of Directors, enhance the independence of the Board, and strengthen the Board functions, so as to bolster corporate governance and attain sustainable development. The objective is to ensure the diversity and independence of the Board members and strengthen the Board functions, thereby bolstering corporate governance and attaining sustainable development.

Board Diversity Professional Capabilities:

| Diversification Ability Name of the directors | Operational Judgment and Operational Management Capabilities | Accounting and financial analysis skills | Risk management ability | Crisis handling ability | Financial professional and industry knowledge | International market outlook and ability to invest in mergers and acquisitions | Leadership and Decision-Making | Corporate Sustainability Knowledge | legal knowledge | IT Security Capabilities |
|--|--|--|-------------------------|-------------------------|---|--|--------------------------------|------------------------------------|-----------------|--------------------------|
| Lo, Tina Y. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| Lo, Kenneth C.M. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| Huang, Edward Chien-Chiang | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| Jian Zhiming | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | |
| Hu, Fu- Hsiung | ✓ | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Lin, Hank H.K | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | ✓ |
| Liu, Richard R.C. | ✓ | ✓ | ✓ | | ✓ | ✓ | | ✓ | ✓ | ✓ |
| Chen, Shih-Tze | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | | |
| Cheng, George C.J | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| Lee, Mark J.C. | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | |
| Lee, Elton F.Y. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| Lin, Gordon W.C. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| Yeh, Roy J.Y. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | |
| Lin, Bill K.C. | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | ✓ |

2. Board Independence

Among the Bank's current 14 directors, there are 3 independent directors, accounting for 21.4%. The nomination and selection of independent directors of the Bank, their qualifications, professionalism, independence, and number of concurrent positions are all in accordance with the "Securities and Exchange Law", "Regulations on the Appointment of Independent Directors of Publicly Issued Companies and Matters to Be Followed" and the Taiwan Stock Exchange Standardize the conditions for independent directors. In addition, a written declaration of independence of independent directors is required at the time of nomination and election, and through the evaluation of various independence requirements, it is confirmed that independent directors meet the independence requirements. In addition, in order to ensure that independent directors avoid reducing their independence due to long-term tenure and exercise their powers objectively, all independent directors of the Bank have not served three consecutive terms.

The Bank's board of directors has three directors who are spouses or relatives within the second degree of relationship (please refer to the "Directors' Information" section of this annual report), which complies with the provisions of Items 3 and 4 of Article 26-3 of the Securities and Exchange Act. In addition, the Bank has no government agencies or single legal person organizations or subsidiaries that account for more than one-third of the board of directors. Accordingly, the Bank comprehensively assessed that the composition of the Board of Directors is independent.

(2) Management Team

Apr. 18, 2023

Unit: Shares/%

| Title | Nationality | Name | Gender | Effective Date | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience(Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remarks (Note 2) |
|---------------------------------|-------------------|-------------------|--------|----------------|-----------------------|---------------|-----------------------------|---|-------------------------------------|---|--|--|---|------|----------|------------------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| President | Republic of China | Lee, Elton F.Y. | Male | 2020.02.01 | 1,429,530 | 0.05 | - | - | - | - | Deputy President, O-Bank MBA, Manchester Business School | Director, EverTrust Bank | - | - | - | - |
| Deputy President | Republic of China | Lin, Roger Y. F. | Male | 2017.03.01 | 1,730,403 *300,000 | 0.06 *0.10 | - | - | - | - | Senior Executive Vice President, O-Bank Master of International Business, National Taiwan University | - | - | - | - | - |
| Senior Executive Vice President | Republic of China | Xu Chengzhou | Male | 2022.8.24 | 130,000 | 0.00 | - | - | - | - | CFO of Yushan Financial Holdings Master of Business Administration, Sun Yat-sen University | - | - | - | - | - |
| Senior Executive Vice President | Republic of China | Chyr, Y. H. | Male | 2020.09.01 | 40,000 | 0.00 | - | - | - | - | Senior Executive Vice President, Cathay United Bank Master of Science in Industrial Engineering, New Jersey Institute of Technology | - | - | - | - | - |
| Senior Executive Vice President | Republic of China | Xiao Zhongcheng | Male | 2023.04.26 | - | - | - | - | - | - | HSBC (Taiwan) Commercial Bank, Senior Vice President, Large Enterprise Division, Industrial and Commercial Banking Division Master of Business Administration, University of California, Riverside | - | - | - | - | - |
| Executive Vice President | Republic of China | Lai Fengren | Male | 2014.3.1 | 512,000 *90,000 | 0.02 *0.03 | - | - | - | - | Senior vice president, O-Bank Master of Business Administration, University of Birmingham, UK | - | - | - | - | - |
| Executive Vice President | Republic of China | Chao, Tillie C.L. | Female | 2021.07.28 | 31,943 | 0.00 | - | - | - | - | Chief Risk Officer, ANZ Banking MBA, National Taiwan University Science & Technology | Supervisor, IBT Management Corporation - Supervisor, IBT VII Venture Capital Co., Ltd. | - | - | - | - |
| Executive Vice President | Republic of China | Fan, Vivian H.J. | Female | 2017.04.17 | 359,846 *300,000 | 0.01 *0.10 | - | - | - | - | Senior Vice President, O-Bank Bachelor of Science in Information Management, Fu Jen Catholic University | - | - | - | - | - |
| Executive Vice President | Republic of China | Siew, Joy C.Y. | Female | 2021.03.01 | 514,237 *300,000 | 0.02 *0.10 | - | - | - | - | Senior Vice President, O-Bank Master of Arts in International Relations, Johns Hopkins University | Director, China Bills Finance Corp. | - | - | - | - |
| Executive Vice President | Republic of China | Xie Jun | Male | 2023.3.29 | - | - | - | - | - | - | Senior Deputy General Manager of Risheng Taijun International Leasing Co., Ltd. Head of Risk Control, Taiwan ICBC Leasing Company/(Suzhou) Taijun International Leasing Company PhD in Economics, Shanghai University of Finance and Economics | - | - | - | - | - |
| Executive Vice President | Republic of China | Chen, Paul H.J. | Male | 2021.01.01 | 101,587 *50,000 | 0.00 *0.02 | - | - | - | - | Senior Vice President, O-Bank Master of Law, National Cheng Chi University | - | - | - | - | - |
| Executive Vice President | Republic of China | Tang Ruoheng | Male | 2021.07.29 | 25,000 | 0.00 | - | - | - | - | Senior Manager, Regional Financial Division, Taipei Fubon Bank Department of Finance, Chaoyang University of Science and Technology | - | - | - | - | - |
| Executive Vice President | Republic of China | Jin Yundao | Male | 2016.03.01 | 345,917 *30,000 | 0.01 *0.01 | - | - | - | - | O-Bank Senior Manager National Taiwan University Master of Economics | - | - | - | - | - |

| Title | Nationality | Name | Gender | Effective Date | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience(Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remarks (Note 2) |
|--------------------------|-------------------|---------------------|--------|----------------|---------------------|---------------|-----------------------------|------|-------------------------------------|---|---|--|---|------|----------|------------------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Executive Vice President | Republic of China | Guo Huixian | Female | 2022.11.03 | | | | | | | Managing Director of Hong Kong Entrepreneur Panwei Technology Co., Ltd. Master of Commerce, National Taiwan University | | | | | |
| Executive Vice President | Republic of China | Fang Huanwen | Male | 2018.03.15 | 295,000 | 0.01 | | | | | Senior Manager, Payment Finance Division, Taishin Bank Tamkang University Master of International Business | | | | | |
| Executive Vice President | Republic of China | Hong Lizhen | Female | 2022.11.03 | | | | | | | Project Manager, Strategic Planning Division, Cathay United Bank Department of Transportation Management, Tamkang University | | | | | |
| Executive Vice President | Republic of China | Tan, Kevin H.C. | Male | 2022.03.01 | 392,037 *50,000 | 0.01 *0.02 | 10,383 | 0.00 | | | Senior Vice President, O-Bank MBA, National Chengchi University | | | | | |
| Executive Vice President | Republic of China | Wang, Alan J.J. | Male | 2021.08.21 | 20,000 | 0.00 | | | | | Executive Vice President, TK3C Bachelor of Computer Science and Information Engineering, Fu Jen Catholic University | | | | | |
| Executive Vice President | Republic of China | Tian Fuzhang | Male | 2022.08.29 | *120,000 | 0.04 | | | | | | | | | | |
| Executive Vice President | Republic of China | Shao, Wen W.C. | Male | 2016.02.01 | 409,412 *100,000 | 0.01 *0.03 | | | | | Executive Vice President, IBT International Leasing Corp. MBA, Case Western Reserve University | Director, IBT International Leasing Corp. · Director, Beijing Sunshine Consumer Finance Co., Ltd | | | | |
| Senior Vice President | Republic of China | Chang, Ophelia L.W. | Female | 2021.03.01 | 250,000 *300,000 | 0.01 *0.10 | | | | | Vice President, O-Bank Bachelor of International Business, National Taiwan University | | | | | |
| Senior Vice President | Republic of China | Chang, Samson W. Y. | Male | 2020.09.01 | 100,000 | 0.00 | - | - | - | - | Vice President, OBU, Yunta Bank MBA, Tunghai University | - | - | - | - | - |
| Senior Vice President | Republic of China | Soong, Grace L.H. | Female | 2019.03.01 | 180,000 | 0.01 | - | - | - | - | Vice President, O-Bank MBA, University of California | - | - | - | - | - |
| Senior Vice President | Republic of China | Fang, Andy C.P. | Male | 2017.03.01 | 170,000 | 0.01 | - | - | - | - | Vice President, O-Bank Master of Science in Information Resource Management, Syracuse University | - | - | - | - | - |
| Senior Vice President | Republic of China | Hsu, Pei Ling | Female | 2019.08.26 | 160,000 | 0.01 | - | - | - | - | Vice President, Corporate Development Division, Fubon Financial Holding Co. Ltd. MBA, Massachusetts Institute of Technology, Sloan School of Management | - | - | - | - | - |
| Senior Vice President | Republic of China | Li Zhikuan | Male | 2013.04.01 | 339,000 | 0.01 | | | | | O-Bank Vice President Department of Accounting, Tamkang University | | | | | |
| Senior Vice President | Republic of China | Chen Yanliang | Male | 2022.11.03 | | | | | | | Vice President, Consumer Finance, DBS Bank Master of International Trade, National Chengchi University | | | | | |
| Senior Vice President | Republic of China | Hung, Ida K.Y. | Female | 2022.03.01 | 144,000 *10,397 | 0.01 *0.00 | - | - | - | - | Vice President, O-Bank Master of Statistics, National Cheng Chi University | - | - | - | - | - |
| Senior Vice President | Republic of China | Ye Chengxian | Male | 2022.10.01 | | | | | | | Senior Vice President of Inspection Department of Taiwan Leasing Co., Ltd. Master of Economics, National Chengchi University | | | | | |
| Senior Vice President | Republic of China | Chen, Gaven Y. | Male | 2020.03.01 | 230,000 *30,000 | 0.01 *0.01 | - | - | - | - | Vice President, O-Bank Bachelor of Finance and Economic, Tamsui Oxford University College | - | - | - | - | - |

| Title | Nationality | Name | Gender | Effective Date | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience(Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Remarks (Note 2) |
|---------------------------------|-------------------|--------------------|--------|----------------|--------------------|---------------|-----------------------------|------|-------------------------------------|---|---|----------------|---|------|----------|------------------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Senior Vice President | Republic of China | Guan Shusen | Female | 2022.12.28 | | | | | | | Lawyer at Tianleping Law Firm in Mainland China Department of Law, Soochow University | | | | | |
| Senior Vice President | Republic of China | Liu, Arnold H.I | Male | 2022.01.01 | - | - | - | - | - | - | Senior Finance Manager, ANZ Bank Taiwan MBA, Fu Jen Catholic University | - | - | - | - | - |
| Senior Vice President | Republic of China | Yang Yawen | Female | 2016.05.16 | 64,000 | 0.00 | | | | | Vice President of Citigroup (Taiwan) Bank Telephone Banking Service Center Master of Business Administration, Golden Gate University, California | | | | | |
| Senior Vice President | Republic of China | Li Dexin | Female | 2023.04.01 | 178,458 | 0.01 | | | | | O-Bank Senior Manager Master of Business Administration, Cornell University | | | | | |
| Senior Vice President | Republic of China | Chen, C.Y. | Male | 2020.03.01 | 159,599 | 0.01 | 10,383 | 0.00 | - | - | Vice President, O-Bank EMBA, National Tsing Hua University | - | - | - | - | - |
| Senior Vice President | Republic of China | Jiang Yanshu | Male | 2022.11.03 | 9,108 | 0.00 | | | | | Senior Associate, Information Department, Yuanfu Securities Co., Ltd. Master of Information Management, National Taiwan University of Science and Technology | | | | | |
| Senior Vice President | Republic of China | Lin, Doris C. J. | Female | 2022.03.01 | 125,000 *10,000 | 0.00 *0.00 | - | - | - | - | Vice President, O-Bank Master of Management Sciences, Tamkang University | - | - | - | - | - |
| Vice President | Republic of China | Zong Fuzhen | Female | 2023.03.15 | *10,000 | *0.00 | | | | | O-Bank Associate Master of Business Administration, National Chengchi University | | | | | |
| Vice President | Republic of China | Lin, Ted K.T. | Male | 2021.05.06 | 15,000 | 0.00 | - | - | - | - | Vice President, Bank of East Asia Master of Statistics and Information Science, Fu Jen Catholic University | - | - | - | - | - |
| Vice President | Republic of China | Chang, Wesley S.C. | Male | 2015.11.01 | 115,000 *12,585 | 0.00 *0.00 | - | - | - | - | Assistant Vice President, O-Bank Master of Law in International and European Business law, University of Leeds | - | - | - | - | - |
| Vice President | Republic of China | Zhang Yulin | Male | 2022.11.03 | | | | | | | O-Bank Associate Master of Information Management, National Taiwan University | | | | | |
| Vice President | Republic of China | Zhu Tingyi | Male | 2022.11.03 | | | | | | | Manager of System and Information Security Management Department, SinoFung Bank Master of Information Management, Tamkang University | | | | | |
| Senior Assistant Vice President | Republic of China | Tai, Hsin Yi | Female | 2021.11.12 | 27,000 *200,000 | 0.00 *0.07 | - | - | - | - | Assistant Vice President, O-Bank Master of Accounting, National Taiwan University | - | - | - | - | - |
| Assistant Vice President | Republic of China | Lin Yanliang | Male | 2023.04.01 | | | | | | | O-Bank Manager Master of Business Administration, Soochow University | | | | | |
| Assistant Vice President | Republic of China | Huang Yanzhi | Male | 2023.02.16 | | | | | | | O-Bank Manager Qiaoguang Commercial College Bank Insurance Division | | | | | |
| Assistant Vice President | Republic of China | Chiu, Em Y.C. | Female | 2022.01.01 | - | - | - | - | - | - | Manager, O-Bank MBA, National Kaohsiung University of Science and Technology | - | - | - | - | - |

Note1: “*” denotes Class A Preferred Shares in this Table.

Note2: Where the president of the Board of Directors and the chairman or person of an equivalent post (the highest-ranking manager) are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for such and the reasonableness and necessity thereof, as well as the measures adopted in response thereto, such as increasing seats for independent directors and having a majority of directors refrain from serving concurrently as employees or managerial officers.

(3) Return to consultant

Chairmen of the board and presidents rehired as consultant after retiring from the Bank or its affiliate enterprises: None.

3. Remuneration of Directors, President, Deputy Presidents, Vice Presidents and Consultants, and Remuneration of employees in the Most Recent Fiscal Year

(1) Remuneration of Non-independent Directors and Independent Directors

December 31, 2022
Unit: NT\$ thousands/%

| Title | Name | Remuneration | | | | | | | | Total Remuneration (A+B+C+D) and ratio to Net Income (%) | | Relevant Remuneration Received by Directors Who are Also Employees | | | | | | | | Total Compensation (A+B+C+D+E+F+G) and ratio to Net Income (%) | | Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or from the Company |
|----------------------|--|-----------------------|---|-------------------|--|------------------------------|--|----------------------------|--|--|--|--|--|-------------------|--|---------------------------------------|-------|--|-------|--|--|--|
| | | Base Compensation (A) | | Severance Pay (B) | | Directors Compensation(C) | | Allowances (D) (Note 2) | | | | Salary, Bonuses, and Allowances (E) (Note 2) | | Severance Pay (F) | | Employee Compensation (G) (Note 3) | | | | | | |
| | | The company | All companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | | Companies in the consolidated financial statements | | The company | Companies in the consolidated financial statements | |
| | | | | | | | | | | | | | | | | Cash | Stock | Cash | Stock | | | |
| Chairman | Lo,Tina Y. | 20,180 | 21,230 | 317 | 317 | - | - | 1,578 | 1,578 | 22,075 0.44 | 23,125 0.46 | - | - | - | - | - | - | - | - | 22,075 0.44 | 23,125 0.46 | None |
| Director | Lee, Elton F.Y | - | 936 | - | - | - | - | 54 | 126 | 54 .00 | 1,062 0.02 | 37,123 | 37,123 | 108 | 108 | 995 | - | 995 | - | 38,280 0.76 | 39,288 0.78 | None |
| Chairman | Ming Shan Investment Co., Ltd. (Rep.: Lo, Tina Y) | 8,665 | 22,888 | - | - | 67,031 | 67,031 | 2,316 | 3,028 | 78,012 1.55 | 92,947 1.85 | - | - | - | - | - | - | - | - | 78,012 1.55 | 92,947 1.85 | 783 |
| Managing Director | Lo, Kenneth C.M. | | | | | | | | | | | | | | | | | | | | | |
| Managing Director | Taiwan Cement Corporation (Rep.: Chang, Nelson An-Ping) (Note 1) | | | | | | | | | | | | | | | | | | | | | |
| Managing Director | Taiwan Cement Corporation (Rep.: Huang, Edward Chien- Chiang) (Note 1) | | | | | | | | | | | | | | | | | | | | | |
| Managing Director | Ming Shan Investment Co., Ltd. (Rep.: Jian Zhiming) (Note 2) | | | | | | | | | | | | | | | | | | | | | |
| Director | Tai'Ya Investment Co., Ltd. (Rep.:Chen, Shih-Tze) | | | | | | | | | | | | | | | | | | | | | |
| Director | Abag Investment Holdings Co., Ltd. (Rep.: Cheng, George C.J.) | | | | | | | | | | | | | | | | | | | | | |
| Director | Lee, Mark J.C. | | | | | | | | | | | | | | | | | | | | | |
| Director | Tai'Ya Investment Co., Ltd. (Rep.: Lee, Elton F.Y.) | | | | | | | | | | | | | | | | | | | | | |
| Director | Yi Chang Investment Co., Ltd. (Rep.: Lin, Gordon W.C.) | | | | | | | | | | | | | | | | | | | | | |
| Director | Ming Shan Investment Co., Ltd. (Rep.: Lo, Nina Y.C.) (Note 2) | | | | | | | | | | | | | | | | | | | | | |
| Director | Yi Chang Investment Co., Ltd. (Rep.:Yeh, Roy J.Y) (Note 3) | | | | | | | | | | | | | | | | | | | | | |
| Director | Lin, Bill K.C. | | | | | | | | | | | | | | | | | | | | | |

| Title | Name | Remuneration | | | | | | | | Total Remuneration (A+B+C+D) and ratio to Net Income (%) | | Relevant Remuneration Received by Directors Who are Also Employees | | | | | | | | Total Compensation (A+B+C+D+E+F+G) and ratio to Net Income (%) | | Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or from the Company |
|-------------------------------|-------------------|-----------------------|--|-------------------|--|---------------------------|--|-------------------------|--|--|--|--|--|-------------------|--|------------------------------------|-------|--|-------|--|--|---|
| | | Base Compensation (A) | | Severance Pay (B) | | Directors Compensation(C) | | Allowances (D) (Note 2) | | | | Salary, Bonuses, and Allowances (E) (Note 2) | | Severance Pay (F) | | Employee Compensation (G) (Note 3) | | | | | | |
| | | The company | All companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | | Companies in the consolidated financial statements | | The company | Companies in the consolidated financial statements | |
| | | | | | | | | | | | | | | | | Cash | Stock | Cash | Stock | | | |
| Independent Managing Director | Hu, Fu- Hsiung | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Lin, Hank H.K. | 6,000 | 6,000 | - | - | - | - | 594 | 594 | 6,594 0.13 | 6,594 0.13 | - | - | - | - | - | - | - | - | 6,594 0.13 | 6,594 0.13 | None |
| Independent Director | Liu, Richard R.C. | | | | | | | | | | | | | | | | | | | | | |

Note 1: On March 22, 2022, the legal person director of Taiwan Cement Co., Ltd. was reassigned from Mr. Chang, Nelson An-Ping to Mr. Huang, Edward Chien-Chiang (term from March 22, 2022 to June 18, 2023). The bank elected Mr. Huang, Edward Chien-Chiang as the executive director on May 4, 2022.

Note 2: On November 2 2022, the legal person director of Ming Shan Investment Co., Ltd. was reassigned from Ms. Lo, Nina Y.C. to Mr. Jian Zhiming (term from November 2 2022 to June 18, 2023). The bank also elected Jian Zhiming on the same day Mr. as the managing director.

Note 3: Legal person director Mr. Yeh, Roy J.Y., representative of Yichang Investment Co., Ltd., resigned as executive director on November 2 2022, but still serves as a director.

Note 4: Compensation for chauffeurs assigned to directors amounted to NT\$2,247 thousand and that for those assigned to employees charged with concurrent posts, NT\$873 thousand.

Note 5: As of the date of publication of this annual report, the Bank had yet to finalize details with regard to distributing employee remunerations for 2022. The amount given here is an estimate based on the actual distribution for 2021.

1. Spell out the policy, system, criteria, and structure concerning remuneration of independent directors as well as such remuneration' correlation with their duties, risk assumed, and time devoted:

In accordance with its Articles of Incorporation, the Bank excludes independent directors from distribution of earnings but may pay them remuneration no matter if it makes a profit or loss. The Board of Directors is authorized to decide on remuneration for independent directors on the basis of their involvement in the Bank's operations, the value of their contributions, and the result of performance evaluation of the Board while also taking into account such remuneration among industry peers.

2. Except for the items disclosed above, remuneration collected by directors for rendering services (to the Company, companies in its consolidated financial statements, or its investees as non-employee advisors) during the most recent year: None.

| Range of Remuneration | Name of Directors | | | |
|--|--|---|--|---|
| | Total of (A+B+C+D) | | Total of (A+B+C+D+E+F+G) | |
| | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements |
| Less than NT\$ 1,000,000 | Chang, Nelson An-Ping 、 Huang, Edward Chien-Chiang 、 Jian Zhiming 、 Chen, Shih-Tze 、 Cheng, George C.J. 、 Lee, Elton F.Y. 、 Lin, Gordon W.C. 、 Yeh, Roy J.Y. 、 Lo, Nina Y.C. | Chang, Nelson An-Ping 、 Huang, Edward Chien-Chiang 、 Jian Zhiming 、 Chen, Shih-Tze 、 Cheng, George C.J. 、 Lo, Nina Y.C. | Chang, Nelson An-Ping 、 Huang, Edward Chien-Chiang 、 Jian Zhiming 、 Chen, Shih-Tze 、 Cheng, George C.J. 、 Lin, Gordon W.C. 、 Yeh, Roy J.Y. 、 Lo, Nina Y.C. | Chang, Nelson An-Ping 、 Huang, Edward Chien-Chiang 、 Jian Zhiming 、 Chen, Shih-Tze 、 Cheng, George C.J. 、 Lo, Nina Y.C. |
| NT\$ 1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive) | Lin, Hank H.K. Liu, Richard R.C. | Lin, Hank H.K. Liu, Richard R.C. 、 Lo, Nina Y.C. | Lin, Hank H.K. Liu, Richard R.C. | Lin, Hank H.K. Liu, Richard R.C. |
| NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive) | Hu, Fu- Hsiung | Hu, Fu- Hsiung | Hu, Fu- Hsiung | Hu, Fu- Hsiung |
| NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive) | Abag Investment Holdings Co., Ltd. | Abag Investment Holdings Co., Ltd. | Abag Investment Holdings Co., Ltd. | Abag Investment Holdings Co., Ltd. |
| NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive) | Lo, Kenneth C.M. 、 Lee, Mark J.C. 、 Lin, Bill K.C. 、 Taiwan Cement Corporation 、 Tai Ya Investment Co., Ltd. | Lo, Kenneth C.M. 、 Lee, Mark J.C. 、 Lin, Gordon W.C. 、 Yeh, Roy J.Y. 、 Lin, Bill K.C. 、 Taiwan Cement Corporation 、 Tai Ya Investment Co., Ltd. | Lo, Kenneth C.M. 、 Lee, Mark J.C. 、 Lin, Bill K.C. 、 Taiwan Cement Corporation 、 Tai Ya Investment Co., Ltd. | Lo, Kenneth C.M. 、 Lee, Mark J.C. 、 Lin, Gordon W.C. Yeh, Roy J.Y. 、 Lin, Bill K.C. 、 Taiwan Cement Corporation 、 Tai Ya Investment Co., Ltd. |
| NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive) | Yi Chang Investment Co., Ltd. 、 Tai Ya Investment Co., Ltd. | Yi Chang Investment Co., Ltd. 、 Tai Ya Investment Co., Ltd. | Yi Chang Investment Co., Ltd. 、 Tai Ya Investment Co., Ltd. | Yi Chang Investment Co., Ltd. 、 Tai Ya Investment Co., Ltd. |
| NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive) | Lo, Tina Y. 、 Ming Shan Investment Co., Ltd. | Lo, Tina Y. 、 Ming Shan Investment Co., Ltd. | Lo, Tina Y. 、 Ming Shan Investment Co., Ltd. | Lee, Elton F.Y. |
| NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive) | - | - | Lee, Elton F.Y. | Lee, Elton F.Y. |
| NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive) | - | - | - | - |
| Greater than or equal to NT\$100,000,000 | - | - | - | - |
| Total | 21 | 21 | 21 | 21 |

Note: The compensation amounts disclosed here are not a conceptual equivalent to the "income" defined in the Income Tax Act. As such, these numbers are meant for information disclosure instead of taxation.

(2) Remuneration of President and Vice Presidents

December 31, 2022
Unit: NT\$ thousands/% :

| Title | Name | Remuneration | | | | | | | | | | Total Remuneration (A+B+C+D) and ratio to Net Income (%) | | Compensation Paid to President and Vice Presidents from an Invested Company Other than the Company's Subsidiary or from the Company |
|---------------------------------|------------------------------|-----------------------|--|-------------------|--|-----------------------------------|--|-------------------------|-------|--|-------|--|--|---|
| | | Base Compensation (A) | | Severance Pay (B) | | Bonus to Supervisors (C) (note 1) | | Allowances (D) (note 2) | | | | The company | Companies in the consolidated financial statements | |
| | | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | | Companies in the consolidated financial statements | | | | |
| | | | | | | | | Cash | Stock | Cash | Stock | | | |
| President | Lee, Elton F.Y. | 14,111 | 15,047 | 108 | 108 | 23,067 | 23,139 | 995 | — | 995 | — | 38,280 0.76 | 39,288 0.78 | None |
| Deputy President | Lin, Roger Y.F. | | | | | | | | | | | | | |
| Senior Executive Vice President | Chang, Niel W.F.(Note 3) | | | | | | | | | | | | | |
| Senior Executive Vice President | Wang, Chia Chi | | | | | | | | | | | | | |
| Senior Executive Vice President | Chyr, Y. H. | | | | | | | | | | | | | |
| Senior Executive Vice President | Hsu, Joseph Z.Z(Note 3) | | | | | | | | | | | | | |
| Executive Vice President | Fan, Vivian H.J. | | | | | | | | | | | | | |
| Executive Vice President | Chao, Tillie C.L. | | | | | | | | | | | | | |
| Executive Vice President | Siew, Joy C.Y. | | | | | | | | | | | | | |
| Executive Vice President | Lai, Joseph L.J. | | | | | | | | | | | | | |
| Executive Vice President | Chen, Paul H.J. | | | | | | | | | | | | | |
| Executive Vice President | Wang, John Y.C. | | | | | | | | | | | | | |
| Executive Vice President | Chin, Teddy Y.T. | | | | | | | | | | | | | |
| Executive Vice President | Fang, Stanley H.W. | | | | | | | | | | | | | |
| Executive Vice President | Shao, Wen W.C. | | | | | | | | | | | | | |
| Executive Vice President | Tyane, Edward F.C.(Note 3) | | | | | | | | | | | | | |
| Executive Vice President | Hsieh, Leo T.J. | | | | | | | | | | | | | |
| Executive Vice President | Yeh, Stephen K. W.(Note 3) | | | | | | | | | | | | | |
| Executive Vice President | Chih, Eric V. C. | | | | | | | | | | | | | |
| Executive Vice President | Tang, Jack J.H. | | | | | | | | | | | | | |
| Executive Vice President | Wang, Alan J.J. | | | | | | | | | | | | | |
| Executive Vice President | Chih, Eric V. C. (Note 3) | | | | | | | | | | | | | |
| Executive Vice President | Tang, Jack J.H. (Note 3) | | | | | | | | | | | | | |
| Executive Vice President | Kuo, Catherine H.X. (Note 3) | | | | | | | | | | | | | |
| Executive Vice President | Hung, Lichen (Note 3) | | | | | | | | | | | | | |

Note 1: Compensation for chauffeurs amounted to NT\$2,123 thousand.

Note 2: As of the date of publication of this annual report, the Bank had yet to finalize details with regard to distributing employee remunerations for 2022. The amount given here is an estimate based on the actual distribution for 2021.

Note 3: 2021 tenure of managerial officers: Chang, Niel W.F. (1.1~3.9) 、Hsu, Joseph Z.Z.(8.24~12.31) 、Tyane, Edward F.C 8.29~12.31 、Yeh, Stephen K.W. 1.1~6.22 、Tan, Kevin H.C.(3.1~12.31 、Kuo, Catherine H.X.(11.3~12.31) 、Hung, Lichen(1.3~12.31).

| Range of Remuneration | Name of President and Vice Presidents | |
|--|---|---|
| | The company | Companies in the consolidated financial statements |
| Less than NT\$ 1,000,000 | Kuo, Catherine H.X. 、Hung, Lichen | Kuo, Catherine H.X. 、Hung, Lichen |
| NT\$ 1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive) | Chang, Niel W.F. 、Yeh, Stephen K. W. 、Tyane, Edward F.C | Chang, Niel W.F. 、Yeh, Stephen K. W. 、Tyane, Edward F.C |
| NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive) | Hsieh, Leo T. J. 、Tang, Jack J.H. | Hsieh, Leo T. J. 、Tang, Jack J.H. |
| NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive) | Chin, Teddy Y.T. 、Chih, Eric V. C. 、Wang, Alan J.J. | Chin, Teddy Y.T. 、Chih, Eric V. C. 、Wang, Alan J.J. |
| NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive) | Wang, Chia Chi 、Siew, Joy C.Y. 、Fan, Vivian H.J. 、Chyr, Y. H. 、Wang, John Y.C. 、Lai, Joseph L.J. 、Fang, Stanley H.W. 、Chao, Tillie C.L. 、Tang, Jack J.H. 、Shao, Wen W.C. 、Hsu, Joseph Z.Z | Wang, Chia Chi 、Siew, Joy C.Y. 、Fan, Vivian H.J. 、Chyr, Y. H. 、Wang, John Y.C. 、Lai, Joseph L.J. 、Fang, Stanley H.W. 、Chao, Tillie C.L. 、Tang, Jack J.H. 、Shao, Wen W.C. 、Hsu, Joseph Z.Z |
| NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive) | Chen, Paul H.J. | Chen, Paul H.J. |
| NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive) | Lin, Roger Y.F. | Lin, Roger Y.F. |
| NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive) | Lee, Elton F.Y. | Lee, Elton F.Y. |
| NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive) | - | - |
| More than or equal to NT\$100,000,000 | - | - |
| Total | 24 | 24 |

Note: Given conceptual differences, the numbers given here are meant for information disclosure instead of taxation.

(3) Remuneration of Employees

December 31, 2022
Unit: NT\$ thousands

| | Title | Name | Employee Compensation - in Stock (Fair Market Value) | Employee Compensation - in Cash | Total | Ratio of Total Amount to Net Income (%) |
|--------------------|---------------------------------|------------------------------|--|---------------------------------|-------|---|
| Executive officers | President | Lee, Elton F.Y. | | 995 (Note 1) | 995 | 0.02 |
| | Deputy President | Lin, Roger Y.F. | - | 4,176 (Note 1) | 4,176 | 0.08 |
| | Senior Executive Vice President | Wang, Chia Chi | | | | |
| | Senior Executive Vice President | Chyr, Y. H. | | | | |
| | Senior Executive Vice President | Hsu, Joseph Z.Z.(Note 2) | | | | |
| | Executive Vice President | Fan, Vivian H.J. | | | | |
| | Executive Vice President | Chao, Tillie C.L. | | | | |
| | Executive Vice President | Siew, Joy C.Y. | | | | |
| | Executive Vice President | Lai, Joseph L.J. | | | | |
| | Executive Vice President | Chen, Paul H.J. | | | | |
| | Executive Vice President | Wang, John Y.C. | | | | |
| | Executive Vice President | Chin, Teddy Y.T. | | | | |
| | Executive Vice President | Fang, Stanley H.W. | | | | |
| | Executive Vice President | Shao, Wen W.C. | | | | |
| | Executive Vice President | Tyane, Edward F.C.(Note 2) | | | | |
| | Executive Vice President | Hsieh, Leo T. J. | | | | |
| | Executive Vice President | Tang, Jack J.H. | | | | |
| | Executive Vice President | Wang, Alan J.J. | | | | |
| | Executive Vice President | Tang, Jack J.H. (Note 2) | | | | |
| | Executive Vice President | Kuo, Catherine H.X. (Note 3) | | | | |
| | Executive Vice President | Hung, Lichen (Note 3) | | | | |

Note 1: As of the date of publication of this annual report, the Bank had yet to finalize details with regard to distributing employee remunerations for 2022. The amount given here is an estimate based on the actual distribution for 2021.

Note 2: 2021 tenure of managerial officers: Hsu, Joseph Z.Z (8.24~12.31) 、Tyane, Edward F.C. (8.29~12.31) 、Tan, Kevin H.C.(3.1~12.31) 、Kuo, Catherine H.X.(11.3~12.31) 、Hung, Lichen 11.3~12.31 。

(4) Analysis of the compensation for directors, the president, and vice presidents during the most recent two years:

A. Total compensation paid by the Bank and companies in the consolidated financial statements to directors, the president, and vice presidents during the most recent two years as ratios to the Bank's unconsolidated net profit:

| Title \ Year | 2022 | | | | | 2021 | | | | |
|--------------------------------|-------------------|-------------|--|---------------------|--|-------------------|-------------|--|---------------------|-------|
| | Number of persons | Amount | | Ratio to net profit | | Number of persons | Amount | | Ratio to net profit | |
| | | The Company | Companies in the consolidated financial statements | The Company | Companies in the consolidated financial statements | | The Company | Companies in the consolidated financial statements | | |
| | | | | | | | | | | |
| Director/ Independent Director | 21 | 106,735 | 123,728 | 2.12% | 2.46% | 20 | 118,849 | 134,884 | 6.46% | 7.33% |
| President and Vice President | 24 | 170,481 | 171,652 | 3.39% | 3.41% | 27 | 155,263 | 159,674 | 8.43% | 8.67% |
| Net Income | 5,034,471 | | | | | 1,840,842 | | | | |

B. Remuneration policies, standards, and packages, procedure for determining remuneration, and linkage thereof to operating performance and future risk exposure:

- 1) Article 22 and 32 of the Bank's Articles of Incorporation prescribe respectively distribution of director remunerations and employee remunerations. If the Bank records a profit in a year, the Bank shall appropriate not more than 2.5% of the profit for director remunerations (independent directors shall be excluded from such distribution) and 1-2.5% for employees. If the Bank has accumulated losses, however, the profit shall be used to offset the aforesaid accumulated losses first.
- 2) The Bank's Board of Directors has set up the Compensation Committee. Composed of the entire number of independent directors, the committee is intended to assist the board in drafting and periodically reviewing performance evaluation for directors and managerial officers as well as the policy, system, criteria, and structure of compensation-setting, the committee also assesses remunerations for directors and managerial officers on a regular basis.
- 3) With remuneration granted by industry peers also considered for reference, the Bank's director remuneration policy takes account of its own business performance, director contributions and responsibilities, and the result of performance evaluation of Board of Directors. The key evaluation aspects include grasp of company targets and missions, understanding of the directors' duties and responsibilities, participation in company operations, internal relationship management and communications, professional qualifications of directors and continued knowledge development, internal control, etc. Compensation for senior executives comprises fixed pay and variable pay. The Bank basically takes into consideration what is being paid in the industry when deciding on fixed pay that is commensurate with the responsibilities and specialized skills required of their respective positions as well as their on-the-job performance. Variable pay, on the other hand, is subject to the Bank's business performance and future risks as well as the personal performance of the managerial officers in question, based on which reasonable distribution is to be achieved. The performance of managerial officers is appraised against both financial indicators (pretax profit, attainment of short- and long-term business objectives, etc.) and nonfinancial indicators (the Bank's core value, innovation, leadership and

management, legal compliance, internal control, risk management, corporate sustainability, etc.). The Bank's remuneration mechanism not only offers competitive incentives but also takes account of future risks to ensure that managerial remuneration is closely aligned with the Bank's business performance, thereby creating a respectable corporate image, laying a solid foundation for sustainable development, and maximizing employee, customer, and shareholder interests.

- 4) The Bank's remuneration package, pursuant to the Compensation Committee Organizational Regulations, comprises cash compensation, stock warrants, employee stock bonus grants, pensions or severance pays, and allowances or other substantive incentive measures; its scope corresponds to that specified for remuneration for directors and managers in the Regulations Governing Information to Be Published in Annual Reports of Banks.

4. Implementation of Corporate Governance

(1) Board of Directors

A. Board of Managing Directors

A total of 19 (A) meetings of the 8th Board of Managing Directors were held in 2022. The attendance of managing directors was as follows:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate (%) (B/A) | Remarks |
|-------------------------------|--|--------------------------|----------|---------------------------|---------|
| Chairman | Ming Shan Investment Co., Ltd. (Rep.: Lo, Tina Y.) | 19 | 0 | 100 | |
| Managing Director | Lo, Kenneth C. M. | 18 | 1 | 95 | |
| Managing Director | Taiwan Cement Corporation (Rep.: Chang, Nelson An-Ping) | 3 | 0 | 100 | Note 1 |
| Managing Director | Taiwan Cement Corporation (Rep.: Huang Jianqiang) | 14 | 0 | 100 | |
| Managing Director | Mingshan Investment Co., Ltd. (Rep: Jian Zhiming) | 4 | 0 | 100 | Note 2 |
| Independent Director | Yi Chang Investment Co., Ltd. (Rep.: Yeh, Roy J.Y.) | 15 | 0 | 100 | |
| Independent Managing Director | Hu, Fu-Hsiung | 19 | 0 | 100 | Note 3 |

B. Board of Directors

A total of 8 (A) meetings of the 8th Board of Directors were held in 2022. The attendance of directors was as follows:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate (%) (B/A) | Remarks |
|-------------------------------|--|--------------------------|----------|---------------------------|---------|
| Chairman | Ming Shan Investment Co., Ltd. (Rep.: Lo, Tina Y.) | 8 | 0 | 100 | |
| Managing Director | Lo, Kenneth C. M | 8 | 0 | 100 | |
| Managing Director | Taiwan Cement Corporation (Rep.: Chang, Nelson An-Ping) | 2 | 0 | 100 | Note 1 |
| Managing Director | Taiwan Cement Corporation (Rep.: Huang Jianqiang) | 6 | 0 | 100 | |
| Managing Director | Ming Shan Investment Co., Ltd. (Rep.: Jian Zhiming) | 2 | 0 | 100 | Note 2 |
| Independent Managing Director | Hu, Fu- Hsiung | 8 | 0 | 100 | |
| Independent Director | Lin, Hank H.K. | 8 | 0 | 100 | |
| Independent Director | Liu, Richard R.C. | 8 | 0 | 100 | |
| Director | Tai Ya Investment Co., Ltd. (Rep.: Chen, Shih-Tze) | 8 | 0 | 100 | |
| Director | Abag Investment Holdings Co., Ltd. (Rep.: Cheng, George C.J.) | 8 | 0 | 100 | |
| Director | Lee, Mark J.C. | 8 | 0 | 100 | |
| Director | Tai Ya Investment Co., Ltd. (Rep.: Lee, Elton F.Y.) | 8 | 0 | 100 | |
| Director | Yi Chang Investment Co., Ltd. (Rep.: Lin, Gordon W.C.) | 8 | 0 | 100 | |
| Director | Ming Shan Investment Co., Ltd. (Rep.: Lo, Nina Y.C.) | 6 | 0 | 100 | Note 2 |
| Managing Director | Yi Chang Investment Co., Ltd. (Rep.: Yeh, Roy J.Y.) | 8 | 0 | 100 | Note 3 |
| Director | Lin, Bill K.C. | 8 | 0 | 100 | |

Other mentionable items:

- If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
 - Matters referred to in Article 14-3 of the Securities and Exchange Act: Not applicable because, as required by law, the Bank has established the Audit Committee.
 - Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors : None.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

| Date | Content of Motion | Director | Cause for Avoidance | Participation in Voting |
|---|--|---|---|--|
| 2022.2.24 The 8th Board of Directors in its 13th meeting | Proposal for making a donation to the O-Bank Education Foundation | Tina Y. Lo, Kenneth C.M. Lo, Shih-Tze Chen, Nina Y.C. Lo | In compliance with Article 14 of the Procedural Rules Governing Board Meetings (Interested Parties) | The Bank's directors stand by the principle of recusal and refrain from participating in the discussion of and voting on motions that may cause conflicts of interest. |
| | Proposal for making a donation to the Chinese National Association of Industry and Commerce | Tina Y. Lo, Kenneth C.M. Lo, Nelson An-Ping Chang, Shih-Tze Chen, Nina Y.C. Lo | | |
| 2022.3.16 The 8th Board of Directors in its 14th meeting | Release of non-competition restrictions on directors | Nelson An-Ping Chang | | |
| | Proposal for director remunerations and employee remunerations for 2021 | Directors recusing themselves from motion on director remunerations: the entire number of non-independent directors—Tina Y. Lo, Kenneth C.M. Lo, Nelson An-Ping Chang, Roy J.Y. Yeh, Shih-Tze Chen, George C.J. Cheng, Mark J.C. Lee, Elton F.Y. Lee, Gordon W.C. Lin, Nina Y.C. Lo, Bill K.C. Lin Directors recusing themselves from motion on employee remunerations: Elton F.Y. Lee | | |
| | Revision of the full-range monthly salary standard for staff of various grades in the Hong Kong region of the Bank | Elton F.Y. Lee | | |
| 2022.5.4 The 8th Board of Directors in its 15th meeting | The Bank's donation to the Criminal Investigation and Prevention Association of the Republic of China | Tina Y. Lo, Kenneth C.M. Lo, Shih-Tze Chen, Nina Y.C. Lo | | |
| 2022.6.22 The 8th Board of Directors in its 16th meeting | Proposal for making a donation to the Eisenhower Fellows Association in the R.O.C. | Tina Y. Lo, Kenneth C.M. Lo, Shih-Tze Chen, Nina Y.C. Lo | | |
| 2022.7.21 The 8th Board of Directors in its 17th meeting | The Bank approved the merger of its subsidiary ICBC Leasing Co., Ltd. and Risheng International Leasing Co., Ltd. | Roy J.Y. Yeh, Gordon W.C. Lin | In compliance with Article 14 of the Procedural Rules Governing Board Meetings (Interested Parties) | The Bank's directors stand by the principle of recusal and refrain from participating in the discussion of and voting on motions that may cause conflicts of interest. |
| | The Bank returned the share payment through its subsidiary ICBC Leasing Co., Ltd. by reducing capital in kind | Roy J.Y. Yeh, Gordon W.C. Lin | | |
| 2022.11.2 The 8th Board of Directors in its 19th meeting | The Bank's donation to the Chamber of Commerce and Industry of the Republic of China | Tina Y. Lo, Kenneth C.M. Lo, Shih-Tze Chen | | |
| | Proposal for making a donation to the National Taiwan University Economic Research Foundation | Tina Y. Lo, Kenneth C.M. Lo, Shih-Tze Chen | | |
| | Selection of the chairman of the investment business | Jian Zhiming | | |
| | Removal of non-compete restrictions on directors of the Bank | Jian Zhiming | | |
| | The case of changing the members of the Risk Management Committee of the Bank | Jian Zhiming | | |

| Date | Content of Motion | Director | Cause for Avoidance | Participation in Voting |
|--|---|---|---------------------|-------------------------|
| 2022.12.27 The 8th Board of Directors in its 20th meeting | Credit application for four credit accounts of the Bank | Tina Y. Lo, Kenneth C.M. Lo, Roy J.Y. Yeh, Shih-Tze Chen, Jian Zhiming, Elton F.Y. Lee, Gordon W.C. Lin | | |
| | 2023 Audit plan | Elton F.Y. Lee | | |
| | The Bank's 2023 audit plan for insurance agency business | Elton F.Y. Lee | | |
| | Adjustment and appointment represent the Bank to select the chairman of the invested enterprise | Roy J.Y. Yeh | | |

3. Evaluation of Board of Directors:

| 2022 Internal Evaluation of the Performance of Board of Directors and Functional Committees | | | | | | | | | | | | | | | |
|---|--|-------------------|---------------|---|------|---|------|---|------|---|------|----------------------|------|---|------|
| Evaluation Cycle | Once a year | | | | | | | | | | | | | | |
| Evaluation Period | January 1 to December 31, 2022 | | | | | | | | | | | | | | |
| Evaluation Scope | Board of Directors, Functional Committees (including Audit Committee, Compensation Committee, and Corporate Governance and Nomination Committee), and Board members (self-assessment) | | | | | | | | | | | | | | |
| Evaluation Method | Self-evaluation of Board of Directors, Functional Committees, and Board Members | | | | | | | | | | | | | | |
| Evaluation Contents | <p>(1) The Bank's internal evaluation of the performance of the Board of Directors employs 5-point scale: "Excellent (5 points), Very Good (4 points), Good (3 points), Fair (2 points), Needs Improvement (1 point)" for quantified evaluation. The resulting average scores are then used for measurement.</p> <p>(2) The Bank's Board performance evaluation covers 5 aspects:</p> <ul style="list-style-type: none"> A. Participation in company operations B. Improvement on the quality of the board's decision making C. Composition and structure of the board of directors D. Election of directors and continued knowledge development E. Internal control <p>(3) Functional committee performance evaluation covers 5 aspects:</p> <ul style="list-style-type: none"> A. Participation in company operations B. Understanding of the committee members' duties and responsibilities C. Improvement on the quality of the committee's decision making D. Composition of the committees and election of the committee members E. Internal control <p>(4) Board member performance evaluation (self-assessment) covers 6 aspects:</p> <ul style="list-style-type: none"> A. Understanding of company goals and missions B. Understanding of the directors' duties and responsibilities C. Participation in company operations D. Internal relationship management and communications E. Professional qualifications of directors and continued knowledge development F. Internal control <p>(5) Result of 2022 Performance Evaluation:</p> <ul style="list-style-type: none"> A. The average score of Board performance evaluation on each aspect is between 4.84~4.97: <table border="1"> <thead> <tr> <th>Evaluation Aspect</th><th>Average Score</th></tr> </thead> <tbody> <tr> <td>(A) Participation in company operations</td><td>4.84</td></tr> <tr> <td>(B) Improvement on the quality of the board's decision making</td><td>4.94</td></tr> <tr> <td>(C) Composition and structure of the board of directors</td><td>4.97</td></tr> <tr> <td>(D) Election of directors and continued knowledge development</td><td>4.94</td></tr> <tr> <td>(E) Internal control</td><td>4.94</td></tr> <tr> <td>(F) Others (issues such as fair treatment of clients, personal information management, AML/CFT, information security management, corporate social responsibility, etc.)</td><td>4.95</td></tr> </tbody> </table> | Evaluation Aspect | Average Score | (A) Participation in company operations | 4.84 | (B) Improvement on the quality of the board's decision making | 4.94 | (C) Composition and structure of the board of directors | 4.97 | (D) Election of directors and continued knowledge development | 4.94 | (E) Internal control | 4.94 | (F) Others (issues such as fair treatment of clients, personal information management, AML/CFT, information security management, corporate social responsibility, etc.) | 4.95 |
| Evaluation Aspect | Average Score | | | | | | | | | | | | | | |
| (A) Participation in company operations | 4.84 | | | | | | | | | | | | | | |
| (B) Improvement on the quality of the board's decision making | 4.94 | | | | | | | | | | | | | | |
| (C) Composition and structure of the board of directors | 4.97 | | | | | | | | | | | | | | |
| (D) Election of directors and continued knowledge development | 4.94 | | | | | | | | | | | | | | |
| (E) Internal control | 4.94 | | | | | | | | | | | | | | |
| (F) Others (issues such as fair treatment of clients, personal information management, AML/CFT, information security management, corporate social responsibility, etc.) | 4.95 | | | | | | | | | | | | | | |

2022 Internal Evaluation of the Performance of Board of Directors and Functional Committees

B. The average score of functional committee performance evaluation on each aspect is between 4.87~5 in Audit Committee, 4.83~5 in Compensation Committee, and 5 in Corporate Governance and Nomination Committee:

| Evaluation Aspect | Average Score of Audit Committee | Average Score of Compensation Committee | Average Score of Corporate Governance and Nomination Committee |
|---|----------------------------------|---|--|
| (A) Participation in company operations | 5 | 4.92 | 5 |
| (B) Understanding of the committee members' duties and responsibilities | 4.93 | 4.83 | 5 |
| (C) Improvement on the quality of the committee's decision making | 5 | 5 | 5 |
| (D) Composition of the committees and election of the committee members | 5 | 5 | 5 |
| (E) Internal control | 4.87 | 5 | 5 |

C. The average score of Board member performance evaluation (self-assessment) on each aspect is between 4.76~ 5:

| Evaluation Aspect | Average Score |
|--|---------------|
| (A) Understanding of company goals and missions | 4.98 |
| (B) Understanding of the directors' duties and responsibilities | 5 |
| (C) Participation in company operations | 4.94 |
| (D) Internal relationship management and communications | 4.95 |
| (E) Professional qualifications of directors and continued knowledge development | 4.76 |
| (F) Internal control | 4.90 |

D. The result of 2022 Internal Performance Evaluation of Board of Directors was approved by the Corporate Governance and Nomination Committee and the Board of Directors on February 15, 2023. The result would be provided to the Board of Directors (including functional committees and board members) as reference for continued improvement and for setting the remuneration for the board. On the whole, the Bank's Board of Directors and functional committees are operating competently by adequately fulfilling their duties of supervising and advising on the Bank's strategic plans, major business, and risk management. Moreover, all the functional committees are operating properly, thereby improving the board functions. In the meantime, the board members' understanding of their responsibilities, participation in the Bank's operations, and offer in proper decision-making effectively improve the Bank's corporate governance.

| 2021 External Evaluation of the Performance of Board of Directors and Functional Committees | |
|---|---|
| Evaluation Cycle | At least once every 3 years by external evaluation institutions or panel of external experts and scholars |
| Evaluation Period | June 1, 2020 to May 31, 2021 |
| Evaluation Scope | Board of Directors (including the implementation status of the functional committees authorized by the board) |
| Evaluation Method | External-evaluation |
| Evaluation Contents | <p>(1) Summary of Implementation</p> <p>In April 2021, the Bank commissioned Taiwan Corporate Governance Association (hereinafter “the association”) to conduct the board performance evaluation. The evaluation period is from June 1, 2020 to May 31, 2021. The association is a non-profit and professional public interest group that advocates corporate governance, and helps businesses improve corporate governance, competitiveness, and sustainability. Also, it provides such services as offering training courses for directors, conducting corporate governance system assessment and board performance evaluation, and issuing publications on corporate governance. The association's evaluation panel is composed of 4 association members, experienced in corporate governance assessment, corporate governance evaluation, and board performance evaluation. That is, the evaluation panel is equipped with professional competence in conducting the Bank's board performance evaluation. In addition, the association clarified the independence of the panel in the statement of the evaluation report.</p> <p>The association conducted the evaluation based on the open-ended questionnaire, other materials provided, public information, and on-site visit. On September 30, 2021, the evaluation panel met in person with the Bank's Chairman, independent directors, CPA, President, and management team for evaluation. The evaluation includes: the composition of board of directors, direction, delegation, supervision, communication, internal control and risk management, and self-discipline. It also covers other aspects such as board meetings and the support system. The association issued the report of the Bank's board performance evaluation on October 12, 2021. The Bank submitted the report and improvement plans to the 1st Corporate Governance and Nomination Committee in its 5th meeting and to the 8th Board of Directors in its 12th meeting on December 29, 2021, and the 2022 implementation of the recommendations of the evaluation report was submitted to the 9th meeting of the first corporate governance and nomination committee of the bank and the 8th Board of Directors in its 20th meeting for consideration and approval on December 27, 2022</p> <p>(2) Summary of General Evaluation</p> <ol style="list-style-type: none"> 1. The Bank actively participated in the corporate governance system assessment and invited an independent and professional institution to conduct the board performance evaluation, demonstrating the board's proactive attitude in implementing corporate governance and improving the board functions through the independent and objective observations. 2. The Bank's independent directors are outstanding individuals from different industries and perform their duties faithfully. They actively participate in and contribute to the board affairs, and strengthen the board functions via functional committees, thereby enhancing the quality of the board's decision-making. All of which build a competent and positive board meeting culture. 3. The Chairman creates an atmosphere of openness among the board with her open leadership. The Chairman's attention in brainstorming and respect for board members' opinions allow the board sufficient discussion and increase the quality of the board's decision-making. The directors, through different meetings, also faithfully supervise the board by contributing their expertise and actively participating in setting the Bank's future prospects and strategic target. 4. The Bank appoints a head of corporate governance, who is in charge of arranging board meeting agendas, helping directors with director training, providing them with materials within or outside the meetings, and offering them information related to directors both occasionally and on a regular basis. The head of corporate governance also helps directors take hold of important information on the Bank, businesses, international corporate governance trend through compiling quarterly Director Newsletter on news regarding directors, banks, finance, legal announcement, special topics report, and international corporate governance trend. All of which shows that the Board is fully backed up with the support system and shows the accountability of the head of corporate governance. |

2021 External Evaluation of the Performance of Board of Directors and Functional Committees

(3) Summary of suggestions and improvement plan

| Suggestions (summary) | Improvement Plan |
|---|---|
| The appraisal and remuneration of the Bank's Chief Auditor are reported to the Compensation Committee, whose members identical to those of the Audit Committee, and approved by the Chairman, who is authorized by the board. The association suggests that the Bank's Chairman take into account the Audit Committee's opinion, in order to further enhance the independence of the internal audit and reinforce the Audit Committee's supervisory responsibility. | In response to the association's suggestion, the improvement initiatives have been already implemented. |

2020 Internal Evaluation of the Performance of Board of Directors and Functional Committees

| | Suggestions (summary) | Improvement Plan |
|---------------------|---|---|
| Evaluation Contents | The appraisal and remuneration of the Bank's Chief Auditor are reported to the Compensation Committee, whose members identical to those of the Audit Committee, and approved by the Chairman, who is authorized by the board. The association suggests that the Bank's Chairman take into account the Audit Committee's opinion, in order to further enhance the independence of the internal audit and reinforce the Audit Committee's supervisory responsibility. | In response to the association's suggestion, the improvement initiatives have been already implemented. |
| | The Bank has disclosed its Whistleblowing Policy, reporting hotline, email address, and mailing address on its website. The association suggests that the Bank grant access to the Audit Committee or independent directors to provide stakeholders with direct communication channels, so as to allow the Audit Committee to receive material information. | The Bank has disclosed its Whistleblowing Policy, reporting hotline, email address, and mailing address on its website. The association suggests that the Bank grant access to the Audit Committee or independent directors to provide stakeholders with direct communication channels, so as to allow the Audit Committee to receive material information. |
| | The association suggests that the Bank set up Succession Planning for senior management in line with the Bank's future prospects, strategies, and global ESG trend. Also, it suggests that the Bank report the implementation status to the Board on a regular basis, thereby attaining sustainable development. | The association suggests that the Bank set up Succession Planning for senior management in line with the Bank's future prospects, strategies, and global ESG trend. Also, it suggests that the Bank report the implementation status to the Board on a regular basis, thereby attaining sustainable development. |
| | To help newly-elected directors understand the duties and familiarize with the Bank's business earlier, the Bank arranges meetings for managerial officers to introduce their business and relevant information. The association suggests that the Bank compile Director Handbook and provide it to directors for reference. It is advised that the acceptance receipt of the Handbook is signed and filed, and that the Handbook covers such aspects as the Bank's business, industry dynamics, legal compliance, the duties and obligations of directors, and directors' training. Also, it suggests that the Bank establish a director seminar system for newly-elected directors in order to help the Bank facilitate its implementation in the future. | To help newly-elected directors understand the duties and familiarize with the Bank's business earlier, the Bank arranges meetings for managerial officers to introduce their business and relevant information. The association suggests that the Bank compile Director Handbook and provide it to directors for reference. It is advised that the acceptance receipt of the Handbook is signed and filed, and that the Handbook covers such aspects as the Bank's business, industry dynamics, legal compliance, the duties and obligations of directors, and directors' training. Also, it suggests that the Bank establish a director seminar system for newly-elected directors in order to help the Bank facilitate its implementation in the future. |

5. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.

A. Improvement of information transparency:

- For better transparency on the Board of Directors: The Bank's (1) important resolutions of the Board are disclosed in the annual reports and on the Bank's website; (2) Board meeting attendance is disclosed in the annual report and on the Market Observation Post System; (3) status of Directors' continuing education is disclosed on the Market Observation Post System.

B. Functional Committees:

- To ensure effective corporate governance, the Bank introduced the Audit Committee to its 5th Board of Directors in accordance with the Securities and Exchange Act in 2011. Three independent directors were called upon to make up the Audit Committee under the Board of Directors, and the Bank's Audit Committee Organizational Rules were enacted accordingly. Also put in place were the Bank's Regulations Governing the Scope of Duties of Independent Directors. On August 21, 2020, the Board of Directors approved amendments to the Audit Committee Organizational Rules and Regulations Governing the Scope of Duties of Independent Directors.
- To build a comprehensive compensation management mechanism, the Bank established the Compensation Committee under the Board of Directors and adopted the Compensation Committee Organizational Rules in 2009. It was followed by the Board's amendments to the Rules and changing of its Chinese name in 2011. The committee is composed of the entire number of independent directors. In accordance with statutory revisions, the Board of Directors approved amendments to the Compensation Committee Organizational Rules on March 22, 2021.
- To strengthen the director (including independent director) election system and build a diverse and professional Board, the Bank established Corporate Governance and Nomination Committee under the Board of Directors on November 4, 2020, and adopted Corporate Governance and Nomination Committee Organizational Rules. The committee is composed of 3 directors with over half independent directors and its primary duties are to: designate the standard of the Board members and find, review and nominate candidates; set up and review programs for the director continuing education initiative and succession planning; set up the Bank's Corporate Governance Principles and the Bank's Regulations Governing the Performance Evaluation of the Board of Directors; oversee and supervise corporate governance evaluation systems and performance evaluation of the Board, and then report to the Board for review and further improvement.
- To fulfill corporate social responsibility, the Bank established the Corporate Social Responsibility Committee under the Board of Directors. On the front of CSR, the Bank commits itself to the following 6 key areas: corporate governance, customer relations, employee care, environmental protection, social engagement, and green finance. The committee meets regularly to stay up to date with CSR implementation status and effectiveness and files an annual report to the Board of Directors so that the latter can fulfill its supervisory responsibility and examine the Bank's endeavors on this front. Separately, the Bank also set up the Corporate Culture Committee under the Board of Directors to undertake employee care measures and devise corporate culture-related projects. Implementation results, along with the CSR report, are presented to the Board of Directors, which in turn is responsible for taking the lead to foster the Bank's corporate culture of "benefitting others to fulfill oneself."

C. Enforcement of corporate governance:

- To bolster corporate governance and assist directors in performing their duties, thereby strengthening board functions, the Board of Directors approved adopting O-Bank's Standard Operating Procedures for Handling Director Requests in 2019.
- To accommodate statutory revisions by the competent authority, the Board approved amendments to the Bank's Procedural Rules Governing Board Meetings with regard to defining matters to be resolved at a board meeting that may make directors interested parties on November 2, 2022.
- To build a sound corporate governance system and promote sound business development, the Board of Directors approved O-Bank Co., Ltd. Corporate Governance Principles in 2017. The Principles were amended in tandem with the norms set by the competent authority on December 29, 2022 and the suggestions provided by the Taiwan Corporate Governance Association in conducting the Bank's 2022 Board Performance Evaluation and the Corporate Governance System Assessment.
- To enhance the Bank's board functions and implement corporate governance, the Bank adopted O-Bank's Regulations Governing the Performance Evaluation of the Board of Directors in 2019, specifying that the board and functional committees should conduct an internal board performance evaluation at least once a year. Also, the evaluation should be conducted at least once every 3 years by external evaluation institutions or panel of external experts and scholars. In accordance with statutory revisions, the Board of Directors approved amendments to the Regulations on December 27, 2022. The Bank has completed its 2022 internal and external Performance Evaluation of Board of Directors. For more information, please refer to "Corporate Governance Report-Board of Directors- other mentionable items- Evaluation of Board of Directors" section of this annual report.

D. Enhancement of Board Functionality:

- To fulfill the Bank's goal of sustainability and commitment to strengthening the functions of the Board of Directors, the Bank, when planning succession candidates for the Board, takes into consideration its diversification policy, the candidates' familiarity to the industry, and the mid- to long-term operation strategies.
- In addition to further promoting its functions and enhance the Bank's corporate governance throughout, the Board of Directors has endorsed the competent authority's guideline over getting aligned with international practices and, through keeping close communication with the Bank's management, helped promote and implement policies with regard to corporate social responsibility, fair treatment of clients, ethical management, AML/CFT, personal information protection, and information security management.
- To further upgrade and improve corporate governance endeavors, the Bank commissioned the Taiwan Corporate Governance Association (TCGA) to evaluate and certify its corporate governance system in 2021. As such, an independent, third-party assessment was conducted to evaluate the comprehensiveness, implementation, and feedback mechanism of the aforesaid system. The TCGA subsequently granted the Bank a CG6012 (2019) certificate of excellence (valid for October 25, 2021-October 24, 2023).

(2) Audit Committee

To ensure effective corporate governance, the Board of Directors adopted the resolution on establishing the Audit Committee in lieu of supervisors and enacted the Audit Committee Organizational Rules on February 24, 2011. Established on June 13 of the same year upon approval of a regular shareholders' meeting, the Audit Committee is composed of the entire number of independent directors.

1. Fair presentation of the Bank's financial statements.
2. Selection (dismissal) of CPAs and their independence and performance.
3. Effective implementation of the Bank's internal control system.
4. The Bank's compliance with applicable laws and regulations.
5. Control of the Bank's existing or potential risks.

The Audit Committee is supposed to perform the following duties:

1. Enact or amend the internal control system and evaluate its effectiveness.
2. Enact or amend the SOP of major financial activities such as acquisition or disposal of assets and derivatives transactions.
3. Review matters in which directors have personal interests.
4. Review major asset or derivatives transactions.
5. Review major instances of lending funds or providing endorsements or guarantees.
6. Review the offering, issuance, or private placement of equity securities.
7. Review the appointment, dismissal, or compensation of CPAs.
8. Review the appointment and dismissal of financial, accounting, or internal audit managerial officers.
9. Review annual financial statements signed or sealed by Chairman, managerial officers, and Head of Accounting, and semi-annual financial statements.
10. Review other major items required by the Bank or the competent authority.

Audit Committee

A total of 8 (A) meetings of the 4th Audit Committee meetings were held in 2022. The attendance of independent directors was as follows:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate (%) (B/A) | Remarks |
|-------------------------------|-------------------|-----------------------------|----------|------------------------------|----------|
| Independent Director | Lin, Hank H.K. | 8 | 0 | 100 | Convener |
| Independent Managing Director | Hu, Fu-Hsiung | 8 | 0 | 100 | |
| Independent Director | Liu, Richard R.C. | 8 | 0 | 100 | |

Note: For more information on the professional qualifications and experiences of the Audit Committee members, please refer to "Directors, Supervisors and Management Team" section of this annual report.

- Examine financial statements

The Board of Directors has compiled and submitted the Bank's consolidated and parent balance sheets, income statements, statements of changes in shareholders' equity, and cash flow statements for 2022 audited by CPAs Kuan-Hao Lee and Wang-Sheng Lin of Deloitte & Touche, business report, and statement of distribution of earnings to the Audit Committee. After reviewing the abovementioned statements and reports, the Audit Committee has found them to meet the requirements of applicable laws and regulations.

- Evaluate the effectiveness of the Bank's internal control system

In accordance with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking industries and the Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies enacted by the Financial Supervisory Commission, the Bank has established its internal control system, for which three lines of defense are set up to ensure its ongoing and effective operation and the Bank's sound management.

The Audit Committee meets on a regular basis to examine the internal control system adopted or revised by the Bank and evaluate its effectiveness as well as review matters in which directors have personal interests, selection (dismissal) of CPAs, appointment or dismissal of managerial officers charged with accounting or internal audits, and the Bank's financial statements. By also drawing on the Auditing Division's inspection reports and routine updates, the Audit Committee stays up to date with the Bank's implementation of auditing affairs and its control mechanism already adopted in order to conduct oversight and correct deficiencies thereof. To ensure the effective operation of the internal control system, the committee also meets with internal audit personnel twice every year to jointly examine internal control deficiencies.

- Engage CPAs

The CPAs were Kuan-Hao Lee and Wang-Sheng Lin since 2021.

In accordance with the Corporate Governance Best-Practice Principles for Banking Industries, the Bank is supposed to evaluate the independence and suitability of CPAs. Before hiring the CPAs of Deloitte Taiwan to audit and certify the Bank's financial and tax statements for 2023 and thereafter, therefore, it was of necessity to evaluate the independence and suitability of the appointed CPAs. The Bank evaluated the independence of its CPAs and presented the result to the Audit Committee and the Board of Directors on December 27, 2022 for review, and both gave their approval.

- Risk Supervisions

The Audit Committee reviews the risk quota, risk appetite, and risk management mechanisms that call for board approval, as well as oversees the implementation of the Bank's risk management, thereby ensuring the effectiveness and completeness of its risk management procedures.

A summary of the major proposals reviewed by the Audit Committee in 2022 and the results thereof is as follows:

| Board meeting | Proposal and subsequent measures | Item listed in Article 14-5 of the Securities and Exchange Act | Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote |
|---|---|--|--|
| 2022.2.23 The 8th Board of Directors in its 13th meeting | The Bank's improvement plan and strengthened control measures for the high concentration of construction loans and real estate commercial paper and corporate bond guarantees | ✓ | - |
| | Cheng ○ Development Co., Ltd. Application for Change of Credit Conditions | ✓ | |
| | Amendment to the Bank's Organizational Regulations of the Risk Management Committee | ✓ | - |
| | Adjustment of the Bank's 2022 year market risk management limit | ✓ | |
| | Proposal to write off bad loans to "XX Chen" and 31 other borrowers | ✓ | - |
| | Amendments to the Bank's "Personal Data File Security Maintenance Measures" | ✓ | |
| | Amended the Bank's "Organizational Regulations of the Fair Hospitality Promotion Committee" | ✓ | |
| | Amendments to the Bank's "Principle of Treating Customers Fairly" | ✓ | |
| | Revision of the Bank's "Derivative Financial Product Suitability Operation Method" | ✓ | |
| | Adjustment in the Bank's Regulations Governing the Scope of Powers in Reviewing Authorized Limits of Loans and Financial Transactions | ✓ | - |
| | Formulate the Bank's "Data Governance Policy" | ✓ | - |
| | Proposal for making a donation to the O-Bank Education Foundation | ✓ | - |
| | Proposal for making a donation to the Chinese National Association of Industry and Commerce | ✓ | - |
| | Amendment to the Bank's Working Regulations | ✓ | - |
| | Outcome of the Audit Committee's deliberations: (2022.2.23) Unanimous approval by all members | | |
| | The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present | | |
| 2022.3.16 The 8th Board of Directors in its 14th meeting | The Bank's 2021 business report, and consolidated and parent financial statements | ✓ | - |
| | Proposal for 2021 earnings distribution | ✓ | - |
| | The Bank's "Intensified Control Measures for Risk Risks in China" Case | ✓ | |
| | Proposal for the appointment and compensation of the Bank's CPAs in 2021 | ✓ | - |
| | The Bank's 2021 report on Evaluation of Money Laundering and Terrorism Financing Risks on the Bank's Insurance Agent Business | ✓ | - |
| | The Bank's 2021 Plan on Control of Money Laundering and Terrorism Financing Risks (headquarter version) | ✓ | - |
| | The Bank's 2020 Statement on the Design and Implementation of its AML/CFT Internal Control System as well as the AML/CFT Internal Control Statement | ✓ | - |
| | Amendment to the Bank's Risk Management Policy | ✓ | - |
| | The Bank's 2021 Internal Control System Statement and the Internal Control System Statement for the Concurrent Conducting of Insurance Agent Business | ✓ | - |
| | Amendment to the Bank's Loan Pricing Regulations | ✓ | - |
| | Amendment to the Bank's Regulations for Qualification Requirements and Screening Procedures Concerning Wealth Management Professional Investors | ✓ | - |
| | Amendment to the Bank's Procedural Rules Governing Shareholders' Meetings | ✓ | - |
| | Amendment to the Bank's Election Procedures for Directors | ✓ | - |
| | Proposal for releasing non-competition restrictions on directors | ✓ | - |
| | Amendment to the Bank's Organizational Rules | ✓ | - |
| | Outcome of the Audit Committee's deliberations: (2022.3.16) Unanimous approval by all members | | |
| | The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present | | |

| Board meeting | Proposal and subsequent measures | Item listed in Article 14-5 of the Securities and Exchange Act | Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote |
|--|---|--|--|
| 2022.5.4 | The Bank's 2022 consolidated financial statements for the 1 st quarter | ✓ | - |
| The 8 th Board of Directors in its 15 th meeting | The 2022 appointment remuneration of the bank's CPAs | ✓ | |
| | Amendment to the Bank's Regulations Governing Concentration of Mortgages | ✓ | - |
| | Amendment to the Bank's Regulations for Appraising Collateral | ✓ | - |
| | Proposal to write off bad loans to "XX Wu" and 35 other borrowers | ✓ | - |
| | Amendment to the Bank's Regulations Governing Suitability of Financial Derivatives | ✓ | - |
| | Adjustment of the Bank's mechanism for "managing concentration of structured products" and of the way how routine inspection is to be conducted | ✓ | - |
| | Amendment to the Bank's Regulations Governing Internal Control System for the Concurrent Conducting of Securities Business | ✓ | - |
| | Amendment to the Bank's Business Plan to Deal in Bond Trading | ✓ | - |
| | Adoption of the Bank's Regulations Governing Domestic Business Units to Assist Overseas Branches in Data Delivery and Identity Verification | ✓ | - |
| | Amendment to the Bank's Regulations for Managing Employee Loans | ✓ | - |
| | Amendments to the Bank's "Due Diligence Governance Guidelines" | ✓ | |
| | Amendments to the Bank's "Acquisition or Disposal of Assets Handling Procedures" | ✓ | |
| | Donation to "Republic of China Criminal Investigation and Prevention Association" case | ✓ | |
| | Outcome of the Audit Committee's deliberations: (2022.5.4) Unanimous approval by all members | | |
| | The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present | | |
| 2022.6.22 | Amendment to the Bank's Regulations Governing the Performance Evaluation of the Board of Directors | ✓ | - |
| The 8 th Board of Directors in its 16 th meeting | Amendment to the Bank's Risk Management Policy | ✓ | - |
| | Amendment to the Bank's Regulations Governing Lending to Interested Parties | ✓ | - |
| | Amendment to the Bank's country risk exposure limit for 2021 | ✓ | - |
| | Proposal to write off bad loans to "XX International Corp.," "XX Tseng" and 23 other borrowers | ✓ | - |
| | Amendment to the Bank's Regulations for Liquidity Management at the Hong Kong Branch | ✓ | - |
| | Amendments to the Bank's Recovery Plan for the Hong Kong Branch | ✓ | - |
| | Proposal to grant unsecured lending for the Hong Kong Branch | ✓ | - |
| | Application for a change in the terms of an existing loan by "Cheng XX Development Co., Ltd." and "Guo X Construction Co., Ltd." | ✓ | - |
| | Proposal to sell the NPL incurred by the Bank's corporate borrower "LXX Kingdom" | ✓ | - |
| | Amendments to the Bank's Regulations Governing the Management of Invested Companies | ✓ | - |
| | The Bank's handling of the Audit Committee's opinion: (2022.6.22) Unanimous approval by all directors present | | |
| | The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present | | |

| Board meeting | Proposal and subsequent measures | Item listed in Article 14-5 of the Securities and Exchange Act | Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote |
|---|--|--|--|
| 2022.8.23 The 8th Board of Directors in its 18 th meeting | Amendment to the Bank's Regulations Governing Internal Control System for the Concurrent Conducting of Securities Business and the Implementation Rules Governing Internal Audits for the Concurrent Conducting of Securities Business | ✓ | - |
| | The Bank's consolidated and parent financial statements for first half of 2021 | ✓ | - |
| | Amendment to the Bank's Regulations for Appraising Overseas Real Estate Collateral | ✓ | - |
| | Amendment to the Bank's Regulations for Appraising Collateral | ✓ | - |
| | Proposal to write off bad loans to "XX Holdings Limited," "XX Yen" and 16 other borrowers | ✓ | - |
| | Proposal to sell the NPL incurred by the Bank's corporate borrower "NXX EXX Holdings Limited" | ✓ | - |
| | Amendment to the Bank's Regulations for the Control of Aggregate Limit of Loans to Any Single Juridical Person/Conglomerate | ✓ | - |
| | Amendment to the Bank's Regulations for Delegating Authority for Granting Loans and Conducting Financial Transactions | ✓ | - |
| | Amendment to the Bank's Regulations Governing the Scope of Powers in Reviewing Limits for AR Buyers | ✓ | - |
| | Amendment to the Bank's Product Suitability Policy on Concurrent Conducting of Securities Business | ✓ | - |
| | Amendment to the Bank's Security Maintenance Regulations | ✓ | - |
| | Proposal for making a donation to the Eisenhower Fellows Association in the R.O.C. | ✓ | - |
| | Proposal for making a donation to the Chinese National Association of Industry and Commerce | ✓ | - |
| | Proposal for extending the rental of the Bank's headquarters building to affiliate China Bills Finance Corp. | ✓ | - |
| | Amendment to the Bank's Organizational Rules | ✓ | - |
| | Outcome of the Audit Committee's deliberations: (2022.8.23) Unanimous approval by all members | | |
| | The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present | | |
| 2022.11.2 The 8 th Board of Directors in its 19 th meeting | The Bank's consolidated financial statements for the third quarter of 2022 | ✓ | - |
| | Amendment to the Bank's Regulations for Trading Book and Banking Book Management | ✓ | - |
| | Adoption to the Bank's Sustainable Credit and Investment Policy | ✓ | - |
| | Amendment to the Bank's Product Suitability Policy on Concurrent Conducting of Securities Business | ✓ | - |
| | Amendment to the Bank's Stewardship Principles and proposal for Compliance Statement on Stewardship Principles for Institutional Investors in 2021 | ✓ | - |
| | Presentation of the Bank's letter of commitment in its capacity as a shareholder of invested company. | ✓ | - |
| | Amendment to the Bank's Regulations for Engaging Advisors | ✓ | - |
| | Proposal for job alterations for some of the Bank's managerial officers | ✓ | - |
| | Outcome of the Audit Committee's deliberations: (2022.11.2) Unanimous approval by all members | | |
| | The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present | | |

| Board meeting | Proposal and subsequent measures | Item listed in Article 14-5 of the Securities and Exchange Act | Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote |
|--|--|--|--|
| 2022.12.27 The 8 th Board of Directors in its 20 th meeting | Beginning with the financial statements of 2023, the Bank engaged Kuan-Hao Lee and Wang-Shen Lin as CPAs. After evaluation of their independence and suitability, the two were entrusted to audit the Bank's financial and tax statements from 2021 onwards. | ✓ | - |
| | Amendment to the Bank's Corporate Governance Principles | ✓ | - |
| | Amendment to the Bank's Whistleblowing Policy | ✓ | - |
| | Result of the Bank's evaluation of subsidiaries done by audits in 2022 | ✓ | - |
| | The Bank's 2022 audit plan | ✓ | - |
| | The Bank's 2022 internal audit plan for the concurrent conducting of insurance agent business | ✓ | - |
| | The Bank's 2020 report on Evaluation of Money Laundering and Terrorism Financing Risks (bank-wide version) | ✓ | - |
| | The O-Bank Group's AML/CFT Plan for 2022 | ✓ | - |
| | Amendment to the Bank's AML/CFT Guidelines for Insurance Agent Operations | ✓ | - |
| | The Bank's 2022 report on self-evaluation of personal information protection | ✓ | - |
| | Adoption of the Bank's 2023 guidelines for the management of liquidity and interest rate sensitivity risks | ✓ | - |
| | Amendment to the Bank's Manual for Hong Kong Branch's Market Risk, Interest Rate Risk in the Banking Book, and Assets and Liabilities Management | ✓ | - |
| | Amendment to the Bank's Manual for Hong Kong Branch's Market Risk, Interest Rate Risk in the Banking Book, and Assets and Liabilities Management | ✓ | - |
| | Amendment to the Bank's Assets and Liabilities Committee Organizational Rules | ✓ | - |
| | Amendment to the Bank's Regulations Governing the Control of Sectoral Concentration Risk and proposal for the Bank's industry risk exposure limits for 2022 | | |
| | Amendment to the Bank's Regulations for the Control of Lending Limits on Individual Financial Institutions | ✓ | - |
| | Amendment to the Bank's Regulations Governing the Scope of Powers in Reviewing Authorized Limits of Loans and Financial Transactions | ✓ | - |
| | Review report on the Bank's derivatives business strategy, operating guidelines, and performance in 2022 | ✓ | - |
| | Amendment to the Bank's Corporate Social Responsibility Best Practice Principles and renaming to Sustainable Development Best Practice Principles | ✓ | - |
| | Amendment to the Bank's Regulations for Handling Financial Dealings With Conglomerate Affiliates and Interested Parties | ✓ | - |
| | Amendment to the Bank's Organizational Rules | ✓ | - |
| | Outcome of the Audit Committee's deliberations: (2022.12.27) Unanimous approval by all members | | |
| | The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present | | |

Other mentionable items:

1. Any independent director raising objections, retaining opinions, or making major proposals: None.
2. In the event that any matter listed in Article 14-5 of the Securities and Exchange Act has failed to secure the approval of the Audit Committee but has won the consent of two-thirds or more of all directors, the date of the given board meeting, term of the board, contents of the matter, outcome of the Audit Committee's deliberations, and the Company's handling of the Audit Committee's opinion shall be recorded in the minutes of the aforesaid board meeting: None (please refer to the table above).
3. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

| Date | Proposal and subsequent measures | Independent Directors | The reason should be avoided | Participation in voting |
|---|---|-----------------------|--|--|
| 2022.8.23 The 8th Board of Directors in its 18th meeting | Cheng ○ Enterprise Co., Ltd. Application for Change of Credit Conditions | Lin Hongguang | Interested in Article 33-1 of the Bank Act | The directors of the Bank follow the principle of avoidance and do not participate in the discussion and voting on the proposals related to their interests. |

4. Communications between the independent directors, the Company's chief internal auditor and CPAs

(1) Communication between the chief internal auditor and independent directors:

- A. In addition to submitting updates of its work to independent directors, the Auditing Division communicates with independent directors at audit seminars held twice a year; the minutes of such seminars are presented to the Board of Directors.
- B. Each year the Bank issues a statement on internal control, which will be submitted to the Board of Directors for approval after being examined by the Audit Committee.
- C. The reports compiled by the Auditing Division after its audits of the Bank's departments and subsidiaries are submitted to independent directors.
- D. With respect to the opinions of and shortfalls detected by financial examination agencies, CPAs, internal audit units, and various departments after self-audits, as well as the items specified by the Statement on Internal Control as in need of improvement, the Auditing Division is responsible for conducting follow-up examination and submitting reports on the status of improvement to the Audit Committee and Board of Directors.
- E. Before a fiscal year runs its course, the Auditing Division is supposed to present the audit plan for the following year to the Audit Committee for review and to the Board of Directors for approval.
- F. The Bank's chief auditor has maintained smooth communication with independent directors who, in turn, have been able to keep track of the Bank's implementation of audit operations and the result thereof.

The summary of the communication through individual meetings in 2022 is as follows:

| Date | Means | Counterparty | Subject | Outcome |
|------------|---|--|--|---|
| 2022.2.23 | The 4th Audit Committee in its 13th meeting | Independent directors and Chief Auditor | Report on Improvements Based on Examination Opinions (Table B) with respect to the 2020 routine examination undertaken by the Financial Supervisory Commission of the Bank's conducting of business (follow-up) | Approved for reference |
| | | | The Bank's conducting audit operations in 2021 | Approved for reference |
| 2022.3.16 | The 4th Audit Committee in its 14th meeting | Independent directors and Chief Auditor | The Bank's Internal Control System Statement for 2021 (including the Bank's concurrent conducting of insurance agent business) | No objection; submitted to the Board of Directors for examination |
| | | | CPA report on the Bank's implementation of negotiations with regard to its internal control system in 2021 (including the Bank's concurrent conducting of insurance agent business) | Approved for reference |
| 2022.5.4 | The 4th Audit Committee in its 15th meeting | Independent directors and Chief Auditor's deputy | The Bank's conducting audit operations in the first quarter of 2022 | Approved for reference |
| | | | Amendment to the Bank's 2021 audit plan | No objection; submitted to the Board of Directors for examination |
| 2022.8.23 | The 4th Audit Committee in its 18th meeting | Independent directors and Chief Auditor | Report on Improvements Based on Examination Opinions (Table B) with respect to the 2022 routine examination undertaken by the Financial Supervisory Commission of the Hong Kong's conducting of business (follow-up) | Approved for reference |
| | | | Special audit report on the Bank's outsourcing of its SFDC cloud services in 2022 | Approved for reference |
| 2022.11.2 | The 4th Audit Committee in its 19th meeting | Independent directors and Chief Auditor | Report on Improvements Based on Examination Opinions (Table B) with respect to the 2022 routine examination undertaken by the Financial Supervisory Commission of the Bank's conducting of business (follow-up) | Approved for reference |
| 2022.12.27 | The 4th Audit Committee in its 20th meeting | Independent directors and Chief Auditor | Results of the Bank's evaluation of subsidiaries done by audits in 2022 | Approved for reference |
| | | | The Bank's audit plan for 2023 | Approved for reference |
| | | | The Bank's 2022 Internal Audit Plan for Concurrent Conducting of Insurance Agent Business | Approved for reference |
| | | | Amendment to the Bank's Whistleblowing Policy | Approved for reference |

A summary of the communication between directors (including independent directors) and the chief internal auditor in 2022 is as follows:

| Date | Means | Counterparty | Subject | Outcome |
|-----------|----------------------------|--|---|---|
| 2021.2.23 | A seminar on audit affairs | Director (including independent director), Chief Auditor and Auditing Division personnel | Review of the Bank's internal control system deficiencies for the second half of 2021 | 1. Implemented as proposed 2. Approved by the 8th Board of Directors in its 14th meeting on March 16, 2022 |
| 2022.8.23 | A seminar on audit affairs | Director (including independent director), Chief Auditor and Auditing Division personnel | Review of the Bank's internal control system deficiencies and supervision of auditing operations at overseas branches in the first half of 2022 | 1. Implemented as proposed 2. Approved by the 8th Board of Directors in its 19th meeting on December 2, 2022 |

(2) Communication between CPAs and independent directors:

The Bank's CPAs keep up effective communication and discussion with independent directors during either the Audit Committee's quarterly meetings or individual meetings, separate conferences, thereby keeping the latter informed of the scope of financial statements being reviewed and their plan for and scope of any forthcoming audit, as well as any update to applicable laws and regulations.

A summary of the communication between CPAs and independent directors as well as the reports presented therein in 2022 is as follows:

| Date | Means | Counterparty | Subject | Outcome |
|------------|---|---|---|---|
| 2022.3.16 | The 4th Audit Committee in its 14th meeting | Independent directors, CPAs and Finance & Accounting Department managers | Auditing of 2021 consolidated and parent financial statements and key audit items | No objection; submitted to the Board of Directors for examination |
| 2022.5.4 | The 4th Audit Committee in its 15th meeting | Independent directors, CPAs and Finance & Accounting Department managers | Reviewing of consolidated financial statements for the first quarter of 2022 | No objection; submitted to the Board of Directors for examination |
| 2022.8.23 | Individual Meeting | Independent directors and CPAs | Auditing of consolidated and parent financial statements for the first half of 2022 and key audit items | Unanimous approval |
| | The 4th Audit Committee in its 18th meeting | Independent directors, CPAs and Finance & Accounting Department managers | Auditing of consolidated and parent financial statements for the first half of 2022 and key audit items | No objection; submitted to the Board of Directors for examination |
| | The 4th Audit Committee in its 19th meeting | Independent directors, CPAs, Operation Management Division manager and Finance & Accounting Department managers | Review report of consolidated financial statements for the third quarter of 2022 | No objection; submitted to the Board of Directors for examination |
| 2022.12.27 | The 4th Audit Committee in its 20th meeting | Independent directors, CPAs, Operation Management Division manager and Finance & Accounting Department managers | 2022 annual financial report review planning, audit quality indicators and corporate governance unit pre-approval non-confirmation service special report | No objection; submitted to the Board of Directors for examination |

(3) Disclosures required under the Banking Industry Corporate Governance Best-Practice Principles

Please refer to the Bank's website (<https://www.o-bank.com>) and the Market Observation Post System (<https://mops.twse.com.tw>).

(4) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best Practice Principles for Banks

| Item Evaluated | Status | | | Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies |
|---|--------|----|--|---|
| | Yes | No | Brief Explanation | |
| 1. Shareholding Structure and Shareholders' Equity (1) Does the Bank enact a set of internal operational procedures for handling shareholder proposals, doubts, disputes, and litigations, as well as act in accordance with the said procedures? (2) Does the Bank have access to the major shareholders who have actual control over the Bank as well as that of their ultimate control persons? (3) Does the Bank establish and implement risk management and firewall mechanisms for its dealings with affiliated businesses? | ✓ | | (1) On the Bank's website, the section for investors contains "Contact Us" and the section for corporate governance offers direct access to services meant specifically for stakeholder-shareholders. Shareholders may, by phone or email, present proposals, doubts, disputes, and litigations, and the Bank's designated personnel will respond to them as warranted. (2) As required by regulations, the Bank files monthly reports on stockholding changes of major shareholders. Verification of the roster of shareholders is conducted to coincide with book closure, thereby taking hold of the stockholding of the major shareholders who have actual control over the Bank. Also, the Bank discloses related legal announcement and such forms on its website to make public to general shareholders, thereby taking hold of the list of the major shareholders' ultimate control persons. (3) The Bank and its affiliated businesses have in place clearly defined division of management duties and powers. The O-Bank Co., Ltd. Regulations on Investee Management is enacted precisely for this purpose. | None |
| 2. Composition and Duties of the Board of Directors (1) Does the Board of Directors adopt a policy of diversity and specific management goals thereof? | ✓ | | (1) In accordance with the Articles of Incorporation, the Bank adopts the candidate nomination system for elections of directors. The selection of board members is not dictated by gender, age, race, or nationality, and the Bank shall bring into professional and experienced elites from various fields to conform to the Bank's diversified development. The Board members shall be equipped with the knowledge, skills, and aptitude needed to perform their duties, so as to achieve excellence in corporate governance. Moreover, the Board shall be equipped with the capacity for business judgment, accounting and financial analysis, business administration, risk management, crisis management, industry knowledge, a sound perspective of the global market, leadership, and decision making. Reflecting its emphasis on the board diversity, the Bank's 8th Board of Directors comprises elites from the financial, industrial and academic communities. With 9 of them holding master's degrees, they span such disciplines as economics, commerce, business administration, accounting, insurance, public administration, and languages. Directors representing the Board's capacity for business judgment, business administration, leadership, and decision making are Tina Y. Lo, Kenneth C.M. Lo, Shih-Tze Chen, and Elton F.Y. Lee; financial accounting, Hank H.K. Lin, Mark J.C. Lee, and Gordon W.C. Lin; industry knowledge, Edward Chien-Chiang Huang, George C.J. Cheng, and Bill K.C. Lin; risk management, Roy J.Y. Yeh, Fu-Hsiung Hu, and Nina Y.C. Lo; international perspectives, Tina Y. Lo, Kenneth C.M. Lo, Elton F.Y. Lee, and Richard R.C. Liu. As such, all members of the Board of Directors are not only equipped with the knowledge, skills, and aptitude needed to perform their duties but also fully competent in the areas of banking, finance, commerce, law, and industry respectively. Of the Bank's 14 incumbent directors, three are independent directors, (or 21.4%), recorded not more than 9 years of service. In terms of age distribution, three directors are aged under 60, six between 61-70, and five over 71, attesting to a thorough mix of experience and innovation. Furthermore, the Bank pays attention to gender equality in the composition of its Board of Directors, with its aim at 25% of female directors or more. In the Bank's 8th Board of Directors, there are two female directors, or 14%. Priority will be given to considering female candidates in future board elections in order to attain the aforesaid aim. Separately, there is one director (7%) who is the employee (including employees of the Bank's affiliates) in a concurrent capacity. At its 5th meeting on December 23, 2020, the Bank's 8th Board of Directors enacted the Bank's "Diversity Policy, Independence Standard, Continuing Education Initiative Program, and Succession Planning for the Board of Directors." The Bank makes it a point to adopt the policy of diversity with regard to composition of the Board of Directors, enhance the independence of the Board, and strengthen the Board functions, so as to bolster corporate governance and attain sustainable development. The objective is to ensure the diversity and independence of the Board members and strengthen the Board functions, thereby bolstering corporate governance and attaining sustainable development. | None |

| Item Evaluated | Status | | | Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies |
|---|--------|----|---|---|
| | Yes | No | Brief Explanation | |
| (2) Besides setting up the Compensation Committee and Audit Committee, as required by law, does the Bank voluntarily establish other functional committees? | ✓ | | (2) In addition to setting up the Compensation Committee and Audit Committee, as required by law, the Bank has established the Corporate Governance and Nomination Committee, Corporate Social Responsibility Committee, and Corporate Culture Committee. These functional committees have been formed to help the Board of Directors better conduct governance and supervision. | |
| (3) Does the TSEC/TPEX listed Bank enact regulations and methods for evaluating Board of Directors performance, conduct such evaluation on an annual basis, present evaluation results to the Board of Directors, and use these as reference for considering the remuneration and reelection nomination of each director? (Note1) | ✓ | | (3) To further improve corporate governance, bolster the Board of Directors, and establish goals for strengthening its operations, the 7th Board of Directors enacts the Bank's Regulations Governing the Performance Evaluation of the Board of Directors in its 18th meeting on June 26, 2019, and amended relevant articles on December 27, 2022. The Board of Directors and functional committees should conduct an internal performance evaluation at least once a year. Also, the evaluation should be conducted at least once every 3 years by external evaluation institutions or panel of external experts and scholars. The Bank has completed its 2022 internal and external Performance Evaluation of the Board of Directors. Each result was reported to the Corporate Governance and Nomination Committee and the 8th Board of Directors respectively on February 15, 2023. All in all, the Board of Directors and functional committees have operated smoothly. Fully aware of their duties, directors actively engage in corporate operations and deliver fitting decisions, thereby helping enhance governance quality. The result of the aforesaid evaluation is not only intended for the reference of the Bank's directors, Board of Directors and functional committees in striving for improvement but also taken into account alongside the Bank's business performance, director involvement in corporate operations, and director contributions and responsibilities as the basis for setting director remuneration. Meanwhile, the Bank is ready to undertake regular review, whenever this is warranted by the state of business and applicable laws and regulations, to ensure that the Bank's business guidelines remain compatible with its commitment to corporate governance. For the result of the Bank's Performance Evaluation of the Board of Directors, please refer to "Corporate Governance Report-Board of Directors- other mentionable items- Evaluation of Board of Directors" of this annual report. There are no deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. | |
| (4) Does the Bank evaluate the independence of its CPAs on a regular basis? | ✓ | | (4) The Bank evaluates the independence of its CPAs on an annual basis and presents the result to the Audit Committee and the Board of Directors for review and approval. Yin-Chou Chen and Wang-Sheng Lin of Deloitte Taiwan have been the Bank's CPAs since the first quarter of 2019. Due to internal adjustments by Deloitte & Touche, the CPAs were changed from Yin-Chou Chen and Wang-Sheng Lin to Kuan-Hao Lee and Wang-Sheng Lin since 2021. The Bank evaluated the new appointments and presented the result to the Audit Committee and the Board of Directors on December 29, 2021 for review, and both gave their approval. CPAs Kuan-Hao Lee and Wang-Sheng Lin of Deloitte Taiwan were found to meet the Bank's criteria of independence (Note 2) and thus approved as the Bank's CPAs. The Bank also secured the required statements from both CPAs. | |

| Item Evaluated | Status | | | Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies |
|--|--------|----|--|---|
| | Yes | No | Brief Explanation | |
| 3. Does the Bank appoint a reasonable number of eligible corporate governance personnel and place a managerial officer in charge of corporate governance affairs (including but not limited to preparation of materials for directors and supervisors to perform their duties, assistance to directors and supervisors for legal compliance, undertaking of matters related to board meetings and shareholders' meetings, and compilation of board and shareholders' meeting minutes)? | ✓ | | <p>The corporate governance subcommittee under the Corporate Social Responsibility Committee is served by Corporate Secretariat and is charged with the responsibility of implementing the Bank's corporate governance operations, including enacting the Bank's guiding principles for business development and handling corporate governance affairs related to ethical management and risk management. In particular, these include legal compliance, transparency of information disclosure, information protection, and protection of shareholder rights and interests.</p> <p>On December 27, 2017, the Board of Directors enacted the O-Bank Co., Ltd. Corporate Governance Principles to further bolster the Bank's corporate governance system. The said principles spell out endeavors to ensure legal compliance and upgrade internal management, protect shareholder rights and interests, strengthen the functions of the Board of Directors, maximize the functions of the Audit Committee, honor the rights and interests of interested parties, and increase the transparency of information disclosure.</p> <p>Separately, the Board of Directors approved the appointment of Vice President Chang, Wesley S.C. as the Bank's head of corporate governance on February 27, 2019; he had previously accumulated a managerial experience with respect to legal, stock, or meeting affairs at a public company for more than three years. The Bank's head of corporate governance is charged with providing information needed for directors to perform their duties; helping directors comply with applicable laws and regulations, assume office, and continue to undergo training; undertaking matters in relation to Board of Directors and shareholders' meetings and produce the minutes thereof; and conducting other duties prescribed in the Articles of Incorporation and relevant contracts.</p> <p>A summary of the duties performed in 2022 is as follows:</p> <ol style="list-style-type: none"> 1. Assist directors and independent directors in performing their duties and providing the information needed as well as make arrangements for their training. : <ol style="list-style-type: none"> (1) Bring members of the Board of Directors up to date with the latest statutory developments in the areas of corporate management and governance on a regular basis. (2) Determine the classification levels of relevant information based on which to provide directors with such and help facilitate communication between directors and heads of various business departments. (3) Assist directors and independent directors in setting annual training programs and scheduling courses based on the Bank's business characteristics and their educational and occupational backgrounds. 2. Help ensure the compliance of procedures and resolutions of Board of Directors and shareholders' meetings : <ol style="list-style-type: none"> (1) Ascertain whether Board of Directors and shareholders' meetings comply with applicable laws and corporate governance principles. (2) Remind directors of applicable laws and regulations they are supposed to comply with over the course of performing duties or before the Board of Directors adopts any resolution; speak up when the Board of Directors adopts any illegal resolution. (3) Assist in relaying information on major resolutions of the Board of Directors to the Bank's spokesperson for disclosing material information, thereby ensuring information symmetry for investors. 3. Draft the agenda of a scheduled Board of Directors meeting and present it to directors by the statutory deadline; convene the said meeting and provide the materials thereof. 4. Register the date of any forthcoming shareholders' meeting, as required by law; produce the meeting notice, agenda handbook, and minutes by a given deadline; notify the responsible unit of any amendment to the Articles of Incorporation or board reelection ° | None |

| Item Evaluated | Status | | | Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies | | | | | | | | | | | | | | | | | | | | |
|---|--|--|---|---|-----------|--------|------|-----|---------------------------------|---|---|------|---------------------------------|---|---|-------|--|--|---|-------|--|--|---|--|
| | Yes | No | Brief Explanation | | | | | | | | | | | | | | | | | | | | | |
| | | | <p>5. Formulate and implement the Bank's ethical management policy and preventive measures thereof as well as report to the Board of Directors on a regular basis.</p> <p>A summary of the Bank's implementation of ethical management in 2022 is as follows :</p> <p>(1) Implement quantitative indicators for ethical management.</p> <p>(2) Establish a mechanism for assessing the risk of unethical conduct.</p> <p>(3) Stand by the Bank's ethical management policy.</p> <p>(4) Complete ethical management promotion and training.</p> <p>(5) Implement the Bank's reporting system faithfully.</p> <p>(6) Conduct audits of ethical management and evaluation of the effectiveness thereof.</p> <p>A summary of the Bank's training for the head of corporate governance in 2022 is as follows:</p> <table><tr><th>Date</th><th>Organizer</th><th>Course</th><th>Hour</th></tr><tr><td>8/3</td><td>Corporate Operation Association</td><td>Analysis of shareholders' meeting disputes and company registration practices</td><td>3</td></tr><tr><td>8/25</td><td>Corporate Operation Association</td><td>Case study on fighting for top management positions</td><td>3</td></tr><tr><td>10/13</td><td>Securities and Futures Market Development Foundation</td><td>13th Taipei Corporate Governance Forum</td><td>6</td></tr><tr><td>10/20</td><td>Securities and Futures Market Development Foundation</td><td>The value of information security in the post-epidemic era and the Sino-US trade war</td><td>3</td></tr></table> | Date | Organizer | Course | Hour | 8/3 | Corporate Operation Association | Analysis of shareholders' meeting disputes and company registration practices | 3 | 8/25 | Corporate Operation Association | Case study on fighting for top management positions | 3 | 10/13 | Securities and Futures Market Development Foundation | 13th Taipei Corporate Governance Forum | 6 | 10/20 | Securities and Futures Market Development Foundation | The value of information security in the post-epidemic era and the Sino-US trade war | 3 | |
| Date | Organizer | Course | Hour | | | | | | | | | | | | | | | | | | | | | |
| 8/3 | Corporate Operation Association | Analysis of shareholders' meeting disputes and company registration practices | 3 | | | | | | | | | | | | | | | | | | | | | |
| 8/25 | Corporate Operation Association | Case study on fighting for top management positions | 3 | | | | | | | | | | | | | | | | | | | | | |
| 10/13 | Securities and Futures Market Development Foundation | 13th Taipei Corporate Governance Forum | 6 | | | | | | | | | | | | | | | | | | | | | |
| 10/20 | Securities and Futures Market Development Foundation | The value of information security in the post-epidemic era and the Sino-US trade war | 3 | | | | | | | | | | | | | | | | | | | | | |
| 4. Has the Bank established channels for communicating with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), assigned a stakeholder section on its website, and addressed major corporate social responsibility issues that stakeholders are concerned about in a proper manner? | ✓ | | The Bank's website has a "Stakeholders" section meant specifically for stakeholders with a view to providing customers, shareholders, employees, suppliers, the general public, and government agencies with comprehensive information on CSR issues of concern to stakeholders and on the channels and frequency of communication therewith. Meanwhile, the Bank has assigned specific liaison personnel to ensure smooth communication with all stakeholders. | None | | | | | | | | | | | | | | | | | | | | |
| 5. Information Disclosure | | | | None | | | | | | | | | | | | | | | | | | | | |
| (1) Does the Bank install a website for disclosing information on finances, operations, and corporate governance? | ✓ | | (1) The Bank has installed a company website to disclose information with regard to financial operations, corporate governance, and other material matters. The Bank also conducts information publication and disclosure on the Market Observation Post System in accordance with applicable regulations. | | | | | | | | | | | | | | | | | | | | | |
| (2) Does the Bank adopt other means of information disclosure (such as installing an English website, designating personnel to collect and disclose material information, appointing a spokesperson to communicate with the general public, and making public the recordings of investor briefings on its website)? | ✓ | | (2) The Bank's website is presented in both Chinese and English for the reference of domestic and overseas investors. Meanwhile, responsible departments place specific personnel in charge of information gathering and disclosure. The Bank has also appointed a spokesperson and an acting spokesperson who are responsible for announcing financial information and information with regard to corporate operations in a timely fashion. Meanwhile, information with regard to presentations at the Bank's investor briefings is made public and disclosed on both its website and the Market Observation Post System in accordance with applicable regulations. | | | | | | | | | | | | | | | | | | | | | |
| 3. Does the Bank, in accordance with applicable provisions of the Banking Act and the Securities and Exchange Act, publish and report its annual financial statements by the specified deadline after the end of a fiscal year, and publish and report, by the respective specified deadlines, its financial statements for the first, second, and third quarters of the current year as well as its operating results of each month before the specified deadline? | ✓ | | (3) The Bank, in accordance with applicable provisions of the Banking Act and the Securities and Exchange Act, publishes and reports its financial statements for the most recent fiscal year and for the first, second, and third quarters of the current year as well as its operating results of each month before the respective specified deadlines. | | | | | | | | | | | | | | | | | | | | | |

| Item Evaluated | Status | | | Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies |
|---|--------|----|--|---|
| | Yes | No | Brief Explanation | |
| 6. Is there other important information that can facilitate better understanding of the Bank's corporate governance practices (including but not limited to employee rights and interests, employee care, investor relations, rights and interests of interested parties, records of training for directors and supervisors, implementation of risk management policy and risk evaluation criteria, implementation of customer relations policy, purchases of professional indemnity insurance for directors and supervisors, and donations to political parties, stakeholders, and charitable groups)? | ✓ | | <p>(1) Employee rights and interests and employee care:</p> <p>The Bank gives priority to employee rights and interests and devotes itself toward employee care. In addition to having employees covered by labor and national health insurance, as dictated by law, the Bank also provides employees with group insurance and periodic health examinations.</p> <p>The Bank appropriates funds, as stipulated by law, for the establishment of an employee welfare committee that offers information regarding cultural and artistic activities and sponsors various group activities to promote employee wellbeing and facilitate their holistic development.</p> <p>The Bank honors its commitment to communicating with employees by hosting employee assemblies on a regular basis, introducing the "WeCare 2.0" campaign, and installing mailboxes specifically for them. To further cement employee identification with the Bank, the Employee Shareholders Association has been formed. Employees are encouraged to save over the long term and prepare for retirement by holding the Bank's shares and sharing in its growth.</p> <p>(2) Investor relations:</p> <p>The Bank's website comes with an investor section that provides investors with real-time information concerning corporate updates, finances, stock affairs, investor activities and services, etc.</p> <p>(3) Rights and interests of interested parties:</p> <p>The rights and interests of the Bank's stakeholders are protected under applicable laws and regulations as well as the Bank's internal rules. The Bank's website offers specific information on how all stakeholders can get in touch.</p> <p>(4) Training for directors:</p> <p>The Bank is proactive to provide directors with core and specialized courses prescribed in the competent authority's director training roadmap. In 2022, a total of 135 CPE (Continuing Professional Education) hours was completed by directors all together and the summary of the training has been made public and disclosed in the corporate governance section of the Market Observation Post System in accordance with relevant regulations (https://mops.twse.com.tw).</p> <p>(5) Implementation of risk management policy and risk evaluation criteria:</p> <p>The Board of Directors has enacted the Bank's risk management policy, capital adequacy and risk management information disclosure policy, credit risk management guidelines, regulations for managing liquidity and interest rate sensitiveness risks, regulations for market risk management, regulations for managing operational risks, lending business risk management mechanism, evaluation mechanism for asset quality and classification, and mechanism for safeguarding information security as the bedrock of the Bank's risk management. The control of various risks (including the control of loan portfolio, market, interest rate, liquidity, and operational risks; the operations and risk exposure of leasing subsidiaries; and risk control at EverTrust Bank) is submitted to the Board of Directors for approval and reference.</p> <p>In addition, the Bank has assigned a section on its website exclusively for risk management under Corporate Governance. The section covers such three fields as risk management mechanism, climate change risk, and Equator Principles. Disclosed here is information with regard to the Bank's risk management policy and procedures, management scope, organizational structure, and implementation status; the Bank's business transformation assessment and risk management measures deriving from the identification of risk factors in the face of climate change; and the Bank's Equator Principles-compliant framework for project finance and its implementation during the past year. The Bank has also assigned a section on its website for capital adequacy and risk management under Statutory Public Disclosure. Information disclosed therein includes the Bank's capital adequacy management, credit risk management system, market risk management system, operational risk management system, IRRBB management system, and liquidity risk management system.</p> <p>(6) Implementation of customer relations policy:</p> <p>To provide customers with comprehensive financial services, the Bank enacts and implements a customer relations policy that takes account of both business characteristics and customer needs.</p> <p>(7) Purchases of professional indemnity insurance for directors:</p> <p>The Bank began purchasing professional indemnity insurance for directors in June 2009 with a view to offering directors and managerial officers buffers against the risk and liability they assume.</p> <p>Renewal of the said professional indemnity insurance in 2022 was already reported to the Board of Directors and disclosed in the corporate governance section of the Market Observation Post System (https://mops.twse.com.tw).</p> | None |

| Item Evaluated | Status | | | Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies |
|----------------|--------|----|---|---|
| | Yes | No | Brief Explanation | |
| | | | (8) Donations to political parties, stakeholders, and charitable groups: In 2022, the Bank donated NT\$5.60million to the O-Bank Education Foundation, NT\$800,000 to the Chinese National Association of Industry and Commerce, NT\$140,000 to the National Taiwan University Economic Research Foundation, NT\$30,000 to the Eisenhower Fellows Association in the R.O.C., NT\$75,000 to Taiwan Environmental Information Association, NT\$50,000 to National Cheng Kung University Foundation, NT\$10,000 to Taiwan Prevent Blindness Foundation, and supplies to New Taipei Municipal JiChin Elementary School in Ruifang District, and New Taipei Municipal PingLin Elementary School in Pingling District. Total amount of the 2021 donation is NT\$11,020,913, supplies included. | |

7. Please describe the status of improvement already made based on the results of the Corporate Governance Evaluation System released by the Taiwan Stock Exchange Corporate Governance Center in the most recent year, as well as priority matters and measures in areas where improvement has yet to be made:
Long committed to corporate governance and sustainable development, the Bank ranked among top 5% companies listed on the Taiwan Stock Exchange for two consecutive years (2020 and 2021) in its 7th and 9th Corporate Governance Evaluation. Among other ongoing corporate governance endeavors, the Bank commissioned the Taiwan Corporate Governance Association (TCGA) to evaluate and certify its corporate governance system in 2021. As such, an independent, third-party assessment was conducted to evaluate the comprehensiveness, implementation, and feedback mechanism of the aforesaid system. The TCGA subsequently granted the Bank a CG6012 certificate of excellence. Separately, the Bank began investing in sustainability-oriented financial products in 2021, a move attesting to its resolve to strive for sustainable development.

Note 1: Explain the reason for any deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Note 2: Criteria for Evaluating the Independence of CPAs

| Item Evaluated | Evaluation Result | Compliance with Independence Requirements |
|---|-------------------|---|
| 1. Independent assessment | | |
| 1. Do the CPAs have a direct or material indirect financial interest in the Bank? | No | ✓ |
| 2. Have the CPAs engaged in financing or guarantees with the Bank or any of its directors? | No | ✓ |
| 3. Do the CPAs have a close business relationship and a potential employment relationship with the Bank? | No | ✓ |
| 4. Do the CPAs and members of their audit team currently serve as the Bank's directors or managerial officers or hold positions that may exert significant influence over the subject matter of their engagement, or did the same hold true in the most two recent years? | No | ✓ |
| 5. Do the CPAs provide the Bank with non-audit services that may influence the independence of their audit work? | No | ✓ |
| 6. Do the CPAs broker equities or other securities issued by the Bank? | No | ✓ |
| 7. Do the CPAs serve as the Bank's advocate or seek to reconcile the Bank's conflicts with third parties on its behalf? | No | ✓ |
| 8. Do the CPAs have family relationship with anyone who is a director or managerial officer of the Bank or whose position may exert significant influence over the subject matter of their engagement? | No | ✓ |
| 2. Suitability assessment | | |
| 1. Whether the senior inspectors have sufficient audit experience to perform the audit work | Yes | ✓ |
| 2. Whether accountants/senior auditors receive sufficient education and training every year to continuously acquire professional knowledge and skills | Yes | ✓ |
| 3. Whether the firm maintains enough senior human resources | Yes | ✓ |
| 4. Whether the firm has enough professionals (such as evaluators) to support the inspection team | Yes | ✓ |
| 5. Whether the workload of accountants is appropriate | Yes | ✓ |
| 6. Check whether the input of team members in each check stage is appropriate | Yes | ✓ |
| 7. Whether the EQCR accountant devotes enough time to the review of audit cases | Yes | ✓ |
| 8. Whether the firm has sufficient quality control manpower to support the inspection team | Yes | ✓ |
| 9. Whether the firm's quality control and audit cases are implemented in accordance with relevant laws and standards | Yes | ✓ |

| Item Evaluated | Evaluation Result | Compliance with Independence Requirements |
|---|-------------------|---|
| 10. The accounting firm's commitment to improving audit quality, including the accounting firm's innovation capability and planning | Yes | ✓ |
| 11. Whether the certified accountant can provide timely improvement suggestions for the major shortcomings of the bank | Yes | ✓ |
| 12. How much the visa accountant/audit manager attaches importance to the audit work | Yes | ✓ |
| 13. Can the firm complete the audit work within the time limit required by the Bank? | Yes | ✓ |

(5) Composition, Responsibilities and Operations of the Compensation Committee and other Functional Committees

A. Compensation Committee

Based on a resolution adopted by the Board of Directors, the Compensation Committee was established on April 22, 2009. It was followed by the board's adopting the Compensation Committee Organizational Rules on August 26 of the same year and changing the committee's Chinese name on December 28, 2011. Composed of the entire number of independent directors, the committee is intended to assist the Board of Directors in drafting and periodically reviewing performance evaluation for directors and managerial officers as well as the policy, system, criteria, and structure of compensation-setting; assessing remunerations for directors and managerial officers on a regular basis; and setting down the criteria for evaluating the performance of service personnel and standards for deciding on their compensation. The committee shall convene at least twice a year and may convene at any time when necessary. In 2022, the committee met on January 24, February 23, March 16, June 22, August 23, November 2, and December 27.

Pursuant to Article 4 of the Bank's Compensation Committee Organizational Rules, the Committee shall exercise the duty of care to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion:

- (1) Establish and periodically review the policies, systems, standards, and structures with regard to evaluating the performance of directors and managerial officers and setting their remuneration.
- (2) Assess the remuneration of directors and managerial officers on a regular basis.
- (3) Establish the performance evaluation and remuneration standards for salespeople, that is, Employees whose remuneration or performance evaluation derives from the sale of financial products and services.

a. Compensation Committee Members

| Title | Criteria Name | Professional Qualifications and Experiences | Independence (Note) | Number of Other Public Companies in Which the Individual is Concurrently Serving as a Compensation Committee Member |
|--|------------------|--|---|---|
| Independent Managing Director (Convener) | Hu, Fu- Hsiung | <p>Mr. Fu-Hsiung Hu is not only the Bank's independent managing director but also Walsin Lihwa Corp.'s independent director.</p> <p>Previously Mr. Hu served as chairman of Taiwan Cooperative Securities Co., Ltd. and Joint Credit Information Center and director of Taiwan Cooperative Bank, Mega International Commercial Bank, and Taiwan Ratings Corp. He also had experience working for such government agencies as the Executive Yuan, Ministry of Economic Affairs, and Council of Agriculture. Given his extensive experience spanning both the financial services industry and the public sector, he fully meets the Financial Supervisory Commission's requirements for natural-person professional directors. In the days ahead, the Bank is ready to further enhance management efficiency by enlisting Mr. Hu's experience and expertise in banking, corporate governance, and risk management.</p> | <p>The Bank appoints its independent directors in accordance with the qualification requirements listed in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and Article 14-2 of the Securities and Exchange Act. On top of requesting a written declaration of independence in the nomination and appointment process, the Bank conducted evaluation against the following criteria to ascertain the independence of Mr. Hu:</p> <ul style="list-style-type: none"> ■ Not a person, spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship who acts as a director, supervisor, or employee of the Bank or any of its affiliates. ■ Not holding any shares, together with those held by his spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship. ■ Not acting as a director, supervisor, or employee of any company with a specific relationship with the Bank. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not a governmental, juridical person or its representative. | 1 |
| Independent Director | Lin, Hank H.K. | <p>Mr. Hank H.K. Lin is the Bank's independent director. He holds the following concurrent positions: chairman, EY Cultural and Educational Foundation; supervisor, Union MechTronic Inc.; director, St. Ann Medical Co. Ltd.; director, Globe Union Industrial Corp.</p> <p>Mr. Lin spent over 20 years at EY Taiwan as CPA, managing partner, and chief CPA at its Taichung branch. With his ample experience in auditing and competences in finance, accounting, and corporate governance, he helped the Bank's Audit Committee facilitate communication between CPAs and internal audit officers as the Bank strives to improve corporate governance by ensuring fair presentation of financial statements, effective implementation of internal control, and sound management of operational risk.</p> | <p>The Bank appoints its independent directors in accordance with the qualification requirements listed in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and Article 14-2 of the Securities and Exchange Act. On top of requesting a written declaration of independence in the nomination and appointment process, the Bank conducted evaluation against the following criteria to ascertain the independence of Mr. Lin:</p> <ul style="list-style-type: none"> ■ Not a person, spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship who acts as a director, supervisor, or employee of the Bank or any of its affiliates. ■ Not holding any shares, together with those held by his spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship. ■ Not acting as a director, supervisor, or employee of any company with a specific relationship with the Bank ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not a governmental, juridical person or its representative. | 0 |

| Title | Criteria | Professional Qualifications and Experiences | Independence (Note) | Number of Other Public Companies in Which the Individual is Concurrently Serving as a Compensation Committee Member |
|----------------------|-------------------|--|--|---|
| | Name | | | |
| Independent Director | Liu, Richard R.C. | <p>Mr. Richard R.C. Liu is the independent director of the Bank as well as the independent director of Taiwan Aulisa Medical Devices Technologies, Inc.</p> <p>An expert in public administration and economics with international perspectives and economic and financial expertise, Mr. Liu previously held key positions at the Ministry of Economic Affairs and Ministry of Finance. Liu was also director of Taishin International Bank, independent director of First Commercial Bank, and managing director of Hua Nan Bank. Given his solid expertise and experience, Mr. Liu fully meets the Financial Supervisory Commission's requirements for natural-person professional directors. In the days ahead, the Bank is ready to continue enlisting his competences and expertise in banking operations to ensure effective implementation of corporate governance and internal control and keep up its growth momentum.</p> | <p>The Bank appoints its independent directors in accordance with the qualification requirements listed in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and Article 14-2 of the Securities and Exchange Act. On top of requesting a written declaration of independence in the nomination and appointment process, the Bank conducted evaluation against the following criteria to ascertain the independence of Mr. Liu:</p> <ul style="list-style-type: none"> ■ Not a person, spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship who acts as a director, supervisor, or employee of the Bank or any of its affiliates. ■ Not holding any shares, together with those held by his spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship. ■ Not acting as a director, supervisor, or employee of any company with a specific relationship with the Bank. ■ Not providing commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank in the past two years. ■ Not a governmental, juridical person or its representative. | 1 |

Note: For more information on the comprehensive professional qualifications and experiences of the committee members, please refer to "Directors, Supervisors and Management Team" section of this annual report.

b. Attendance of Members at Compensation Committee Meetings

1. There are three members in the Compensation Committee.
2. The members of the 5th Compensation Committee shall serve a three-year term from June 19, 2020 through June 18, 2023. A total of 7(A) meetings of the 5th Compensation Committee were held in 2022. The attendance record of the Compensation Committee members was as follows:

| Title | Name | Attendance in Person(B) | By Proxy | Attendance Rate (%) (B/A) | Remarks |
|------------------|-------------------|-------------------------|----------|---------------------------|---------|
| Convener | Hu, Fu-Hsiung | 7 | 0 | 100 | |
| Committee Member | Lin, Hank H.K. | 7 | 0 | 100 | |
| Committee Member | Liu, Richard R.C. | 7 | 0 | 100 | |

Other mentionable items:

- a. A Summary of the major proposals reviewed by the Compensation Committee in 2022 and the results thereof is as follows :

| Date and Meetings of the Compensation Committee | Proposal | Outcome of the deliberations | Company's dealing with the deliberations of the Compensation Committee |
|--|--|--|---|
| 2022.1.24 The 5th Compensation Committee in its 14th meeting | Proposal for granting 2021 year-end bonuses to the Bank's chairman and managerial officers | Approved upon the chair's putting it before all committee members present at the meeting | Except for the proposals approved by the Chairman with the authorization by the Board, the rest are submitted to the Board of Directors and approved by all directors present |
| 2022.2.23 The 5th Compensation Committee in its 15th meeting | Distribution of remunerations to directors and employees for 2020 | | |
| | Distribution of remunerations to new directors | | |
| | Amendment to the Bank's Compensation Committee Organizational Rules | | |
| | Amendment to the Bank's Employee Stock Ownership Trust Management Regulations | | |
| | Proposal for salary adjustment in 2021 | | |
| | Proposal for remuneration of the Bank's newly appointed managerial officers | | |
| | Proposal for salary adjustment for the Bank's chairman and managerial officers in 2021 | | |
| 2022.6.22 The 5th Compensation Committee in its 17th meeting | Proposal for remuneration of the Bank's newly appointed managerial officers | | |
| 2022.8.23 The 5th Compensation Committee in its 18th meeting | Proposal for remuneration of the Bank's newly appointed managerial officers | | |
| | Proposal for the distribution of 2020 employee remuneration among managerial officers | | |
| 2022.12.27 The 5th Compensation Committee in its 20th meeting | Amendment to the Bank's Regulations for Granting Performance Bonuses | | |
| | Proposal for remuneration of the Bank's newly appointed managerial officers | Approved upon the chair's putting it before all committee members present at the meeting | Except for the proposals approved by the Chairman with the authorization by the Board, the rest are submitted to the Board of Directors and approved by all directors present |

- b. If the board of directors declines to adopt or modifies a recommendation of the compensation committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the compensation committee's opinion (eg., the compensation passed by the Board of Directors exceeds the recommendation of the compensation committee, the circumstances and cause for the difference shall be specified): None.
- c. Resolutions of the compensation committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

B. Corporate Governance and Nomination Committee

- a. The Qualifications and Responsibilities of the Corporate Governance and Nomination Committee members

The Bank's Corporate Governance and Nomination Committee was established on November 4, 2020 with the approval of the Board of Directors. With such approval, the Committee shall comprise at least 3 directors with over half independent directors and it is the independent director who shall be the convener and chairman of the Committee.

In accordance with Article 5 of the Bank's Corporate Governance and Nomination Committee Organizational Rules, the committee shall exercise the duty of care to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion:

- (1) Establish the standards of independence and a diversified background covering the expertise, experience, gender, etc. of members of the board, and find, review, and nominate candidates for directors based on such standards.
- (2) Set up and review programs for the director continuing education initiative and succession planning.
- (3) Establish the Bank's Corporate Governance Principles
- (4) Establish the Bank's Regulations Governing the Performance Evaluation of the Board of Directors
- (5) Oversee and supervise the Bank's participating in Corporate Governance Evaluation System, System Assessment, and Performance Evaluation of the Board, and then report to the Board for review and further improvement.
- (6) Board of Directors pointed out the other matters that need to be handled by the Committee.

In addition, in accordance with Article 6 of the Bank's Corporate Governance and Nomination Committee Organizational Rules, the committee shall convene at least once a year and may convene at any time when necessary.

- b. Professional Qualifications and the attendance of the Corporate Governance and Nomination Committee Members

There are three members in the Corporate Governance and Nomination Committee. The members of the 1st Corporate Governance and Nomination Committee shall serve a three-year term from November 4, 2020 through June 18, 2023. A total of 4(A) meetings of the 1st Corporate Governance and Nomination Committee were held in 2022. The professional qualifications, attendance record, and discussion items of the committee members were as follows:

| Title | Name | Professional Qualifications and Experiences | Attendance in Person(B) | By Proxy | Attendance Rate (%) (B/A) | Remarks |
|----------|---------------|--|-------------------------|----------|---------------------------|---------|
| Convener | Hu, Fu-Hsiung | Previously Mr. Hu served as chairman of Taiwan Cooperative Securities Co., Ltd. and Joint Credit Information Center. Given his experience and expertise in banking, corporate governance, and risk management, he fully meets the Committee's professional qualification requirements. | 4 | 0 | 100 | (Note) |

| Title | Name | Professional Qualifications and Experiences | Attendance in Person(B) | By Proxy | Attendance Rate (%) (B/A) | Remarks |
|------------------|----------------|---|-------------------------|----------|---------------------------|---------|
| Committee Member | Lo, Tina Y. | Previously Ms. Tina Lo was the Bank's first Hong Kong Branch chief executive, managing director, and vice chairman as well as the O-Bank Group's chief strategy officer. With her expertise in business administration, decision-making, international markets, crisis and risk management, banking, corporate governance, sustainable development, and green finance, she fully meets the Committee's professional qualification requirements. | 4 | 0 | 100 | (Note) |
| Committee Member | Lin, Hank H.K. | Mr. Lin spent over 20 years at EY Taiwan as CPA, managing partner, and chief CPA at its Taichung branch. With his ample experience in auditing and competences in finance, accounting, and corporate governance, he fully meets the Committee's professional qualification requirements. | 4 | 0 | 100 | (Note) |

Note: Please refer to "Directors, Supervisors and Management Team" section of this annual report for the comprehensive professional qualifications and experiences of the committee members.

Other mentionable items:

- a. A Summary of the major proposals reviewed by the Corporate Governance and Nomination Committee in 2021 and the results thereof is as follows:

| Date and Meetings of the Corporate Governance and Nomination Committee | Proposal | Items suggested or rejected by the Committee members | Outcome of the Deliberations | Company's dealing with the deliberations of the Corporate Governance and Nomination Committee |
|--|---|---|---|---|
| 2022.2.23 The 1st Corporate Governance and Nomination Committee in its 6rd meeting | Proposal for the Bank's 2021 Internal Board Performance Evaluation | Suggestions: 1. Hu Fuxiong, the independent executive director, suggested that the Bank evaluate the 2011 Annual General Meeting of Shareholders to use video to assist the Shareholders' Meeting. 2. Independent director Lin Hongguang suggested that the Bank evaluate the annual operation of the functional committees reported at the shareholders' regular meeting. In the 2011 annual general meeting of shareholders, the industry adopted video to assist the shareholders' meeting and report the annual operation of the audit committee. Objections: None. | Approved upon the chair's putting it before all committee members present at the meeting. | Approved upon the chair's putting it before all directors present at the Board meeting. |
| 2022.5.4 The 1st Corporate Governance and Nomination Committee in its 7th meeting | Proposal for the result of the Bank's "8th Corporate Governance Evaluation" conducted by the Taiwan Stock Exchange in 2021. | Suggestions: Independent executive director Hu Fuxiong and independent director Lin Hongguang suggested that the Bank evaluate some of the indicators that have not been achieved in the 2021 corporate governance assessment. Based on the opinions of two independent directors, the industry continues to evaluate, and passed the TIPS (level A) verification review of the intellectual property management system in 2022. Objections: None. | | |
| 2022.12.27 The 1st Corporate Governance and Nomination Committee in its 9th meeting | "Corporate Governance and Nomination Committee Organization Regulations" Amendment Discussion Proposal | None | | |
| | Discussion on Amendments to the Bank's "Code of Practice" | | | |
| | The Bank's "Board of Directors Performance Evaluation Measures" Amendment Discussion Proposal | | | |

- b. If the board of directors declines to adopt or modifies a recommendation of the Corporate Governance and Nomination Committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the committee's opinion: None.
- c. Resolutions of the compensation committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

(6) Corporate Social Responsibility Implementation Status and Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies"

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|--|-----------------------|----|---|---|
| | Yes | No | Abstract Explanation | |
| 1. Does the Bank establish a governance structure and set up an exclusive (concurrent) unit to promote sustainable development, with the Board of Directors authorizing senior executives to take charge and supervise on its operations? | ✓ | | In 2015, the Bank established its Corporate Social Responsibility Committee under the Board of Directors to take charge of promoting the Bank's sustainable development. Chaired by the board chairman and with the Bank's president acting as vice chairman and the highest-ranking supervisors of all departments as members, the committee is supposed to present an annual CSR plan to the Board of Directors each year. In 2022, the committee convened thrice. Meanwhile, the Bank also submits a corporate sustainability report to the Board of Directors annually so that the latter, based on implementation results of the aforesaid CSR plan, can better oversee the Bank's sustainable development endeavors. Meanwhile, the Bank established a Sustainable Development Section under the Corporate Communications Department to promote sustainability throughout the Bank. | None |
| 2. Does the Bank, based on the materiality principle, undertake risk assessment of environmental, social, and corporate governance issues in relation to its business operations and adopt a risk management policy or strategy accordingly? | ✓ | | The Bank's Corporate Social Responsibility Committee reviews and assesses each material issue on an annual basis, including how various material issues may impact its operations and how much stakeholders are concerned about them. The aforesaid material issues cover such areas as corporate governance, environmental protection, employee care, customer relationship, and social engagement and green finance. When it comes to the risk likely to arise from the aforesaid various material issues, the boundary of risk assessment lies mainly in the Bank. While its subcommittees are responsible for devising related policies and management guidelines, the Corporate Social Responsibility Committee convenes quarterly meetings for tracking implementation progress and effectiveness. Please refer to Item 7 of this table for a detailed account of the importance of each material issue to the Bank as well as the risk involved, the Bank's management policy, and the scope of impact thereof. | None |
| 3. Environmental Concerns (1) Does the company establish proper environmental management systems based on the characteristics of their industries? | ✓ | | (1) The Bank is committed to taking environmental concerns into account over the course of daily operations and striving co-existence and mutual prosperity with the environment. Since 2018, the Bank has annually secured ISO 14001 certification of its environmental management system that covers business outlets throughout the country. The establishment of comprehensive and sound environmental management mechanisms ensures that environmental management measures are taken effectively. In addition, since 2019 the Bank has carried out ISO 14064 greenhouse gas inventories and acquired the verification statement every year. The aforesaid inventory covers business outlets throughout the country to ensure effective monitoring of greenhouse gas emissions. | None |
| (2) Does the company endeavor to utilize energy more efficiently and use renewable materials which have low impact on the environment? | ✓ | | (2) On top of adopting energy-conserving equipment among other energy conservation and carbon reduction endeavors, the Bank introduced the ISO 50001 energy management system and secured certification thereof in 2021. This systematic energy management framework has proven effective in enhancing energy use efficiency. The Bank has set a long-term goal of reducing the per capita electricity consumption of global operating bases by 6% in 2020 and reaching 50% of the use of renewable energy in 2020 and 100% in 2040. Combined, the Bank's business outlets throughout the country consumed 5.522 million kWh of electricity, or 6,325.5 kWh per capita, in 2021. These numbers fell to 5.485 million kWh and 5,580.16 kWh per capita respectively in 2022. The Bank use 61,600kWh of solar renewable energy in 2022. In making procurement, the Bank gives top consideration to suppliers with an avowed commitment to environmental protection and green energy or those coming with an Eco-label. In line with its green procurement policy to minimize the environmental burden of consumable materials, the Bank makes it a point to adopt only recycled paper and recyclable toner cartridges. | |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|-----------------------|----|--|---|
| | Yes | No | Abstract Explanation | |
| (3) Does the company evaluate the potential risk and opportunities in climate change with regard to the present and future of its business, and take appropriate action? | ✓ | | <p>(3) In accordance with the Task Force on Climate-Related Financial Disclosures (TCFD) established by the Financial Stability Board, the Bank has identified three most significant climate-related risks: severity of extreme weather events and impact of a higher frequency of their occurrence on our operations, severity of extreme weather events and impact of a higher frequency of their occurrence on our business, and stigmatization of sector. By contrast, the three most significant opportunities are to be found in an upgrade in sustainability/ESG index ratings, increased diversification of financial assets, and new revenue streams from new environmental markets and products. The increase in the severity and frequency of extreme weather events has impacted operations. The Bank set up an emergency response committee and conducts annual operational impact analysis and remote backup drills (BCP), regularly maintains equipment in the computer room and generators, and insures commercial fires. When the Bank undertakes loan business with real estate as collateral, it evaluates the area, slope, line, etc. Water areas, building ages and floors, etc., to appropriately avoid physical risks, and incorporate ESG risk and climate risk assessment into the corporate credit review process and investment decision-making process; for the risk of "industrial stigmatization", the Bank prudently evaluates stigma credit customers in the chemical industry, and include ESG risk and climate risk assessment items in the investment decision-making process, and also include the annual greenhouse gas emissions, water consumption and electricity consumption of medium and long-term investment targets in the investment evaluation report, while avoiding investment stigma possible subject of nationalization or dispute.</p> <p>In terms of the three most significant climate-related risks, the Bank has devised countermeasures and assessed their possible financial impact with a view to increasing climate resilience. To capitalize on the three most significant climate-related opportunities, relevant business departments are called upon to develop fitting products and services accordingly. Please refer to the Bank's corporate sustainability report "7.1 Climate Change Risks" for the TCFD disclosure framework and sub-information (The Bank's corporate sustainability report can be downloaded on the Bank's website under the Corporate Social Responsibility Section).</p> | |
| (4) Does the company take inventory of their greenhouse gas emissions, water consumption, and total waste produced over the last two years, and implement policies on carbon reduction, greenhouse gas reduction, water reduction, or waste management? | ✓ | | <p>(4) The Bank's Environmental Management Policy, established by the Environmental Protection Subcommittee under the Corporate Social Responsibility Committee, spells out goals for energy conservation and carbon reduction of the Bank's business outlets in Taiwan. With 2020 as the base year, these include an 8% and 5% reduction per capita in electricity consumption, water use, and waste output in the long term. To effectively conserve energy and reduce carbon emissions, O-Bank has adopted a multifaceted environmental protection policy. Separately, the Bank has committed itself to achieving net zero carbon emissions by 2050. The inventory report shows that the greenhouse gas emission (including Scope 1, 2 and 3) from the Bank's business outlets in Taiwan amounted to 3,463.3 tons, or 3.97 tons per capita, in 2021. The two tallies came in at 4,343.4 tons and 4.42 tons per capita respectively in 2022. The increase in greenhouse gas emissions of the bank's operations in Taiwan is due to the expansion of the verification items of the third scope of the inspection, "operational waste disposal" and "purchasing goods and services". The scope is expanded from the headquarters building to the global operation locations. The greenhouse gas emissions of the global operation locations are 4,434.98 tons, and the per capita greenhouse gas emissions are 4.09 tons. Aggregate and per capita water consumption fell to 15,663 tons and 17.9 tons respectively in 2021 from 16,827 tons and 20.2 tons the year before. At the head office, the 2022 volume of waste was 32.6 tons, or 0.058 tons per capita, compared with 80.3 tons and 0.133 tons, compared with 96.6 tons and 0.157 tons a year earlier. The Bank annually renews ISO 14001 certification of its environmental management system that covers business outlets throughout the country. The latest certification is valid for November 11, 2021-December 4, 2022. The Bank's specific energy and resource reduction measures include: to reduce greenhouse gas emissions, the computer room adopts energy-saving and high-efficiency products, and gradually replaces energy-consuming equipment and lamps; The water efficiency of physical equipment; in order to reduce the amount of waste, in addition to the actual recycling of resources, the bank also advocates the reuse of waste paper and the reduction of paper consumption. The food waste recovered from the headquarters building is turned into planting compost for employees to use.</p> | |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|--|-----------------------|----|--|---|
| | Yes | No | Abstract Explanation | |
| 4. Social Concerns | | | | None |
| (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?? | ✓ | | <p>(1) Committed to protecting human rights, the Bank observes the UN Universal Declaration of Human Rights and other international human rights conventions. The O-Bank Co., Ltd. Human Rights Policy has been enacted with a view to putting an end to any conduct that infringes or violates human rights. To be sure, this policy aims to ensure diversity in the workplace that is safe, free from any discrimination, and accessible for communication through multiple channels. Meanwhile, the Bank annually reviews the human rights risk that employees may face and draws on human resources data to assess the risk associated with human rights issues. Results of this assessment are then used as the basis for the introduction of alleviating measures and management objectives, thereby reducing the damage to and impact on employees.</p> <p>To enhance employee awareness of human rights, new hires are required to undergo training in such areas as legal compliance, gender equality, sexual harassment prevention, and care for the disadvantaged. To be sure, similar training is implemented to bolster the entire workforce's understanding of human rights-related issues.</p> | |
| (2) Does the Company set out and implement reasonable employee benefits (including pay, leave, and other benefits), and reasonably reflect operating performance or results into its employee compensation policy? | ✓ | | <p>(2) In the Bank's Regulations for Managing Employee Compensation, stipulations are spelled out concerning how salaries and other forms of compensation are to be granted. As an extra incentive for employees to bring out their potential and strive for excellence, bonuses equivalent to a certain percentage of annual profits, if any, are to be paid out on the basis of every employee's position and performance. In 2022, more than 87% of employees who participated in the annual assessment received salary adjustments, with an average salary adjustment rate of 3.1%, and the highest rate of individual salary adjustments exceeded 20% (including promotion salary adjustments). Moreover, the Bank tracks the salaries granted by industry peers on a regular basis for the reference of revising its own compensation policy so as to keep up a competitive compensation regime. The Bank has thus been included as a component of the TWSE RAFI® Taiwan High Compensation 100 Index for five straight years.</p> <p>The Bank gives top priority to ensuring employee diversity and gender equality at the workplace. In 2022, women accounted for 49.2% of the workforce and the ratio of female supervisors came in at 45.5%. Above all, the Bank took the lead to offer homosexual employees leave and other benefits no different from those granted to their heterosexual colleagues. Moreover, on top of sick leave, menstrual leave, wedding leave, funeral leave, parental leave, maternity leave, paternity leave, and family care leave as required by law, the Bank goes a step further to offer paid leave for outstanding performance, family occasions or charity events and for male employees to keep their wives company for pregnancy checkups, thereby helping employees balance work and life. Meanwhile, the Bank offers employees holiday bonuses, birthday coupons, marriage allowances, maternity benefits, and medical subsidies.</p> | |
| (3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis? | ✓ | | <p>(3) We strive to provide a safe, healthy, and comfortable working environment. Measures toward this end include primary air handling unit and fresh air ventilation systems, inspection of CO2 emissions on a regular basis, daily cleaning, and disinfection performed every week or every other week as dictated by the pandemic, a test of indoor air quality every two years, a building safety test every two years, a self-defense and firefighting drill every six months, cleaning of water tanks on a semiannual basis, quarterly random testing of drinking water, and two elevator maintenance checks each month. Implemented to protect employees from occupational accidents, the Bank's Occupational Safety and Health Operational Rules clearly spell out matters worthy of attention and health standards at the workplace and give detailed accounts of the basics with regard to emergency measures and equipment. The Bank offers comprehensive training on occupational safety and health at least once a year to minimize the risk of occupational accidents. In 2022, the Bank recorded a total of zero occupational injury.</p> <p>Furthermore, the Bank pays attention to employee health by holding different types of sporting groups on a regular basis to promote healthy lifestyle. The Bank also provides employees with periodic health examination and health seminars. The receiving of Healthy Workplace Certification and Exercise Enterprise Certification Award reflects the Bank's effort in promoting sports in the workplace.</p> | |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|-----------------------|----|--|---|
| | Yes | No | Abstract Explanation | |
| (4) Does the company provide its employees with career development and training sessions? | ✓ | | (4) Based on employees' needs for career development, the Bank devises training programs that take account of its core competence requirements each year. These courses cover such categories as work skills, management skills, financial expertise, and general knowledge. In 2022, the Bank recorded an average of over 49.5 training hours per person; training hours averaged 57.2 for managerial employees and 48.1 for nonmanagerial ones. To stay on top of the economic trends and market changes, we invited outside experts to give talks, and we asked in-house experts to devise online courses so that employees could strengthen their expertise in financial technology and related issues. | |
| (5) Does the Company comply with applicable laws and regulations and international guidelines on issues such as customer health, safety, and privacy in marketing and labeling its products and services, as well as implement a consumer protection policy and reporting procedures for consumers or clients to file complaints? | ✓ | | (5) The Bank not only complies with Personal Data Protection Act but also implements its own Regulations for Safeguarding the Security of Personal Information and other information security management mechanisms. Separately, the Bank offers comprehensive explanations of its products and discloses information concerning service fee charging standard on its official website. That is, the Bank implements a well-rounded explanatory mechanism for its products so that customers can fully understand product characteristics, risks, and fees before engaging in any transaction. In terms of advertisement, the Bank adopts Guidelines for Advertisement Solicitation and Sales Campaigns to ensure that the Bank's publicity activities meet the spirit of honesty and protecting financial consumers. In terms of protecting consumer rights and interests and creating channels for consumer complaints, the Bank has enacted such internal regulations as Regulations on Handling Customer Complaints and Financial Consumer Disputes, Guidelines for Reporting and Handling Customer Complaints and Dispute Incidents, and Procedures for Accepting and Handling Disputes in the Trust Business, and thereby formulating a well-rounded mechanism for consumers to file complaints and effectively protecting their rights and interests. | |
| (6) Does the Company implement supplier management policies to require suppliers observe certain regulations and implementation status on environmental protection, occupational health and safety, or labor human rights? | ✓ | | (6) The Bank's Rules for Promotion of Fulfillment of Corporate Social Responsibilities by Suppliers encourage suppliers to adopt corporate, ethical, labor, and environmental standards. The Bank also resorts to a "Supplier CSR Self-Assessment Form" to assess supplier performance on this front, including employment equality, employees' human rights, safety and health, and environmental protection. Transactions can proceed only if suppliers are confirmed to have committed no violations thereof. If suppliers are found to have broken their pledge in terms of ethical management and corporate social responsibility or have otherwise incurred a conspicuous impact on the environment and society, the Bank may blacklist and block them from bidding for procurement, maintenance, and installation projects. In accordance with the Taiwan Stock Exchange Corporation Rules Governing Information Reporting by Companies with TWSE Listed Securities and Offshore Fund Institutions with TWSE Listed Offshore Exchange-Traded Funds, we regularly disclose relevant information on the Bank's website and the Market Observation Post System. We have also established a CSR section on our website to disclose CSR-related information on a regular basis. In 2021, the Bank had a total of 184 suppliers. While CSR self-assessment would be mandatory for any supplier from which the Bank's procurement exceeds a given threshold (NT\$1 million), 60 of them met the requirement and, indeed, all 95 completed the said assessment. Against five suppliers on which the Bank was supposed to conduct on-the-spot checks, the Bank did so with nine, translating into a check ratio of 100%. None of the aforesaid suppliers that performed CSR self-assessment or underwent on-the-spot checks was found to have a major—actual or potential—negative impact in terms of environmental protection, safety and health, and labor human rights. | |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons |
|---|-----------------------|----|---|---|
| | Yes | No | Abstract Explanation | |
| 5. Does the Company refer to internationally accepted guidelines or guidance for compiling a corporate sustainability report and the like for disclosing nonfinancial information? Has the aforesaid report been verified or certified by a third party? | ✓ | | The Bank's corporate sustainability report is compiled and structured in accordance with the GRI Sustainability Reporting Standards (GRI Standards) the AA1000 Accountability Principles, with reference also taken from the Corporate Social Responsibility Best Practice Principles for TWSE/ TPEX Listed Companies, ISO 26000 Guidance on Social Responsibility, the UN Global Compact, and the Sustainable Development Goals. The report is subsequently assured by the British Standards Institution (BSI) pursuant to the GRI Sustainability Reporting Standards and the AA1000's Type 1—Accountability Principles to perform third-party verification, and the Bank has obtained the BSI Independent Assurance Opinion every year. At the same time, Deloitte Accounting Firm was also entrusted to follow the Confidence Standard No. 3000 of the Accounting Research and Development Foundation of the Republic of China "confirmation cases that are not historical financial information checks or reviews" (referenced by the International Confidence Standard ISAE 3000), Issue an independent limited confidence report for specific sustainable performance indicators. | None |
| 6. If the Company has established the corporate social responsibility principles based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies s," please describe any discrepancy between the Principles and their implementation: None. | | | | |
| 7. Other important information to facilitate better understanding of the company's sustainable development practices: | | | | |
| <ul style="list-style-type: none"> • Corporate Governance <ol style="list-style-type: none"> 1. Top 5% in Corporate Governance Evaluation: Listed in the top 5% of listed companies in the Taiwan Stock Exchange's "2011 Corporate Governance Evaluation". 2. Excellent certification of corporate governance evaluation: obtained the excellent certification of "CG6012 (2019) Corporate Governance System Evaluation" issued by the China Corporate Governance Association. 3. The total number of training hours for directors is 135 hours: the total number of training hours for all directors is 135 hours, which is higher than the legal standards and the training completion rate is 100%. 4. Continue to pass ISO27001 information security management certification: Continue to carry out ISO 27001 information security management certification every year to ensure information security and reduce information security risks. • Customer relationship <ol style="list-style-type: none"> 1. A total of 16 public welfare recognition cards have been launched: 3 new public welfare recognition cards will be launched in 2022, with a total of 16 models. The recognition card users account for about 10% of the total number of customers of the Bank. 2. Financing loan project and relief measures during the epidemic: launched the "B-type enterprise and social enterprise financing project"; also provided personal borrowers with a grace period and interest reduction plan to help tide over the impact of the epidemic. 3. Financial convenience measures during the epidemic: Many businesses that need to be handled in the counter are changed to video customer service to reduce the risk of customers going out. 4. Customer satisfaction rate reaches 96%. It is the first in the industry to provide 24-hour video customer service throughout the year, and can handle customer needs anytime, anywhere. The customer satisfaction rate was 96%. • Staff care <ol style="list-style-type: none"> 1. Selected into the High Salary 100 Index: Selected as a constituent stock of the "Taiwan Stock Exchange High Salary 100 Index". 2. 45% of women in the management level: The proportion of male and female employees is nearly evenly divided, among which women in the management level account for 45%, and the proportion of female employees who have been promoted reaches 55%. 3. Employees with same-sex couples enjoy the same benefits: the first in the industry to grant the same leave and various subsidy items to employees with same-sex couples. 4. Vacation system superior to laws and regulations: provide maternity leave, paternity leave and paternity inspection leave that are superior to those stipulated in laws and regulations, and also provide additional salary-based leave, public welfare leave, honor leave, long-term employee leave, etc. 5. Perfect care for pregnant employees: Provide pregnant employees with a glass of milk every day during pregnancy, on-site doctor one-on-one consultation service, breastfeeding room, health education and medical information, etc., to take good care of pregnant employees. 6. Promote sports and create a healthy workplace: Obtained the "Healthy Workplace Certification Mark" from the Ministry of Health and Welfare and the "Sports Enterprise Certification" from the Ministry of Education. • Environmental protection <ol style="list-style-type: none"> 1. Commitment to net-zero carbon emissions in 139 (AD 2050) business sites: Promise to achieve net-zero carbon emissions in 139 (AD 2050) business sites, and introduce the Science-Based Reduction Target (SBT). 2. Greenhouse gas inventory covers 100% of the world: Wangdao Bank's greenhouse gas emission inventory covers 100% of its global operations. 3. Expand the ISO 14001 environmental management system: expand the ISO 14001:2015 environmental management system and pass the verification. The scope of verification covers the Bank's entire operating base in Taiwan and establish an effective and complete environmental management mechanism. 4. Implement environmental management goals: The per capita electricity consumption of Taiwan's operating bases has decreased by about 11.17% compared with last year, the per capita water consumption has decreased by about 4.77% compared with last year, and the total greenhouse gas emissions have decreased by about xx% compared with last year. 5. Start a food waste recycling and reuse plan: Recycle food waste from the headquarters building into planting compost for employees to use, creating resource recycling and reducing waste. | | | | |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|-----------------|-----------------------|----|----------------------|---|
| | Yes | No | Abstract Explanation | |

• **Green finance**

1. Improve responsible credit granting and responsible investment measures: Incorporate ESG risk factors into the corporate credit review process and investment target decision-making process, and use financial power to promote sustainable industrial development.
2. Officially signed the Equator Principles: The 124th financial institution in the world to sign the Equator Principles, reviewing the environmental and social risks of project financing.
3. Join PCAF members and increase the carbon inventory ratio: the fourth financial industry in Taiwan to join PCAF, and the carbon inventory ratio of financing positions reaches 90%, and the carbon inventory ratio of investment positions reaches 100%, and continues to track and control high-carbon industries. parts.
4. Complete the climate change risk scenario analysis: complete the scenario analysis of climate change entity risk and transition risk, and incorporate climate change factors into the review process of high climate risk industry corporate customers and invested companies; follow the climate-related financial disclosure framework (TCFD) Disclose information related to climate change and become a TCFD Supporter.

• **Social participation**

1. Taiwan's first consumption carbon emission details: the first in Taiwan to launch the "Consumption Carbon Emission Details" function, which can query the carbon emissions of each card consumption, and launched a low-carbon life card, set up a carbon reduction reward mechanism, and exerted financial power Call for more people to participate in carbon reduction.
2. Take the lead in the industry to promote green consumption: Take the lead in the industry to promote conscious consumption, and have cooperated with 28 social enterprises and B-type enterprises in the "Green Consumption Power Project".
3. Taiwan's first promotion of influence projects: the launch of the "Influence Project", which gathers the deposit power of customers, and provides small loans to economically disadvantaged groups with special funds.
4. Continue to support social enterprise products: Support social enterprise products, won the Buying Power procurement award from the Small and Medium Enterprise Division of the Ministry of Economic Affairs, and has won the award for six consecutive years.
5. A total of 36 underprivileged students have been cultivated: The summer seed internship program for underprivileged students has been held for seven consecutive years, and a total of 36 underprivileged students have benefited.
6. Embankment Stars has supported a total of 1,243 rookies: The Embankment Stars Art Promoter Solicitation Program has been held for 13 consecutive years, and a total of 1,243 art talents have been supported.

• The importance of the Bank's material issues and the risks, internal management policy, and scope of impact thereof:

| Material Issue | Key Risk and Opportunity | Major Internal Policy | Scope of Impact | | | | | |
|---|---|--|------------------------|-------------------------|-----------|-----------------------|--------------------|---------------------|
| | | | Direct Relationship | Commercial Relationship | | Indirect Relationship | | |
| | | | The Bank and Employees | customers | suppliers | shareholders | the general public | government agencies |
| Ethical Management and Corporate Governance | The financial services industry is charged with the safekeeping of people's properties. Honesty and integrity deserves to be the core value. To secure stakeholder trust and support, a competent and independent board of directors is needed to perform the duty of making decisions and conducting oversight. Any dishonest act tends to incur a corporate loss or government penalty, either of which will severely hurt the corporate image. | <ul style="list-style-type: none"> Ethical Corporate Management Best Practice Principles Code of Ethical Conduct Corporate Governance Principles Insider Trading Prevention Principles Procedural Rules Governing Board Meetings Regulations Governing the Scope of Duties of Independent Directors Regulations Governing the Performance Evaluation of the Board of Directors | 0 | 0 | 0 | 0 | | 0 |
| Legal Compliance and Internal Audit | The banking industry must strictly abide by various financial laws and regulations and internal audit systems to ensure that all employees follow them to avoid illegal risks and penalties, which will cause losses to the company and affect normal operations and good reputation. | <ul style="list-style-type: none"> Executive Inspection Method Self-check and self-assessment method Procedures for Handling Reported Cases Prevention of Money Laundering and Combating Terrorist Funding Policy Personal Data File Security Maintenance Measures Personal Data Management Policy | 0 | 0 | 0 | 0 | | 0 |
| Risk Management | Enforcing risk management faithfully can prevent or mitigate various risks that may have a negative impact on the Bank, and keep risks to a minimum in the event of a major contingency and ensure that it is business as usual. Effective risk management can thus enhance the Bank's competitiveness in the case of market risks or environment risks. | <ul style="list-style-type: none"> Risk Management Policy Lending Policy Regulations for Managing Operational Risk Guidelines for Managing Credit Risk Regulations for Managing Market Risk Regulations for Handling Major Contingencies Major Accident Emergency Response and Recovery Plan Implementation Guidelines Procedures for Emergency Response in the Event of Natural Disasters | 0 | 0 | 0 | 0 | | 0 |
| Information Security | The financial transaction environment and the perfect protection of customer information are the responsibility of the financial industry, and digital financial services must ensure that all employees follow information security | <ul style="list-style-type: none"> Information Security Organization Implementation Points Key Points of Information Security Management System Corporate Internet Banking Business Management Key Points | 0 | 0 | | | | 0 |
| Business Performance | Securing profit and growth is the fundamental goal of businesses, and keeping up a solid business performance over the long term is crucial for sustainable development. While a decline in performance is bound to undermine employee and shareholder confidence, an uplift will promote corporate development on all fronts. | <ul style="list-style-type: none"> Articles of Incorporation Regulations for Implementing Management by Objectives Procedural Rules Governing Shareholders' Meetings Shareholding Management Regulations | 0 | | | 0 | | |

| Material Issue | Key Risk and Opportunity | Major Internal Policy | Scope of Impact | | | | | |
|---|--|---|------------------------|-------------------------|-----------|-----------------------|--------------------|---------------------|
| | | | Direct Relationship | Commercial Relationship | | Indirect Relationship | | |
| | | | The Bank and Employees | customers | suppliers | shareholders | the general public | government agencies |
| Innovation and Strategy | It is essential to implement well-defined strategies for short-, medium-, and long-term development. Equally important is to persist with innovation and grow uniqueness and competitiveness in order to stay abreast of the market. | <ul style="list-style-type: none"> Articles of Incorporation Regulations for Implementing Management by Objectives | 0 | 0 | | 0 | | |
| Information Security | Financial transaction security and customer information protection are surely the primary responsibilities of the financial services industry. Ensuring information security is all the more important for digital financial services to earn customer trust and avoid information security risks. | <ul style="list-style-type: none"> Information Security Policy Guidelines for Implementation of Information Security Organizations Guidelines for Information Security Management Mechanism Guidelines for Managing Online Corporate Banking Operations Guidelines for Managing Online/ Mobile Retail Banking Operations | 0 | 0 | | | | 0 |
| Service Quality and Customer Satisfaction | Delivering a premium financial services experiences and well-rounded reporting channels is prerequisite to increasing customer satisfaction, creating good customer relations, and preventing brand image damage and goodwill loss. | <ul style="list-style-type: none"> Principles for Fair Treatment of Customers Regulations for Handling Customer Complaints and Financial Consumer Disputes Guidelines for Reporting and Handling Customer Complaints and Dispute Incidents | | 0 | | | | 0 |
| Financial Inclusion | Financial inclusion is set to help create a business model conducive to building an environment that is favorable to society and environmental sustainability and makes financial services available to more consumers. In turn, the financial services industry itself can expect to enjoy long-term development and attain sustainability. | <ul style="list-style-type: none"> Articles of Incorporation Regulations for Implementing Management by Objectives | | 0 | | | 0 | 0 |
| Talent Cultivation and Training | Corporate growth hinges on talent; well-rounded talent cultivation is crucial for the Bank to stay on long-term growth track in an increasingly competitive environment. | <ul style="list-style-type: none"> Guidelines for Implementing Employee Training Performance Management Regulations Regulations Governing Employee Promotions | 0 | | | | | |
| Equal and Friendly Workplace | Offer a diverse, equitable, and healthy working environment and uninhibited channels for internal communication, thereby creating a happy workplace that can effectively meet employee needs, attract and retain talent, and prevent occupational accidents or discrimination. | <ul style="list-style-type: none"> Human Rights Policy Recruitment and Selection Guidelines Guidelines for Sexual Harassment Prevention, Occupational Safety and Health Rules Employee Health Examination Guidelines Employee Retirement Regulations | 0 | | | | | 0 |

| Material Issue | Key Risk and Opportunity | Major Internal Policy | Scope of Impact | | | | | |
|------------------------------------|--|--|------------------------|-------------------------|-----------|-----------------------|--------------------|---------------------|
| | | | Direct Relationship | Commercial Relationship | | Indirect Relationship | | |
| | | | The Bank and Employees | customers | suppliers | shareholders | the general public | government agencies |
| Employee Compensation and Benefits | Build a comprehensive and fair compensation system and provide competitive compensation and benefits in order to attract fine talents, thereby driving the company's progress and development and avoiding labor disputes. | <ul style="list-style-type: none"> Regulations Governing Employee Compensation Employee Stock Ownership Trust Management Regulations Regulations for Managing Employee Loans Employee Attendance Management Guidelines | 0 | | | | | |

(7) Ethical Corporate Management Implementation Status and Deviations from “the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies”

| Evaluation Item | Implementation Status | | | Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons |
|---|-----------------------|----|---|--|
| | Yes | No | Abstract Illustration | |
| 1. Establishment of ethical corporate management policies and programs (1) Does the Bank enact an ethical management policy that has been approved by the Board of Directors and declare in both internal regulations and external documents this ethical management policy, relevant measures, and the commitment of the Board of Directors and senior executives to rigorously implementing the said policy? | ✓ | | <p>(1) Upon its establishment in 1999, the Bank enacted the Self-Discipline Rules for Ethical Conduct. Employees were required to conform to all applicable codes and regulations. The guiding principle for interaction with customers was that one shall not, by virtue of his/her position at the Bank, secure any personal gains; shall not solicit business or secure business or personal gains by bribery, kickback, allowances, gratuities, or other illegal means; shall remain fair and impartial when conducting procurement or issuing invitations for bids; and shall not assist customers in falsifying documentation or overvaluing assets.</p> <p>The Bank also included the foregoing provisions together with Article 35 of the Banking Act—neither the responsible person nor any staff member of a Bank shall accept, under any pretense, commissions, rebates, and the amount of other unwarranted benefits from depositors, borrowers, or other customers—as common items for legal compliance. Training and examination thereof were conducted on a regular basis.</p> <p>In line with statutory changes and amendments, the Board of Directors adopted the Code of Ethical Conduct and Ethical Corporate Management Best Practice Principles in 2015, followed by the enactment of the Procedures for Ethical Corporate Management and Guidelines for Conduct in 2016. Given their conviction of ethical management and commitment to being honest, transparent, and responsible, members of both the Board of Directors and management are set to keep up their implementation of ethical management policies, creating sound corporate governance, and building an environment for sustainable development. In addition, the Bank discloses its ethical management policies and the implementation of ethical management in its sustainability report, and on the its website and the Market Observation Post System.</p> | None |
| (2) Does the Bank establish a mechanism for analyzing and assessing aspects of its business operations that have a relatively higher vulnerability to unethical conduct and, in turn, adopt a program for preventing unethical conduct that at least covers the acts listed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies? | ✓ | | <p>(2) To ensure ethical management and enhance employee awareness thereof, the Bank started in 2019 to undertake self-assessment of risk on this front throughout the entire workforce and to implement preventive measures to mitigate vulnerability to unethical conduct in business operations. Meanwhile, the Bank's directors and senior executives were asked to sign a statement on compliance with its ethical management policy and all employees, a declaration of consent to comply with the said policy and faithfully stand by the preventive measures laid out in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, thereby preventing unethical conduct. A total of 1,106 persons—all directors, senior executives, and employees for whom it was mandatory to sign the aforementioned documents—did so in 2022. Moreover, the Bank requires personnel of specific departments to undergo periodic rotation so as to ensure a well-rounded internal control system and operational security. The Bank also resorts to negotiating with employees about taking holidays in a bid to further bolster risk management. Separately, the Bank has adopted the Regulations Governing the Review of Making Donations as the guideline for such activities. On top of the principles of honesty, integrity, and prudence, all business activities are undertaken in accordance with applicable regulations.</p> | |

| Evaluation Item | Implementation Status | | | Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons |
|---|-----------------------|----|--|--|
| | Yes | No | Abstract Illustration | |
| (3) Does the Bank spell out operating procedures, guidelines for conduct, punishment for violation, and rules of appeal in the aforesaid program for preventing unethical conduct, implement it faithfully, and review and amend it on a regular basis? | ✓ | | (3) The Bank's Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, and Code of Ethical Conduct all unequivocally prohibit unethical conduct by employees and specify matters for their attention in the course of performing duties. Upon the discovery of any violation of ethical corporate management and conduct regulations, a report shall be made immediately to an independent director or managerial officer, the chief internal auditor, or another suitable managerial officer. Upon verification of any such allegations, the violator shall be dealt with in accordance with applicable laws and regulations or the Bank's internal regulations on employee rewards and penalties. In 2020, the Bank's Code of Ethical Conduct and Procedures for Ethical Management and Guidelines for Conduct were amended in compliance with applicable laws and regulations and in conformity with the Bank's operations. Separately, while offering training to newly recruited employees and to all employees with regard to legal compliance, the Bank makes it a point to exhort them to stay honest and fair and conform to applicable laws and regulations in the course of performing their duties. As such, training on regulations related to ethical management is undertaken to ensure that all employees always keep good-faith management in mind and act accordingly. | |
| 2. Fulfill operations integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts? | ✓ | | (1) In accordance with applicable laws and regulations, the Bank has in place specific regulations governing lending, investment, trust, financial transactions, or other business dealings that involve interested parties. Also adopted are clearly defined regulations that specify the following: with the exception of those granted priority status thanks to a solid CSR track record in accordance with the Bank's Guidelines for Urging Suppliers to Fulfill Corporate Social Responsibility, there shall be no preference for any specific party over the course of conducting procurement or issuing invitations for bids, and internal audit personnel shall be involved in the price negotiation process for procurement projects of NTS1 million or more; personnel engaging in investment or lending shall conform to applicable internal regulations and honor the obligation of reporting when warranted, thereby preventing conflicts of interest. Over the course of conducting business, the Bank shall incorporate compliance with and commitment to ethical corporate policy into all contracts signed with transaction counterparties lest it should transact with any party that has engaged in unethical conduct. Given that the banking industry is required to secure sanctioning of the competent authority and thus subject to stringent supervision, the Bank is obligated to ensure that its business activities, donations, accounting system, and business secrets conform to the Company Act, Securities and Exchange Act, Business Entity Accounting Act, and Banking Act. In accordance with applicable laws and regulations, the Bank has also established an internal control and audit system and a self-audit system. Internal auditors and CPAs conduct random checks on the undertaking of business activities and submit reports to the Audit Committee and Board of Directors at least on a quarterly basis, thereby promoting sound management and ensuring the efficiency of business operations, reliability of financial reporting, and compliance with applicable laws and regulations. | None |

| Evaluation Item | Implementation Status | | | Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons |
|---|-----------------------|----|--|--|
| | Yes | No | Abstract Illustration | |
| (2) Does the Bank establish a unit under the Board of Directors that is devoted exclusively to promoting ethical management and reports on a regular basis (at least once a year) to the Board of Directors on its supervision of the Bank's implementation of its ethical management policy and program for preventing unethical conduct? | ✓ | | (2) To attain ethical corporate management, the corporate governance team under the Corporate Social Responsibility Committee is charged with the responsibility of enacting and implementing the Bank's ethical corporate management policy and related plans. It is also responsible for submitting reports on implementation results to the Board of Directors each year (at least once a year). Such reports are to contain results of promotion and training of ethical corporate management, accomplishment of the "informant's mailbox," and measures taken to prevent unethical conduct and the results thereof, which are all intended to ensure the Bank's ethical corporate management. | None |
| (3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? | ✓ | | (3) It is specified in the Bank's Corporate Governance Principles that when the Board of Directors, Audit Committee, Compensation Committee, or Corporate Governance and Nomination Committee meets, the Bank's highly self-disciplined directors shall refrain from participating in the discussion and voting process in relation to any matters that involve their personal interests and do not exercise the voting rights of other directors by proxy. Directors also exercise self-discipline and refrain from extending one another improper support otherwise. Furthermore, in the Bank's Ethical Corporate Management Best Practice Principles and Code of Ethical Conduct, it is stipulated that the directors, managerial officers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the Bank to obtain improper benefits for themselves, spouses, parents, children, or any other person. Meanwhile, corporate governance courses are made available to directors to enhance their capacity for supervision and governance, in turn strengthening the Bank's corporate governance and attaining ethical corporate management. Separately, the Bank has installed its whistleblower system in the corporate governance section of its website. Available therein are the Bank's Whistleblowing Policy and the means by which to file such reports. Anyone who finds reason to implicate any person of the Bank in criminal acts, frauds, or violations of laws and regulations may file a report to the Bank by phone, email, mail, etc. To uphold corporate governance and ethical management, the Bank shall keep confidential both the identity of the whistleblower and the contents of the aforesaid report and take action to verify allegations therein. | |
| (4) Does the Bank, in order to ensure ethical management, establish effective accounting and internal control systems and have its internal audit department take account of the result of its assessment of unethical conduct risk while mapping out an audit plan to examine the Bank's compliance with its program for preventing unethical conduct or engage CPAs for conducting such audits? | ✓ | | (4) To faithfully conduct ethical management, the Bank has established effective internal control and accounting systems in accordance with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries. In addition to conducting audits of domestic business, financial, asset custody, information, other management units, and overseas outlets on a regular basis, the Bank engages CPAs for routine audits in order to ensure effective operations of the said systems. Separately, the Bank's Auditing Division has incorporated the result of its assessment of unethical conduct risk into its auditing plan to ensure the Bank's ethical management. | |
| (5) Does the company regularly hold internal and external educational trainings on operational integrity? | ✓ | | (5) As prescribed by applicable regulations, the Bank organizes sessions to promote employee awareness of ethical management and offers training thereof each year. Highlights include the Principles for Ethical Management and the Procedures for Ethical Management and Guidelines for Conduct as well as instances of unethical conduct. Separately, the Bank undertakes sessions on a regular basis to familiarize all employees with the latest statutory developments and important instances of domestic banks or financial holding companies being penalized, thereby helping employees enhance ethical standards and strengthen compliance awareness. Meanwhile, training of self-audit personnel is also conducted on a regular basis to ensure effective implementation of self-audits, strengthen internal control of business units, and prevent unethical conduct. | |

| Evaluation Item | Implementation Status | | | Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons |
|---|-----------------------|----|--|--|
| | Yes | No | Abstract Illustration | |
| 3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? | ✓ | | (1) The Bank has, in accordance with law, established a whistleblower system, including the Whistleblowing Policy and a whistleblower mailbox. Employees are encouraged to report on unlawful and unethical conduct and any other act in violation of ethical management. Meanwhile, a unit with the capacity for performing duties independently is charged with the acceptance and investigations of whistleblower reports. Anyone found to have violated applicable laws and regulations shall be dealt with in accordance with the Bank's Regulations Governing the Rewards and Penalties for Employees and other applicable regulations. | None |
| (2) Does the Bank establish standard operating procedures for investigating whistleblower allegations, follow-up measures in the wake of such an investigation, and the confidentiality mechanism thereof? | ✓ | | (2) The Bank has adopted stringent operating procedures for conducting investigations on allegations in whistleblower reports. The contents of these reports and the handling thereof as well as other related information are all kept confidential to protect both the whistleblower and personnel involved in such investigations. After such an investigation is completed, the Bank follows up with courses of action and other pertinent measures it deems proper. | |
| (3) Does the company provide proper whistleblower protection? | ✓ | | (3) The Bank keeps confidential all whistleblower reports—internal and external—so as to make sure that the whistleblower is not subject to any improper treatment accordingly. | |
| 4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS? | ✓ | | Not only does the Bank disclose its Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, and Code of Ethical Conduct, on its website and the Market Observation Post System (MOPS), the Bank also disclose its implementation of ethical management both in its annual report and on its website. Separately, the Bank's website also fully discloses other information with regard to its business operations, interest rates, and assessment of economic conditions for the reference of the general public. In accordance with applicable laws and regulations, the Bank also discloses material financial and operational information on the Market Observation Post System (MOPS) in a timely fashion. Meanwhile, the Bank's work toward sustainable development is disclosed in its annual report. | None |
| 5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences. | | | | |
| 6. Other important information to facilitate a better understanding of the company's ethical corporate management policies. To effectively implement its ethical management policy and promote sound business, the Bank has established a whistleblower system and relevant regulations. Strategic management is conducted to secure quantitative data for the evaluation of the Bank's effectiveness in implementing its ethical management policy: (1) Success rate of training on ethical management: To effectively establish measures to promote ethical management and prevent unethical conduct, the Bank organized a lecture on corporate governance and ethical management for directors in 2022. A lecturer from the Taiwan Corporate Governance Association helped the Bank's directors enhance awareness of corporate ethics and strengthen their capacity for corporate governance by speaking on the ethics principles and fair treatment of customers. Separately, training on ethical management was also conducted across the Bank. Covered were such topics as the Principles of Four-Lines of Defense for Ethical Management, the Procedures for Ethical Management and Guidelines for Conduct, instances of unethical conduct, and preventive measures for business activities vulnerable to the risk of unethical conduct. A total of 1,149 employees participated in the training, 574.5 hours of training, translating into a 100% success rate. (2) Establishment of a whistleblower system: To encourage internal and external personnel to report unethical conduct or misconduct, the Bank adopted its Whistleblowing Policy. Any person who discovers that a director, supervisor, manager, employee, or mandatary of O-Bank or a member of the O-Bank Group, or a person having substantial control of O-Bank or the Group, has possibly committed crimes, cheating, or regulatory violations, may report it to the Bank's Audit Division and convener of the Audit Committee by phone, email, or mail. As the Bank's whistleblowing mechanism stands, an investigation shall be initiated within a given period if preliminary deliberation warrants it. If the alleged perpetrator is determined to have violated applicable laws or regulations, the case shall be turned over to the Bank's human resources unit for disciplinary action in accordance with its internal rules, the Bank's Regulations Governing the Rewards and Penalties for Employees. In the event of a particularly serious offense, the Bank may directly hand it over to law enforcement authorities for investigation. To keep the whistleblower up to date, the Bank may report the latest developments by phone, email, mail, or other means. Information pertaining to the whistleblower's identity shall be kept confidential. The Bank shall not, due to the filing of a whistleblowing report: fire, dismiss, or demote the whistleblower; harm the rights and interests that the whistleblower ought to enjoy under law, contract, or established practice; or otherwise take actions prejudicial to the interests of the whistleblower. In 2022, the Bank received 20 emails, all without specific alleged perpetrator being indicated or any whistleblowing issue being involved; in addition, no legal violation or fraud was found. Therefore, no whistleblower report was recorded. (3) Ratio of imposing penalties against reports being presented on conduct in violation of ethical management principles in 2020: No report was recorded on any conduct in violation of ethical management principles in 2022 and, therefore, no penalty was imposed. | | | | |

(8) Corporate Governance Guidelines and Regulations

Please refer to the Bank's website (<https://www.o-bank.com>) as well as the Market Observation Post System (<https://mops.twse.com.tw>).

(9) Other Important Information Regarding Corporate Governance

A. Succession Planning of the Board of Directors

(A) Board of Directors

O-Bank, abiding by its Articles of Incorporation, adopts the candidate nomination system for election of directors. The qualification of the directors shall conform to the laws and regulations governing the qualification requirements of Banks. The Board shall be equipped with the capacity for business judgment, accounting and financial analysis, operations and management, risk management, crisis management, industry knowledge, international market perspectives, leadership, and decision making. The Board shall be comprised of directors with diverse specializations and rich experiences in line with the Bank's goal of diversified developments. When planning succession candidates for the Board, the Bank shall take into consideration its diversification policy, the candidates' familiarity to the industry, and the mid- to long-term operation strategies, in order to fulfill the Bank's goal of sustainability and commitment to strengthening the functions of the Board of Directors. The Bank completed its 8th Board of Directors re-election at its Shareholders' Meeting on June 19, 2020. The Shareholders' Meeting elected 15 directors, including 7 natural-person directors. Ms. Tina Y. Lo was elected as Chairman, and Mr. Kenneth C.M. Lo, the former Chairman, was appointed as Honorary Chairman.

When making continuing education arrangements, the Bank is set to assist the directors to enhance their professional expertise and legal knowledge and to develop their distinguished attributes and decision-making abilities. Based on "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies," the Bank's directors completed a minimum of 6 CPE (Continuing Professional Education) hours, with professional lessons by the overall Board in 2022. All in all, the continuing education scheme has operated well.

(B) Senior Management

To accommodate organizational development and ensure the continuity of management, the Bank formulates a comprehensive training program in tandem with its business strategy to cultivate next-generation managers, thereby enhancing competitiveness and securing sustainable growth.

This training program for next-generation managers centers on a number of core concepts. That is, would-be managers are to be imbued with core competences that are defined by Trust, Outstanding, Unity, Creativity, and Honor. In addition to an excellent working capacity, they are supposed to hold personal values compatible with the Bank's corporate culture and possess such traits as honesty, passion, and leadership. In keeping up with the Bank's business plan and future prospects, Elton F.Y. Lee was appointed as the President of O-Bank by the Board of Directors on October 24, 2019.

We draw from specialized training to ensure that employees primed for key positions, from senior managers to departmental supervisors, fully understand the importance of their personal development to the Bank's future development. Emphasis is placed on giving trainees opportunities to temper themselves and develop a solid capacity for decision making and judgment calls. The training comprises:

- Management Competency: Domestic and foreign experts are engaged to lecture on leadership to different levels of managerial employees.
- Personal development plan: According to the priority development order of individual potential talents, tailor a personal development plan, link corresponding learning resources, and cooperate with the general manager's regular meeting and counseling system to assist them to effectively improve their abilities.
- EMBA Programs or the Taiwan Academy of Banking and Finance's Leading Executive Apex Program (LEAP): Employees who hold promise are enrolled in such programs of eminent institutions for industry-academia training to grow them into top-tier managers who possess a global vision, the capacity for comprehensive strategic thinking, and skills in information technology.
- Proxy System: The proxy system makes it possible for senior managers reporting directly to the CEO to undergo training in the capacity as the latter's deputy, thereby bolstering their decision-making and management capability.
- Rotation of Managerial Positions among Affiliates: Next-generation leaders are to undergo rotation of managerial positions among affiliates to help them get familiar with different operations of the O-Bank Group and accumulate a hands-on experience in cross-sector management.
- Assignments as Directors/Supervisors of Affiliates: The experience of serving as directors and supervisors of affiliates is crucial to strengthening the capacity for corporate governance, operations of the Board of Directors, and legal practices associated with business management, thereby creating an all-encompassing managerial capacity.

B. Please refer to the Bank's website (<https://www.o-bank.com>) for other important information.

(10) Internal Control Systems

A. Statement on Internal Control System

O-Bank Co., Ltd.

Statement on Internal Control System

On behalf of O-Bank Co., Ltd., we hereby certify that in the period from January 1, 2022 to December 31, 2022, the Bank duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing its internal control system, conducting risk management, designating an independent audit department to conduct audits, and presenting reports to the Board of Directors and supervisors/ Audit Committee/Board of Supervisors on a regular basis. Also, the Bank duly complied with Paragraph 5, Article 38 and Article 38-1 of the aforesaid Rules, and the Self-Regulatory Rules on Information Security by Taiwan Securities Association. With regard to the securities business, the Bank assessed the effectiveness of the design and implementation of its internal control system based on the evaluation criteria set forth in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets." With regard to the Bank's concurrent conducting of insurance agent or insurance Broker business, the Bank evaluates the effectiveness of the design and implementation of its internal control system based on the criteria provided in the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies." After prudent evaluation, we hereby certify that except items listed in the attachments, the internal control and legal compliance systems, and information security of all departments were effectively implemented during the year:

This Statement will be included as a major component of the Bank's annual report and other prospectuses and disclosed to the public. Any information contained in this Statement that is found to involve falsification, concealment, or other illegalities shall be subject to legal liabilities prescribed in Articles 20, 32, 171, and 174 of the Securities and Exchange Act listed above.

The Statement is submitted to the Financial Supervisory Commission

Declarant

Chairman: Lo, Tina Y. President: Lee, Elton F.Y.

Chief Auditor: Fan, Vivian H.J.

Chief Compliance Officer: Wang, Chia Chi

Chief Information Security Officer: Tan, Kevin H.C.

March 14, 2023

O-Bank Internal Control System:
Items in Need of Improvement and Corrective Plan

Record Date: December 31, 2022

| Items in Need of Improvement | Corrective Measure | Time Expected for Completion of Improvement |
|--|--|---|
| Some of the Bank's systems have not yet established important transaction program correlation documents to assist in checking other programs that may be affected by the change operation. | <ol style="list-style-type: none"> 1. The Technology Finance Department has held a meeting to unify "establish an important program related inspection mechanism and implement the authorization inspection operation". 2. Information-related units have explained to colleagues the content and filling methods of the "Important Transactions Related Form" and "Important Transactions Related Form Review", and will conduct inventory and establish related forms later. | The improvement is expected to be completed before June 30, 2023. |
| Some hypertext transfer protocol security headers on the official website are improperly designed. | <ol style="list-style-type: none"> 1. Compensation measures for prohibiting/restricting iframe embedding on the Bank's website have been set up to reduce the risk of information leakage. 2. The security header parameter setting of the website will be adjusted. | The improvement is expected to be completed before June 30, 2023. |

O-Bank Co., Ltd.

Statement on AML/CFT Internal Control System

On behalf of O-Bank Co., Ltd., we hereby certify that in the period from January 1, 2022 to December 31, 2022, the Bank duly complied with relevant regulations on AML/CFT in establishing its internal control system, conducting risk management, designating an independent audit department to conduct audits, and presenting reports to the Board of Directors and Audit Committee on a regular basis. After prudent evaluation, we hereby certify that except items listed in the attachment of "AML/CFT Internal Control System: Items in Need of Improvement and Corrective Plan," the AML/CFT internal control systems of all departments were effectively implemented during the year.

The Statement is submitted to the Financial Supervisory Commission

Declarant

Chairman: Lo, Tina Y.

President: Lee, Elton F.Y.

Chief Auditor/Head of Auditing Division: Fan, Vivian H.J.

Chief AML/CFT Compliance Officer: Wang, Chia Chi

March 14, 2023

O-Bank AML/CFT Internal Control System:**(the Bank and Trust Business)****Items in Need of Improvement and Corrective Plan**

Record Date: December 31, 2022

| Items in Need of Improvement | Corrective Measure | Time Expected for Completion of Improvement |
|--|--------------------|---|
| None (no item is in need of improvement) | | |

O-Bank AML/CFT Internal Control System:**(the Bank's Insurance Agent Business)****Items in Need of Improvement and Corrective Plan**

Record Date: December 31, 2022

| Items in Need of Improvement | Corrective Measure | Time Expected for Completion of Improvement |
|--|--------------------|---|
| None (no item is in need of improvement) | | |

B. Where a CPA has been hired to carry out a special audit of the internal control system, the audit report shall be disclosed: None.

(11) Status of any sanctions imposed due to violations of laws or regulations in the most recent two years and up to the publication date of this annual report, and major deficiencies and status of the improvement thereof

| Item | 2021 | | 2022 | | 2023, up to the publication date of this annual report | |
|--|--------------------|-----------------------|--------------------|-----------------------|--|-----------------------|
| | Violation and Fine | Status of Improvement | Violation and Fine | Status of Improvement | Violation and Fine | Status of Improvement |
| 1. Any indictment of a responsible person or employee by the prosecution for an occupational offense | None | - | None | - | None | - |
| 2. (1) Any fine imposed by the Financial Supervisory Commission for statutory violations or penalty slapped by the Bank on internal personnel for violating provisions of its internal control system, either of which may have a material impact on shareholders' equity or share price or can be interpreted as ranking among matters listed in Article 2 of the Financial Supervisory Commission's Explanatory Notes on Taking Major Punitive Measures for Violations of Financial Regulations | None | - | None | - | None | - |
| 2. (2) Any sanctions imposed by the Financial Supervisory Commission pursuant to Article 61-1 of the Banking Act | None | - | None | - | None | - |
| 3. Any security incident arising from employee infidelity or material contingencies (e.g. fraudulent acquisition, theft, misappropriation, or robbery of assets; forgery of documents or securities; acceptance of a bribe; losses from natural disaster; losses from external causes; hacker attack, data theft, or leak of trade secrets or customer data; or other such material incidents) or failure to faithfully adopt necessary measures for upholding security. If actual losses, whether singly or in aggregate, exceed NT\$50 million in any given year, disclose the nature and amount of such losses. | None | - | None | - | None | - |
| 4. Other disclosures required by the Financial Supervisory Commission | None | - | None | - | None | - |

(12) Major Resolutions of Shareholders' Meeting and Board Meetings

A. Major Resolutions of 2022 General Shareholders' Meeting

1) Ratification of business report and financial statements for 2021

Implementation result: The aforesaid report and statements were disclosed by means of a public announcement in accordance with applicable regulations and submitted to the competent authority for future reference.

2) Ratification of proposal for distribution of 2021 earnings

Implementation result: The Bank set July 25, 2022 as the ex-dividend record date and August 16 of the same year as the payout day. Shareholders were paid cash dividends of NT\$0.425 for every preferred share, totaling NT\$127,500,000 and cash dividend of NT\$0.29989170 for every common share, totaling NT\$819,245,290.

3) Amended some provisions of the Bank's Articles of Association: The revised Articles of Association has been announced on the bank's website, and was approved for registration by the Ministry of Economic Affairs on September 1, 2022.

4) Approval of amendments to the Bank's Procedural Rules Governing Shareholders' Meetings
Implementation result: The amended Procedural Rules Governing Shareholders' Meetings was uploaded to the Market Observation Post System (MOPS) and made public on the Bank's website. Such procedures have been conducted accordingly since.

5) Approval of amendments to the Bank's Election Procedures for Directors

Implementation result: The amended Election Procedures for Directors was uploaded to the Market Observation Post System (MOPS) and made public on the Bank's website. Such procedures have been conducted accordingly since.

- 6) Approval of proposal for release of non-competition restrictions on members of the 8th Board of Directors:

| Director | Position at the Bank | Positions at other companies |
|---------------------------|---------------------------|---|
| Taiwan Cement Corporation | Juridical-person Director | Chairman, TCC International Holdings Limited Director, TCC International Ltd. (TCCI) |

B. Major Resolutions of Board Meetings in 2022 and up to April 18, 2023

- 1) 2022.2.23 The 13th meeting of the eighth board of directors
 - Apply for the issuance of general financial bonds and secondary financial bonds through the Bank.
 - Approved the amendments to the Bank's "Risk Management Committee Organization Regulations", "Personal Data File Safety Maintenance Measures", "Fair Treatment Promotion Committee Organization Regulations" and "Fair Treatment Principles"
 - Approved the change of credit conditions of "Cheng Development Co., Ltd."
 - Passed the evaluation results of the Bank's 2021 Annual Board of Directors Performance (Self evaluation).
 - Approved the "CSR/ESG Annual Plan Objectives" of the Bank in 2011.
 - Approved the transfer case of the financial supervisor of the Bank.
- 2) 111.3.16 The 14th meeting of the eighth board of directors
 - Approved the 2010 annual business report, consolidated financial report and individual financial report, profit distribution proposal, director remuneration and employee remuneration distribution proposal.
 - Approved the date, venue and main content of the 111th Annual General Meeting of Shareholders.
 - Approved the application of the directors of the Bank to lift the restriction of non-competition.
 - Approved the regular review of the Bank's Directors' Remuneration Policy.
 - Approved the revision of the Bank's "Information Security Policy" and "Information Security Regulations"
 - Passed the Bank's 2010 "Head Office Edition Money Laundering and Terrorism Risk Assessment Report", "Insurance Agent Business Money Laundering Prevention and Terrorism Risk Assessment Report", "Money Laundering Prevention and Terrorism Combating Internal Control Statement", "Internal Control System Statement" and self-assessment of the implementation of the "Principle of Treating Customers Fairly"
 - Passed the Bank's 2011 "Money Laundering and Terrorism Risk Prevention Plan"
- 3) 111.5.4 The 15th meeting of the eighth board of directors
 - Election and selection of director Huang Jianqiang as the executive director.
 - Approved the Bank's consolidated financial report for the first quarter of 2011.
 - Approved the 111 annual appointment remuneration for certified accountants of the Bank.
 - The Bank adjusts the application for issuing financial bond quotas.
 - Approved the update of the Bank's convening of the 11th Annual General Meeting of Shareholders.
 - Approved the change of credit conditions of "Yuan Investment (Shares) Company" and "Fu Investment (Shares) Company".
 - Approved the amendments to the Bank's "Articles of Association", "Rules of Procedures for Shareholders' Meetings" and "Procedures for Handling Assets Acquisition or Disposal"

- 4) 111.6.22 The 16th meeting of the eighth board of directors
 - The benchmark date for cash dividends for ordinary shares and dividends for special shares in 2010 is set as July 25, 2011. Approved the credit extension cases of "Yuan Investment (Shares) Company", "Bai Investment (Shares) Company" and "Fu Investment (Shares) Company".
- 5) 2022.7.21 The 17th meeting of the eighth board of directors
 - Approved the merger of ICBC Leasing Co., Ltd., a subsidiary of the Bank, and Risheng International Leasing Co., Ltd.
 - Approved the case of repayment of share money by reducing capital in kind to Taiwan ICBC Leasing Co., Ltd., a subsidiary of the Bank.
- 6) 2022.8.23 The 18th meeting of the eighth board of directors
 - Approved the change of credit conditions of "Cheng Enterprise (Shares) Company".
 - Approved the credit granting case of "Taiwan Renewable Resources (Shares) Co., Ltd."
 - Approved the Bank's consolidated financial report and individual financial report for the first half of 2011.
 - Approved the revision of the Bank's "Principle of Treating Customers Fairly"
 - Approved the formulation of the Bank's "Financial Friendly Service Standards" and "Internal Material Information Handling Procedures"
 - Approved the transfer case of the financial supervisor of the Bank.
- 7) 2022.11.2 The 19th meeting of the eighth board of directors Election and selection of director Jian Zhiming as the executive director.
 - Approved the Bank's consolidated financial report for the third quarter of 2011.
 - Passed the Bank's 2010 "Bank-wide Version of Money Laundering and Terrorism Risk Assessment Report"
 - Approved the Bank's plan to sell the equity of subsidiaries.
 - Approved the lifting of the non-compete restrictions on directors of the Bank.
 - Approved the change of members of the Risk Management Committee of the Bank.
 - Approved the revision of the Bank's "Board of Directors' Rules of Procedure" and "Corporate Governance Code of Practice"
- 8) 2022.12.27 The 20th meeting of the eighth board of directors
 - Approved the "Budget Plan", "Audit Plan" and "Concurrent Insurance Agency Business Audit Plan" of the Bank for 2012.
 - Approved the revision of the Bank's "Organizational Regulations", "Organizational Regulations of the Assets and Liabilities Management Committee", "Organizational Regulations of the Corporate Governance and Nomination Committee", "Corporate Governance Practice Code", and "Board Performance Evaluation Method".
 - Approved the implementation of the Bank's 2011 "Group Anti-Money Laundering and Combating Terrorism Plan - Improvement Key Summary Report" and "Individual Data Self-Assessment Report".
 - Approved the formulation of the Bank's "Climate Risk Management Policy"
 - Approved the credit extension cases of "Ming Investment Co., Ltd.", "Yi Investment Co., Ltd.", "Taiwan Investment Co., Ltd." and "Taiwan Investment Co., Ltd."

- Approved the implementation of one of the recommendations of the “External Performance Evaluation Report of the Board of Directors” and “CG6012 Corporate Governance System Evaluation Report” of the China Corporate Governance Association.
 - Approved the relocation and name change of Neihu Branch of the Bank to “Nanjing Fuxing Branch”.
 - Passed the Bank’s computer system information security assessment plan from 2012 to 2014.
 - Approved the evaluation of the independence and suitability of the bank’s accountants and the appointment of the bank’s certified accountants.
- 9) 2023.2.15 The 21st meeting of the eighth board of directors
- Passed the Bank’s 2022 annual board performance (self-assessment) assessment results.
 - Passed the bank’s general audit change case.
- 10) 2023.3.14 The 22nd meeting of the eighth board of directors
- Approved the Bank’s 2022 annual business report, consolidated financial report and individual financial report, director’s remuneration and employee remuneration distribution proposal.
 - Passed the Bank’s 2022 year “Statement on Internal Control System”, “Headquarters Edition Comprehensive Money Laundering and Terrorism Risk Assessment Report”, “Insurance Agency Business Money Laundering Prevention and Combating Terrorism Risk Assessment Report”, “Money Laundering Prevention and Combating Terrorist Internal Control Statement” and self-assessment of the implementation of the “principle of treating customers fairly”.
 - Approved the Bank’s 2012 “Money Laundering and Terrorism Risk Prevention Plan”.
 - Approved the revision and merger of the Bank’s 2012 “Audit Plan”
 - Approved the Bank’s 112th Annual General Meeting of Shareholders.
 - Approved the credit granting cases of “Japan International Leasing (Shares) Company” and “Xin Agricultural Biotechnology Co., Ltd.”
 - Approved the revision of the “Risk Management Policy” by the Bank.
 - Approved the Bank’s 2012 “Headquarters Version Anti-Money Laundering and Combating Terrorism Plan”.

(13) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.

(14) Resignation or Dismissal of the Company’s Key Individuals

April 18, 2023

| Title | Name | Date of Appointment | Date of Termination | Reasons for Resignation or Dismissal |
|--------------------|------------------|---------------------|---------------------|--------------------------------------|
| Head of Accounting | Chang, Niel W.F. | 2018.9.17 | 2022.3.110 | Resignation |

5. Information Regarding the Company's Audit Fee

(1) Audit Fee

Unit: NT\$ thousands

| Accounting Firm | Name of CPA | Period Covered by CPA's Audit | Audit Fee | Non-audit Fee (Note) | Total | Remarks |
|-------------------|--|-------------------------------|-----------|----------------------|--------|---------|
| Deloitte & Touche | Chen, Yin-Chou Lin, Wang-Sheng Lee, Kuan-Hao Lin, Wang-Sheng | 2022 | 5,169 | 15,274 | 20,443 | |

Note: Non-audit fees were meant for services with regard to negotiations (NT\$2,212 thousand), information technology projects (NT\$898 thousand), counseling for legal compliance (NT\$5,055 thousand), tax compliance (NT\$481 thousand), and other special projects (NT\$6,628 thousand).

6. Replacement of CPA

(1) Regarding the former CPA

| Date of replacement | Approved by the Board of Directors on December 29, 2021 | | |
|---|---|----------------|------------------------------------|
| Replacement reasons and explanations | Due to internal adjustments by Deloitte & Touche, the CPAs were changed to Kuan-Hao Lee and Wang-Sheng Lin from Yin-Chou Chen and Wang-Sheng Lin. | | |
| Terminated by the Company or declined by the CPA | Party | CPA | The Company |
| | Status | | |
| | Termination of appointment | | |
| | No longer accepted (continued) appointment | Not Applicable | |
| The opinion and reason for any audit report expressing anything other than an unqualified opinion in the past two years | Not Applicable | | |
| Dissenting opinions with the Bank | Yes | - | Accounting principles or practices |
| | | - | Disclosure of Financial Statements |
| | | - | Audit scope or steps |
| | | - | Others |
| | None | ✓ | |
| | Remarks: None | | |
| Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4 of the Standards) | None | | |

(2) Regarding the successor CPA

| Accounting firm | Deloitte & Touche |
|---|---|
| Name of CPA | Lee, Kuan-Hao |
| Date of appointment | Approved by the Board of Directors on December 29, 2021 |
| Consultation opinions and results on accounting treatments or principles with respect to specific transactions and the Bank's financial reports that the CPA might issue prior to the engagement. | None |
| Written opinions of succeeding CPAs that differ from those of former CPAs | None |

(3) The reply letter from former CPAs with regard to matters spelled out in Article 10.6.1 and Article 10.6.2-3 of these Regulations : Not Applicable.

7. Audit Independence

The Company's Chairman, President, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2021.

8. Changes in Shareholding of Directors, Managers and Major Shareholders

(1) Changes of Shareholding

A. Directors and managerial officers

Unit: Shares

| Title | Name | 2022 | | As of Apr. 18, 2023 | |
|-------------------------------|---|--|--|--|--|
| | | Holding Increase (Decrease) *Preferred Shares | Pledged Holding Increase (Decrease) *Preferred Shares | Holding Increase (Decrease) *Preferred Shares | Pledged Holding Increase (Decrease) *Preferred Shares |
| Chairman | Ming Shan Investment Co., Ltd.(Note1) | - | - | - | - |
| | Rep. : Lo, Tina Y. | - | - | - | - |
| Managing Director | Lo, Kenneth C.M. | - | - | - | - |
| Managing Director/ Director | Taiwan Cement Corporation(Note1) | - | - | - | - |
| Managing Director | Rep. : Chang, Nelson An-Ping (2022.3.22 outgoing) | - | - | - | - |
| Director | Rep. : Huang, Edward Chien-Chiang (2022.3.22 incoming) | / | / | - | - |
| Managing Director | Yi Chang Investment Co., Ltd.(Note1) | 3,333,000 | - | - | - |
| | Rep. : Yeh, Roy J.Y. | - | - | - | - |
| Managing Director/ Director | Mingshan Investment Co., Ltd. (Note 1) | | | | |
| | Representative: Luo Yiqian (retired on 2022.11.2) | | | | |
| Managing Director | Representative: Jian Zhiming (newly appointed on 2022.11.2) | | | | |
| Independent Managing Director | Hu, Fu-Hsiung | - | - | - | - |
| Independent Director | Lin, Hank H.K. | - | - | - | - |
| Independent Director | Liu, Richard R.C. | - | - | - | - |
| Director | Tai Ya Investment Co., Ltd.(Note1) | - | - | - | - |
| | Rep.: Chen, Shih-Tze | - | - | - | - |
| Director | Abag Investment Holdings Co., Ltd. | - | - | - | - |
| | Rep.: Cheng, George C.J. | - | - | - | - |
| Director | Lee, Mark J.C. | - | - | - | - |

| Title | Name | 2022 | | As of Apr. 18, 2023 | |
|---------------------------------|---|--|--|--|--|
| | | Holding Increase (Decrease) *Preferred Shares | Pledged Holding Increase (Decrease) *Preferred Shares | Holding Increase (Decrease) *Preferred Shares | Pledged Holding Increase (Decrease) *Preferred Shares |
| Director | Tai Ya Investment Co., Ltd.(Note1) | - | - | - | - |
| | Rep.: Lee, Elton F.Y. | - | - | 632,000 | - |
| Director | Yi Chang Investment Co., Ltd.(Note1) | - | - | - | - |
| | Rep. : Lin, Gordon W.C. | - | - | - | - |
| Director | Ming Shan Investment Co., Ltd.(Note1) | - | - | - | - |
| | Rep.: Lo, Nina Y.C. | - | - | - | - |
| Director | Lee, Yunny Y. (2021.09.17 outgoing) | - | - | / | / |
| Director | Lin, Bill K.C. | - | - | 140,000 | - |
| President | Lee, Elton F.Y. | - | - | 632,000 | - |
| Deputy President | Lin, Roger Y.F. | - | - | 475,000 | - |
| Deputy President | Chang, David C.C. (2022.07.26 outgoing) | - | - | / | / |
| Senior Executive Vice President | Chyr, Y. H. | (50,000) | - | 45,000 (195,000) | - |
| Senior Executive Vice President | Wang, Chia Chi (2021.04.26 incoming) | - | - | 70,000 | - |
| Senior Executive Vice President | Huang, Indra Y.C. (2021.04.16 outgoing) | - | - | / | / |
| Senior Executive Vice President | Liu, Nancy S.F.(2021.04.26 outgoing) | - | - | / | / |
| Senior Executive Vice President | Liu, Gary C. Y.(2021.08.07 outgoing) | - | - | / | / |
| Senior Executive Vice President | Chang, Niel W.F. (2022.03.10 outgoing) | - | - | 90,000 | - |
| Executive Vice President | Fan, Vivian H.J. | - | - | 115,000 | - |
| Executive Vice President | Siew, Joy C.Y. | - | - | 120,000 | - |
| Executive Vice President | Chih, Eric V. C. (2021.7.28 incoming) | - | - | 10,000 | - |
| Executive Vice President | Chao, Tillie C.L. (2021.7.28 incoming) | - | - | 30,000 | - |
| Executive Vice President | Chen, Paul H.J. | - | - | 50,000 | - |
| Executive Vice President | Wang, John Y.C. | - | - | 50,000 | - |
| Executive Vice President | Chin, Teddy Y.T. | - | - | 20,000 | - |
| Executive Vice President | Tang, Jack J.H. (2021.7.29 incoming) | - | - | 25,000 | - |
| Executive Vice President | Lai, Joseph L.J. | - | - | 95,000 (9,000) | - |

| Title | Name | 2022 | | As of Apr. 18, 2023 | |
|--------------------------|---|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| | | *Preferred Shares | *Preferred Shares | *Preferred Shares | *Preferred Shares |
| Executive Vice President | Fang, Stanley H.W. | - | - | 95,000 | - |
| Executive Vice President | Hsieh, Leo T. J. | - | - | 10,000 | - |
| Executive Vice President | Yeh, Stephen K. W. (2021.3.23 incoming) | - | - | 60,000 | - |
| Executive Vice President | Tan, Kevin H.C. | - | - | 55,000 | - |
| Executive Vice President | Wang, Alan J.J. (2021.8.21 incoming) | - | - | 20,000 | - |
| Executive Vice President | Shao, Wen W.C. | - | - | 50,000 | / |
| Executive Vice President | Lin, Tom A.K. (2021.03.16 outgoing) | - | - | / | / |
| Executive Vice President | Tsai, Joseph T.S. (2021.07.17 outgoing) | - | - | / | / |
| Executive Vice President | Tyane, Edward F.C. (2021.11.12 outgoing) | - | - | / | - |
| Senior Vice President | Chang, Ophelia L.W. | - | - | 95,000 | - |
| Senior Vice President | Chang, Samson W. Y. | - | - | 40,000 | - |
| Senior Vice President | Soong, Grace L.H. | - | - | 20,000 | - |
| Senior Vice President | Fang, Andy C.P. | - | - | 25,000 | - |
| Senior Vice President | Tsou, Landy H.C. | - | - | - | - |
| Senior Vice President | Hsu, Pei Ling | - | - | 60,000 | - |
| Senior Vice President | Yang, Becky Y.W. | - | - | 25,000 | - |
| Senior Vice President | Chen, Gaven Y. | - | - | 30,000 | - |
| Senior Vice President | Hung, Ida K.Y. | - | - | 80,000 | - |
| Senior Vice President | Liu, Arnold H.I. (2022.01.01 incoming) | / | / | - | - |
| Senior Vice President | Huang, Colleen S.J. (2022.01.03 incoming) | / | / | - | - |
| Senior Vice President | Chen, C.Y. | - | - | 40,000 | - |
| Senior Vice President | Hung, Steven H.H. (2021.11.04 incoming) | - | - | - | - |
| Senior Vice President | Lin, Doris C. J. (2021.01.01 incoming) | - | - | 90,000 | - |
| Senior Vice President | Chiu, Jean Y.C. (2021.03.09 outgoing) | - | - | / | / |

| Title | Name | 2022 | | As of Apr. 18, 2023 | |
|--------------------------|---|--|--|--|--|
| | | Holding Increase (Decrease) *Preferred Shares | Pledged Holding Increase (Decrease) *Preferred Shares | Holding Increase (Decrease) *Preferred Shares | Pledged Holding Increase (Decrease) *Preferred Shares |
| Senior Vice President | Lin, C. K. (2022.01.01 outgoing) | - | - | / | / |
| Vice President | Chang, Wesley S.C. | - | - | 35,000 | - |
| Vice President | Lin, Ted K.T. (2021.05.06 incoming) | - | - | 15,000 | - |
| Vice President | Li, Barry C.K. (2022.01.01 incoming) | / | / | 15,000 | - |
| Vice President | Chung, Eddie H.T. (2022.03.10 incoming) | / | / | - | - |
| Vice President | Lee, Daisy T.H. | - | - | 25,000 | - |
| Vice President | Chen, Jane C. C. (2021.03.23 incoming) | 15,000 | - | 10,000 (15,000) | - |
| Vice President | Hu, Max C.M. (2021.08.21 incoming) | - | - | 15,000 | - |
| Vice President | Chen, Yuko Y. C. (2021.03.23 incoming) | - | - | 30,000 (13,000) | - |
| Vice President | Wu, Ponny T. K.(2021.03.23 incoming; 2021.05.06 outgoing) | - | - | / | / |
| Vice President | Chen, Nico S. C. (2021.07.10 outgoing) | - | - | / | / |
| Vice President | Pan, Claire Y.Y.(2021.01.01 incoming; 2022.01.01 outgoing) | - | - | / | / |
| Vice President | Liu, David C.C. (2022.02.24 outgoing) | - | - | 90,000 | - |
| Assistant Vice President | Chen, Judy S.F. | - | - | - | - |
| Assistant Vice President | Lee, Alex L.Z. (2022.01.01 incoming) | / | / | - | - |
| Assistant Vice President | Tai, Hsin Yi (2021.11.12 incoming) | - | - | - | - |
| Assistant Vice President | Wu, Antony Y.C. (2022.01.01 incoming) | / | / | 15,000 | - |
| Assistant Vice President | Chang, Michael C.C. (2021.05.06 outgoing) | - | - | / | / |
| Assistant Vice President | Chuang, Rita H. C. (2022.01.01 outgoing) | - | - | / | / |
| Manager | Chiu, Em Y.C. (2022.01.01 incoming) | / | / | - | - |
| Assistant Vice President | Chuang, Rita H. C. (2022.01.01 outgoing) | - | - | / | / |
| Manager | Chiu, Em Y.C. (2022.01.01 incoming) | / | / | - | - |

Note 1: Major shareholders who hold over 1% of the total number of issued shares of the Bank.

Note 2: "*" denotes Class A Preferred Shares in this Table.

Note 3: In columns of this table "-" is used to indicate no increase or decrease.

Note 4: The incoming date refers to the date that person is listed in the table for the first time.

B. Reporting on transfers of shareholdings and changes in pledges of such in accordance with Article 11 of the Regulations Governing a Same Person or Same Related Person Holding the Issued Shares with Voting Rights Over a Particular Ratio of a Bank

Unit: Shares

| Title | Name | 2022 | | As of Apr. 18, 2023 | |
|------------------------------------|---------------------------------------|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Same Person or Same Related Person | Lo, Kenneth C.M. | - | - | - | - |
| Same Person or Same Related Person | Lo, Tina Y. | - | - | - | - |
| Same Person or Same Related Person | Chen, Yu-Shuan | - | - | - | - |
| Same Person or Same Related Person | Chen, Yu-Da | - | - | - | - |
| Same Person or Same Related Person | Ming Shan Investment Co., Ltd.(Note1) | - | - | - | - |
| Same Person or Same Related Person | Yi Chang Investment Co., Ltd.(Note1) | 3,333,000 | - | - | - |
| Same Person or Same Related Person | Tai Ya Investment Co., Ltd.(Note1) | - | - | - | - |
| Same Person or Same Related Person | Tai Hsuan Investment Co., Ltd.(Note1) | - | - | - | - |

Note 1: Major shareholders who hold over 1% of the total number of issued shares of the Bank.

Note 2: Class A Preferred Shares issued by the Bank do not come with voting rights, and therefore the numbers of shareholding refer to common shares.

Note 3: In columns of this table “-” is used to indicate no increase or decrease.

(2) Shares Transfer Information: None.

(3) Shares Pledge Information: None.

9. Relationship among the Top Ten Shareholders

As of April 18, 2023
Unit: shares/%

| Name | Current Shareholding | | Spouse's/ minor's Shareholding | | Shareholding by Nominee Arrangement | | Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note 2) | | Remarks |
|--|----------------------|--------|--------------------------------------|---|---|---|--|--|---------|
| | Shares | % | Shares | % | Shares | % | Name | Relationship | |
| Ming Shan Investment Co., Ltd. Rep. : Chen, Shih-Tze | 386,271,554 | 12.74% | - | - | - | - | Yi Chang Investment Co., Ltd. 、 Tai Hsuan Investment Co., Ltd. 、 Tai Ya Investment Co., Ltd. | The representative is the same person | |
| Yi Chang Investment Co., Ltd. Rep. : Chen, Shih-Tze | 292,340,997 | 9.64% | - | - | - | - | Ming Shan Investment Co., Ltd. 、 Tai Hsuan Investment Co., Ltd. 、 Tai Ya Investment Co., Ltd. | | |
| Tai Hsuan Investment Co., Ltd. Rep. : Chen, Shih-Tze | 287,135,501 | 9.47% | - | - | - | - | Ming Shan Investment Co., Ltd. 、 Yi Chang Investment Co., Ltd. 、 Tai Ya Investment Co., Ltd. | | |
| Tai Ya Investment Co., Ltd. Rep. : Chen, Shih-Tze | 90,627,346 | 2.99% | - | - | - | - | Ming Shan Investment Co., Ltd. 、 Yi Chang Investment Co., Ltd. 、 Tai Hsuan Investment Co., Ltd. | | |
| Heng Tong Machinery Co., Ltd. Rep. : Tseng, Tsai-Bau | 148,374,456 | 4.89% | - | - | - | - | - | - | |
| Chen Yu Development Co. Ltd. Rep. : Liao, Chi-Cheng | 109,658,489 | 3.62% | - | - | - | - | - | - | |
| China Steel Corporation Rep. : Wong, Chao-Tung | 103,847,695 | 3.42% | - | - | - | - | - | - | |
| Chailease Finance Co., Ltd. Rep. : Chen, Albert F.L. | 87,750,047 | 2.89% | - | - | - | - | - | - | |
| San Ho Plastics Fabrication Co., Ltd. Rep.: Cheng, Chung-Ming | 54,852,278 | 1.81% | - | - | - | - | Cheng, Chung-Ming | The representative and the top 10th shareholder is the same person | |
| Cheng, Chung-Ming | 51,923,847 | 1.71% | - | - | - | - | San Ho Plastics Fabrication Co., Ltd. | Cheng, Chung-Ming is the representative of the top 9th shareholder | |

Note 1: Numbers and ratios of shareholdings refer to both common and preferred shares.

Note 2: The relationship in between is disclosed in accordance with Regulations Governing the Preparation of Financial Reports by Public Banks.

10. Ownership of Shares in Affiliated Enterprises

As of Dec. 31, 2022
Unit: shares/ %

| Affiliated Enterprises (Note) | Ownership by the Company | | Direct or Indirect Ownership by Directors and Managers | | Total Ownership | |
|--|--------------------------|--------|--|---------|-----------------|--------|
| | Shares | % | Shares | % | Shares | % |
| IBT Holdings Corp. | 10,869,286 | 100.00 | - | - | 10,869,286 | 100.00 |
| IBT Management Corporation | 13,400,000 | 100.00 | - | - | 13,400,000 | 100.00 |
| IBT Leasing Co., Ltd. | 156,193,074 | 44.48 | - | - | 156,193,074 | 44.48 |
| China Bills Finance Corporation | 380,981,600 | 28.37 | 1,549,600 | 0.12 | 382,531,200 | 28.48 |
| Taiwan Mobile Payment Co., Ltd. | 300,000 | 0.50 | - | - | 300,000 | 0.50 |
| Beijing Sunshine Consumer Finance Co., Ltd. | 200,000,000 | 20.00 | - | - | 200,000,000 | 20.00 |
| Taiwan ICBC Seven Venture Capital Co., Ltd. | 65,000,000 | 100.00 | | | 65,000,000 | 100.00 |
| Chun Teng New Century Co., Ltd. (Formerly known as IBT Securities Co., Ltd.) (dissolved and liquidated in November 2016, and still recognized using the equity method) | 318,280,588 | 99.75 | 6,659 | 0.00002 | 318,287,247 | 99.75 |

Note: Affiliated enterprises are referred to the investments made in accordance with Article 74 of the Banking Act of the Republic of China.

IV. Capital Overview

1. Capital and Shares

(1) Source of Capital

A. Issue Shares

As of April 18, 2023
Unit: NT\$; shares

| Month/ Year | Par Value (NT\$) | Authorized Capital | | Paid-in Capital | | Remark | | |
|----------------|------------------------|--------------------|------------------|-----------------|------------------|---|--|---|
| | | Shares | Amount (NT\$) | Shares | Amount (NT\$) | Sources of Capital | Capital Increased by Assets Other than Cash | Other |
| Aug. 1999 | 10 | 2,300,000,000 | 23,000,000,000 | 2,300,000,000 | 23,000,000,000 | Initial capital | - | 1999/5/14 (1999) Tai-Cai-Zheng (1) No. 16978 |
| Aug. 2000 | 10 | 35,234,043 | 352,340,430 | 35,234,043 | 352,340,430 | Capital increase from retained earnings | - | 2000/7/12 (2000) Tai-Cai-Zheng (1) No. 60116 |
| Aug. 2001 | 10 | 30,358,043 | 303,580,430 | 30,358,043 | 303,580,430 | Capital increase from retained earnings | - | 2001/7/12 (2001) Tai-Cai-Zheng (1) No. 145190 |
| July 2002 | 10 | 24,914,215 | 249,142,150 | 24,914,215 | 249,142,150 | Capital increase from retained earnings | - | 2002/7/9 Tai-Cai- Zheng-Yi-Zi No. 0910137604 |
| July 2004 | 10 | 200,000,000 | 2,000,000,000 | | | Appropriation for employee share subscription warrants | - | 2004/7/16 Jing- Shou-Shang-Zi No. 0930129910 |
| May 2017 | 7~9.3 | | | 22,500,000 | 225,000,000 | Capital increase by cash | - | 2017/5/4 Tai- Zheng-Shang- Yi-Zi No. 10600075162 2017/7/4 Jing- Shou-Shang-Zi No. 10601090090 |
| Nov. 2018 | 10 | 909,493,699 | 9,094,936,990 | 300,000,000 | 3,000,000,000 | Issuance of preferred stock A | - | 2018/10/3 Jin- Guan-Zheng-Fa No.1070335566 2018/12/21 Jing- Shou-Shang-Zi No.10701154030 |
| Oct. 2020 | 6.35 | | | 320,000,000 | 3,200,000,000 | Capital increase by cash | - | 2020/8/26 Jin- Guan-Zheng-Fa No.1090353284 2020/11/16 Jing- Shou-Shang-Zi No.10901206490 |
| Mar. 2022 | 10 | | | | | Preferred shares converted into common shares 354,000 shares | | 2022/4/13 Jing-Shou- Shang-Zi No.11101057690 |

| Month/ Year | Par Value (NT\$) | Authorized Capital | | Paid-in Capital | | Remark | | |
|----------------|------------------------|--------------------|-------------------|---|---|---|--|---|
| | | Shares | Amount (NT\$) | Shares | Amount (NT\$) | Sources of Capital | Capital Increased by Assets Other than Cash | Other |
| Apr. 2022 | 10 | | | | | Preferred shares converted into common shares 632,000 shares | | 2022/4/13 Jing-Shou- Shang-Zi No.11101123310 |
| Total | | 3,500,000,000 | 35,000,000,000 | Common Shares: 2,733,992,301 Preferred Shares: 299,014,000 | Common Shares: 2,733,992,301 Preferred Shares: 299,014,000 | | - | |

B. Type of Stock

| Share Type | Authorized Capital | | | Remarks |
|------------------|--------------------|------------------|---------------|---------------|
| | Issued Shares | Un-issued Shares | Total Shares | |
| Common Shares | 2,733,992,301 | 466,993,699 | 3,500,000,000 | Listed Shares |
| Preferred Shares | 299,014,000 | | | |

Note: Treasury stock is included and please refer to (9) Buyback of Treasury Stock for more information.

(2) Status of Shareholders

A. Common Shares

As of April 18, 2023
Unit: shares

| Item | Government Agencies | Financial Institutions | Other Juridical Persons | Foreign Institutions & Natural Persons | Individuals | Treasury Stock | Total |
|---------------------------|------------------------|---------------------------|----------------------------|---|-------------|-------------------|---------------|
| Number of Shareholders | 1 | 6 | 126 | 138 | 35,216 | 1 | 35,488 |
| Shareholding (shares) | 100 | 13,052,273 | 1,899,024,607 | 186,872,724 | 632,520,597 | 2,522,000 | 2,733,992,301 |
| Percentage | 0.00% | 0.48% | 69.45% | 6.84% | 23.14% | 0.09% | 100.00% |

B. Preferred Shares

As of April 18, 2023
Unit: shares

| Item | Government Agencies | Financial Institutions | Other Juridical Persons | Foreign Institutions & Natural Persons | Individuals | Treasury Stock | Total |
|---------------------------|------------------------|---------------------------|----------------------------|---|-------------|-------------------|-------------|
| Number of Shareholders | 0 | 1 | 44 | 1 | 4,033 | 0 | 4,079 |
| Shareholding (shares) | 0 | 4,855,000 | 235,105,265 | 298 | 59,053,437 | 0 | 299,014,000 |
| Percentage | 0.00% | 1.62% | 78.63% | 0.00% | 19.75% | 0.00% | 100.00% |

(3) Shareholding Distribution Status**A. Common Shares**

As of April 18, 2023
Par value per share: NT\$10

| Class of Shareholding (Unit: Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
|-------------------------------------|------------------------|-----------------------|------------|
| 1 ~ 999 | 5,130 | 1,429,783 | 0.05% |
| 1,000 ~ 5,000 | 16,992 | 40,404,636 | 1.48% |
| 5,001 ~ 10,000 | 4,469 | 37,779,922 | 1.38% |
| 10,001 ~ 15,000 | 3,832 | 43,881,969 | 1.61% |
| 15,001 ~ 20,000 | 1,263 | 24,048,311 | 0.88% |
| 20,001 ~ 30,000 | 1,065 | 27,607,694 | 1.01% |
| 30,001 ~ 40,000 | 501 | 17,982,233 | 0.66% |
| 40,001 ~ 50,000 | 474 | 22,501,001 | 0.82% |
| 50,001 ~ 100,000 | 824 | 61,764,390 | 2.26% |
| 100,001 ~ 200,000 | 443 | 62,690,407 | 2.29% |
| 200,001 ~ 400,000 | 229 | 66,777,473 | 2.44% |
| 400,001 ~ 600,000 | 84 | 41,715,564 | 1.53% |
| 600,001 ~ 800,000 | 30 | 21,045,084 | 0.77% |
| 800,001 ~ 1,000,000 | 15 | 13,607,777 | 0.50% |
| 1,000,001 or over | 137 | 2,250,756,057 | 82.32% |
| Total | 35,488 | 2,733,992,301 | 100.00% |

B. Preferred Shares

As of April 18, 2023
Par value per share: NT\$10

| Class of Shareholding (Unit: Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
|-------------------------------------|------------------------|-----------------------|------------|
| 1 ~ 999 | 678 | 205,322 | 0.07% |
| 1,000 ~ 5,000 | 2,309 | 8,080,999 | 2.70% |
| 5,001 ~ 10,000 | 378 | 3,108,780 | 1.04% |
| 10,001 ~ 15,000 | 140 | 1,811,340 | 0.61% |
| 15,001 ~ 20,000 | 103 | 1,945,159 | 0.65% |
| 20,001 ~ 30,000 | 107 | 2,798,157 | 0.94% |
| 30,001 ~ 40,000 | 67 | 2,434,207 | 0.81% |
| 40,001 ~ 50,000 | 103 | 4,794,172 | 1.60% |
| 50,001 ~ 100,000 | 69 | 5,256,513 | 1.76% |
| 100,001 ~ 200,000 | 59 | 8,447,815 | 2.83% |
| 200,001 ~ 400,000 | 30 | 8,553,105 | 2.86% |
| 400,001 ~ 600,000 | 5 | 2,403,523 | 0.80% |
| 600,001 ~ 800,000 | 3 | 1,992,000 | 0.67% |
| 800,001 ~ 1,000,000 | 1 | 832,000 | 0.28% |
| 1,000,001 or over | 27 | 246,350,908 | 82.39% |
| Total | 4,079 | 299,014,000 | 100.00% |

(4) List of Major Shareholders

As of April 18, 2023

| Shareholder's Name | Shareholding | |
|---------------------------------------|--------------|----------------|
| | Shares | Percentage (%) |
| Ming Shan Investment Co., Ltd. | 386,271,554 | 12.74% |
| Yi Chang Investment Co., Ltd. | 292,340,997 | 9.64% |
| Tai Hsuan Investment Co., Ltd. | 287,135,501 | 9.47% |
| Heng Tong Machinery Co., Ltd. | 148,374,456 | 4.89% |
| Chen Yu Development Co. Limited | 109,658,489 | 3.62% |
| China Steel Corporation | 103,847,695 | 3.42% |
| Tai Ya Investment Co., Ltd. | 90,627,346 | 2.99% |
| Chailease Finance Co., Ltd. | 87,750,047 | 2.89% |
| San Ho Plastics Fabrication Co., Ltd. | 54,852,278 | 1.81% |
| Cheng, Chung-Ming | 51,923,847 | 1.71% |
| Mei Ta Industrial Co., Ltd. | 50,000,000 | 1.65% |
| The Great Taipei Gas Corp. | 48,595,777 | 1.60% |
| TECO Electric & Machinery Co., Ltd. | 47,838,847 | 1.58% |
| Taiwan Cement Corp. | 35,764,625 | 1.18% |
| Chi Yi Investment Co., Ltd. | 33,032,000 | 1.09% |

Note: Numbers and ratios of shareholdings refer to both common and preferred shares.

(5) Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

| Items | 2023/4/18 | 2022 | 2021 |
|--|-----------------------------------|-----------------------|-----------------------|
| Market Price per Share | | | |
| Highest Market Price | 10.50 | 11.30 | 8.68 |
| Lowest Market Price | 8.33 | 7.71 | 6.52 |
| Average Market Price | 9.59 | 8.69 | 7.30 |
| Net Worth per Share | | | |
| Before Distribution | 12.85 (Note 2) | 12.44 | 11.99 |
| After Distribution | Not applicable | Note 1 | 11.68 |
| Earnings per Share | | | |
| Weighted Average Shares (thousand shares) | 3,036,021 thousand (Note 2) | 3,037,069 thousand | 3,031,051 thousand |
| Diluted Earnings Per Share | 0.24 (Note 2) | 1.62 | 0.57 |
| Dividends per Share | | | |
| Cash Dividends | Not applicable | Note 1 | 0.30 |
| Stock Dividends | | | |
| Dividends from Retained Earnings | - | - | - |
| Dividends from Capital Surplus | - | - | - |
| Accumulated Undistributed Dividends | - | - | - |
| Return on Investment | | | |
| Price / Earnings Ratio (Note 1) | - | 5.36 | 12.81 |
| Price / Dividend Ratio (Note 2) | - | Note 1 | 24.33 |
| Cash Dividend Yield Rate (Note 3) | - | Note 1 | 4.11% |

Note 1: Not for disclosure as the amount has not yet been approved by the 2022 general shareholder's meeting.

Note 2: The figures are calculated based on financial statements dated March 31, 2023 but not yet audited by CPA.

(6) Dividend Policy and Implementation Status**A. Dividend Policy**

The Bank's dividend policy is spelled out in Article 32-1 of the Articles of Incorporation:

If there is a profit after its annual closing of books, the Bank shall first set aside funds for taxes and offset the accumulated losses from previous years before appropriating 30% of the profit toward its legal reserve. No appropriation shall be required if the Bank's legal reserve already equals the total amount of its paid-in capital. After appropriation or reverse of any special reserve and distribution of cash dividends for preferred shares, if a profit remains as the annual undistributed earnings, the outstanding balance together with undistributed earnings from previous years shall be used as the basis for the Board of Directors to propose distribution and seek a resolution of a shareholders' meeting thereof.

In case of a shortfall in "the cumulative amount of net other equity deductions in the previous period" when the Bank sets aside earnings as a special reserve in accordance with law, the Bank shall allocate an amount

equivalent to the said shortfall from the undistributed earnings of the previous period ahead of earnings distribution. Should a shortfall remain, another allocation shall be made from the net income of the current period plus items added to the current period's undistributed earnings other than current-year net income.

The distribution of common stock dividend shall not be lower than 20% of distributable earnings of the current year. The said distributable earnings refers to the undistributed earnings of the current year cited above after deducting distributable but not yet distributed preferred stock dividends for the current year and the balance after reversal of the current year's special reserve in accordance with law.

Separately, before the legal reserve equals the total amount of capital stock, the maximum cash distribution of earnings shall not exceed 15% of the total amount of paid-in capital.

With regard to the foregoing distribution of common stock dividends, the Bank adopts a policy of stability and balance that takes into account capital budget planning, capital needs for business operations, and commitment to a sound financial structure. The aforesaid method of dividend distribution is intended only as a principle-based guideline; the Bank may consider actual needs and, via the Board of Directors, propose an amendment and seek shareholder approval in the form of a resolution adopted by a shareholders' meeting.

B. Proposed Distribution of Dividend

It is proposed at the 2023 Shareholders' Meeting that shareholders will be entitled to a cash dividend of NT\$0.425 per preferred share A, totaling NT\$127,080,950 and cash dividend of NT\$0.38 per common share, totaling NT\$1,037,958,714.

(7) Impact of the stock dividend distribution proposed at this shareholders' meeting upon the Bank's business performance and earnings per share: Not applicable.

(8) Compensation of Employees and Directors

A. Information Relating to Compensation of Employees and Directors in the Articles of Incorporation

Article 22

If the Bank records a profit in a year, the Bank shall appropriate not more than 2.5% of the profit for director remunerations, but independent directors shall be excluded from such distribution. If the Bank has accumulated losses, however, the aforesaid profit shall be used to offset accumulated losses first.

Article 32

If the Bank records a profit in a year, the Bank shall set aside 1-2.5% of the profit for employee remunerations. If the Bank has accumulated losses, however, the profit shall be used to offset the aforesaid accumulated losses first.

Distribution of employee remunerations in stock or cash shall require a resolution adopted through a majority vote of the directors present at a meeting attended by not less than two-thirds of all directors, which in turn shall be submitted to a shareholders' meeting. The employees entitled to the aforesaid remunerations may include those employed by the Bank's affiliated companies who meet specific requirements.

B. The basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The Bank takes a given year's pretax profit prior to distribution of employee compensation and remuneration of directors as the basis for the said distribution at rates prescribed in the Articles of Incorporation. After the Bank's publication of financial statements, changes in accounting estimates shall be made and an adjusting entry added for the following year should any discrepancy arise from the amount of distribution decided by the Board of Directors.

C. Distribution of Compensation of Employees and Directors for 2022 Approved in the Board of Directors Meeting

- (1) In 2023, the Board of Directors approved cash dividends of NT\$53,624,814 in employee remunerations and NT\$67,031,017 in director remunerations, showing no discrepancy with those specified in the Bank's financial statements for 2022.
- (2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: Not applicable.

D. On March 16, 2022, the Board of Directors approved cash dividends of NT\$26,169,746 in employee remunerations and NT\$52,339,492 in director remunerations for 2021, showing no discrepancy with those specified in the Bank's financial statements for 2021.

(9) Buyback of Treasury Stock:

The Bank's Share Repurchase and its implementation (already completed)

As of April 18, 2023

| Batch of Repurchase | First Batch |
|---|---|
| Purpose of repurchase | Transfer to employees |
| Period for the repurchase | March 23-April 28, 2020 |
| Price range for the repurchase | NT\$5.00-7.00 per share |
| Types and number of shares actually repurchased | 5,737,000 common shares |
| Total monetary amount of shares actually repurchased | NT\$38,304,469 (transaction fees included) |
| Ratio of number of shares already repurchased against the planned number of shares to be repurchased (%) | 16.39% |
| Capital adequacy ratio before the repurchase | Record date: 2019.12.31 Ratio: 14.00% |
| Capital adequacy ratio after the repurchase | Record date: 2020.6.30 Ratio: 12.32% |
| Number of shares retired and transferred | 3,215,000 shares transferred |
| Accumulated number of own shares held | 2,522,000 shares |
| Ratio of accumulated number of own shares held during the repurchase period against the total number of the Bank's issued shares (%) | 0.09% |
| Progress in implementing transfer of the repurchased shares to employees | Transferred 3,215,000 shares |
| Instances where the Bank has failed to complete transfer within 3 years after repurchase and thereby caused the FSC to adopt restrictions | None |

2. Issuance of Bank Debenture

As of April 18, 2023

| Bank Debenture Type | 2016 Subordinated Bank Debentures, Phase I, Batch A | 2016 Subordinated Bank Debentures, Phase I, Batch B |
|---|--|--|
| Date/reference number of the competent authority's approval letter | 2016/4/20 Jin-Guan-Yin-Piao-Zi No. 10500083270 | 2016/4/20 Jin-Guan-Yin-Piao-Zi No. 10500083270 |
| Date of issuance | 2016/6/29 | 2016/6/29 |
| Denomination | NT\$10 million | NT\$10 million |
| Place of issuance and for trading | - | - |
| Currency | NT\$ | NT\$ |
| Issue price | Issue by denomination | Issue by denomination |
| Total amount | NT\$1.5 billion | NT\$1.5 billion |
| Interest rate | 1.70% per annum | 1.80% per annum |
| Tenor | 7 years maturity date: 2023/6/29 | 8 years maturity date: 2024/6/29 |
| Priority | Subordinated | Subordinated |
| Guarantor | - | - |
| Consignee | - | - |
| Underwriter | Yuanta Securities as lead underwriter | Yuanta Securities as lead underwriter |
| Certifying attorney | - | - |
| CPA | Yang, Chen-Hsiu | Yang, Chen-Hsiu |
| Certifying institution | - | - |
| Repayment method | Repayment in lump sum upon maturity | Repayment in lump sum upon maturity |
| Outstanding balance | NT\$1.5 billion | NT\$1.5 billion |
| Paid-in capital of the previous year | NT\$23,905,063 thousand | NT\$23,905,063 thousand |
| Shareholders' equity of the previous year | NT\$28,482,879 thousand | NT\$28,482,879 thousand |
| Performance | - | - |
| Terms for redemption or early repayment | None | None |
| Terms for conversion and exchange | None | None |
| Restrictive clause | Subordinated | Subordinated |
| Funds utilization plan | Medium- and long-term lending | Medium- and long-term lending |
| Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%) | 63.02% | 63.02% |
| Whether included as eligible equity capital and its category | Yes/Tier 2 capital | Yes/Tier 2 capital |
| Credit rating agency, rating date, and rating assigned | - | - |

| Bank Debenture Type | 2017 Subordinated Bank Debentures, Phase I | 2017 Subordinated Bank Debentures, Phase II, Batch A |
|---|---|---|
| Date/reference number of the competent authority's approval letter | 2016/9/8 Jin-Guan-Yin-Piao-Zi No. 10500215650 | 2017/11/13 Jin-Guan-Yin-Piao-Zi No. 10600259320 |
| Date of issuance | 2017/9/5 | 2017/12/27 |
| Denomination | NT\$10 million | NT\$10 million |
| Place of issuance and for trading | - | - |
| Currency | NT\$ | NT\$ |
| Issue price | Issue by denomination | Issue by denomination |
| Total amount | NT\$2 billion | NT\$750 million |
| Interest rate | 1.97% per annum | 4.00% per annum |
| Tenor | 10 years maturity date: 2027/9/5 | No maturity date (Note) |
| Priority | Subordinated | Subordinated |
| Guarantor | - | - |
| Consignee | - | - |
| Underwriter | Yuanta Securities as lead underwriter | Yuanta Securities as lead underwriter |
| Certifying attorney | - | - |
| CPA | Yang, Chen-Hsiu | Yang, Chen-Hsiu |
| Certifying institution | - | - |
| Repayment method | Repayment in lump sum upon maturity | (Note) |
| Outstanding balance | NT\$2 billion | NT\$750 million |
| Paid-in capital of the previous year | NT\$23,905,063 thousand | NT\$23,905,063 thousand |
| Shareholders' equity of the previous year | NT\$28,478,741 thousand | NT\$28,478,741 thousand |
| Performance | - | - |
| Terms for redemption or early repayment | None | None |
| Terms for conversion and exchange | None | None |
| Restrictive clause | Subordinated | Subordinated |
| Funds utilization plan | Medium- and long-term lending | Medium- and long-term lending |
| Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%) | 65.49% | 71.63% |
| Whether included as eligible equity capital and its category | Yes/Tier 2 capital | Yes/Tier 2 capital |
| Credit rating agency, rating date, and rating assigned | - | - |

Note: The Bank may, upon approval of the competent authority, allow early redemption of the said debentures 5.3 years after their issuance (after 2023/4/15) if the Bank's capital adequacy ratio meets the minimum requirement after this redemption.

| Bank Debenture Type | 2017 Subordinated Bank Debentures, Phase II, Batch B | 2018 Subordinated Bank Debentures, Phase I, Batch A |
|---|---|--|
| Date/reference number of the competent authority's approval letter | 2017/11/13 Jin-Guan-Yin-Piao-Zi No. 10600259320 | 2017/11/13 Jin-Guan-Yin-Piao-Zi No. 10600259320 |
| Date of issuance | 2017/12/27 | 2018.6.29 |
| Denomination | NT\$10 million | NT\$10 million |
| Place of issuance and for trading | - | - |
| Currency | NT\$ | NT\$ |
| Issue price | Issue by denomination | Issue by denomination |
| Total amount | NT\$1 billion | NT\$700 million |
| Interest rate | 1.82% per annum | 4.00% per annum |
| Tenor | 10 years maturity date: 2027/12/27 | Maturity date: none (Note) |
| Priority | Subordinated | Subordinated |
| Guarantor | - | - |
| Consignee | - | - |
| Underwriter | Yuanta Securities as lead underwriter | Yuanta Securities as lead underwriter |
| Certifying attorney | - | - |
| CPA | Yang, Chen-Hsiu | Yang, Chen-Hsiu |
| Certifying institution | - | - |
| Repayment method | Repayment in lump sum upon maturity | (Note) |
| Outstanding balance | NT\$1 billion | NT\$700 million |
| Paid-in capital of the previous year | NT\$23,905,063 thousand | NT\$24,130,063 thousand |
| Shareholders' equity of the previous year | NT\$28,478,741 thousand | NT\$28,558,691 thousand |
| Performance | - | - |
| Terms for redemption or early repayment | None | None |
| Terms for conversion and exchange | None | None |
| Restrictive clause | Subordinated | Subordinated |
| Funds utilization plan | Medium- and long-term lending | Medium- and long-term lending |
| Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%) | 71.63% | 62.50% |
| Whether included as eligible equity capital and its category | Yes/Tier 2 capital | Yes/Tier 2 capital |
| Credit rating agency, rating date, and rating assigned | - | - |

Note: The Bank may, upon approval of the competent authority, allow early redemption of the said debentures 5.3 years after their issuance (after 2023/10/16) if the Bank's capital adequacy ratio meets the minimum requirement after this redemption.

| Bank Debenture Type | 2018 Subordinated Bank Debentures, Phase I, Batch B | 2019 Subordinated Bank Debentures, Phase I |
|---|---|--|
| Date/reference number of the competent authority's approval letter | 2017/11/13 Jin-Guan-Yin-Piao-Zi No. 10600259320 and 2018/6/14 Jin-Guan-Yin-Piao-Zi No. 10702116800 | 2018/6/14 Jin-Guan-Yin-Piao-Zi No. 10702116800 |
| Date of issuance | 2018.6.29 | 2019.6.6 |
| Denomination | NT\$10 million | NT\$10 million |
| Place of issuance and for trading | - | - |
| Currency | NT\$ | NT\$ |
| Issue price | Issue by denomination | Issue by denomination |
| Total amount | NT\$1.05 billion | NT\$2.5 billion |
| Interest rate | 1.75% per annum | 1.5% per annum |
| Tenor | 10 years Maturity date: 2028/6/29 | 7 years Maturity date: 2026/6/6 (Note) |
| Priority | Subordinated | Subordinated |
| Guarantor | - | - |
| Consignee | - | - |
| Underwriter | Yuanta Securities as lead underwriter | Yuanta Securities as lead underwriter |
| Certifying attorney | - | - |
| CPA | Yang, Chen-Hsiu | Chen, Yin-Chou |
| Certifying institution | - | - |
| Repayment method | Repayment in lump sum upon maturity | Repayment in lump sum upon maturity |
| Outstanding balance | NT\$1.05 billion | NT\$2.5 billion |
| Paid-in capital of the previous year | NT\$24,130,063 thousand | NT\$27,130,063 thousand |
| Shareholders' equity of the previous year | NT\$28,558,691 thousand | NT\$31,558,691 thousand |
| Performance | - | - |
| Terms for redemption or early repayment | None | None |
| Terms for conversion and exchange | None | None |
| Restrictive clause | Subordinated | Subordinated |
| Funds utilization plan | Medium- and long-term lending | Medium- and long-term lending |
| Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%) | 62.50% | 59.25% |
| Whether included as eligible equity capital and its category | Yes/Tier 2 capital | Yes/Tier 2 capital |
| Credit rating agency, rating date, and rating assigned | - | - |

Note: The Bank may, upon approval of the competent authority, allow early redemption of the said debentures 5 years and 1 month after their issuance if the Bank's capital adequacy ratio meets the minimum requirement after this redemption.

| Bank Debenture Type | 2021 Subordinated Bank Debentures, Phase I | 2021 Unsecured Senior Bank Debentures, Phase II |
|---|---|---|
| Date/reference number of the competent authority's approval letter | 2021/2/22 Jin-Guan-Yin-Piao-Zi No. 1100203414 | 2021/2/22 Jin-Guan-Yin-Piao-Zi No. 1100203414 |
| Date of issuance | 2021.6.25 | 2021.12.22 |
| Denomination | NT\$10 million | NT\$10 million |
| Place of issuance and for trading | - | - |
| Currency | NT\$ | NT\$ |
| Issue price | Issue by denomination | Issue by denomination |
| Total amount | NT\$1 billion | NT\$0.5 billion |
| Interest rate | 0.9% per annum | 0.65% per annum |
| Tenor | 7 years Maturity date: 2028/6/25 (Note) | 3 years Maturity date: 2024/12/22 |
| Priority | Subordinated | Senior |
| Guarantor | - | - |
| Consignee | - | - |
| Underwriter | KGI Securities Co., Ltd. as lead underwriter | Yuanta Securities as lead underwriter |
| Certifying attorney | - | - |
| CPA | Chen, Yin-Chou | Chen, Yin-Chou |
| Certifying institution | - | - |
| Repayment method | Repayment in lump sum upon maturity | Repayment in lump sum upon maturity |
| Outstanding balance | NT\$1 billion | NT\$0.5 billion |
| Paid-in capital of the previous year | NT\$30,330,063 thousand | NT\$30,330,063 thousand |
| Shareholders' equity of the previous year | NT\$32,166,500 thousand | NT\$34,882,941 thousand |
| Performance | - | - |
| Terms for redemption or early repayment | None | None |
| Terms for conversion and exchange | None | None |
| Restrictive clause | Subordinated | Senior |
| Funds utilization plan | Medium- and long-term lending | Lending for green investment |
| Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%) | 45.08% | 43.00% |
| Whether included as eligible equity capital and its category | Yes/Tier 2 capital | None |
| Credit rating agency, rating date, and rating assigned | - | - |

Note: The Bank may, upon approval of the competent authority, allow early redemption of the said debentures 5 years and 1 month after their issuance if the Bank's capital adequacy ratio meets the minimum requirement after this redemption.

| Bank Debenture Type | 2022 Subordinated Bank Debentures, Phase I |
|---|---|
| Date/reference number of the competent authority's approval letter | 2022/5/17 Jin-Guan-Yin-Piao-Zi No. 1110137858 |
| Date of issuance | 2022.9.27 |
| Denomination | NT\$10 million |
| Place of issuance and for trading | - |
| Currency | NT\$ |
| Issue price | Issue by denomination |
| Total amount | NT\$1 billion |
| Interest rate | 2.3% per annum |
| Tenor | 7 years Maturity date: 2029/9/27 (Note) |
| Priority | Subordinated |
| Guarantor | - |
| Consignee | - |
| Underwriter | KGI Securities Co., Ltd. as lead underwriter |
| Certifying attorney | - |
| CPA | Li, Guan-Hao |
| Certifying institution | - |
| Repayment method | Repayment in lump sum upon maturity |
| Outstanding balance | NT\$1 billion |
| Paid-in capital of the previous year | NT\$30,330,063 thousand |
| Shareholders' equity of the previous year | NT\$35,434,261 thousand |
| Performance | - |
| Terms for redemption or early repayment | None |
| Terms for conversion and exchange | None |
| Restrictive clause | Subordinated |
| Funds utilization plan | Medium- and long-term lending |
| Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%) | 38.38% |
| Whether included as eligible equity capital and its category | Yes/Tier 2 capital |
| Credit rating agency, rating date, and rating assigned | - |

Note: The Bank may, upon approval of the competent authority, allow early redemption of the said debentures 5 years and 1 month after their issuance if the Bank's capital adequacy ratio meets the minimum requirement after this redemption.

3. Preferred Shares

| Issuance (launch) date | | November 29, 2018 |
|------------------------|---------------------------------------|---|
| Item | | |
| Face value | | NT\$10 |
| Issuance price | | NT\$10 per share |
| Number of shares | | 300,000,000 shares |
| Total issuance amount | | NT\$3,000,000,000 |
| Rights and obligations | Distribution of dividends and bonuses | <p>These preferred shares offer dividends of 4.25% per annum (5-year IRS 0.94375%+3.30625% as of the record date—October 29, 2018) calculated pursuant to the issuance price per share. The 5-year IRS rate will be reset on the day after 5 years and 6 months of the issuance date and the day after each subsequent 5-year-and-6-month period thereafter, and the record date thereof shall be the second business day for financial institutions in Taipei prior to the aforesaid day of rate reset. The 5-year IRS rate shall be the arithmetic mean of 5-year IRS quotations as published by Reuters, PYTDWFIX, and COSMOS3 at 11:00 a.m. of the day of the reset record date (must be a business day for Taipei's financial institutions). If the above quotations cannot be obtained on the reset record date, the Bank shall decide on such in good faith while taking into account reasonable market rates.</p> <p>If the Bank's annual accounting shows any profit, after having paid all taxes and dues and covering the losses accumulated in previous years, it shall set aside a legal reserve as well as appropriate or reverse a special reserve in accordance with the laws before giving priority to using the balance for the year's dividend distribution for these preferred shares. The Bank has sole discretion on dividend distribution for these preferred shares. When no or not sufficient profit is recorded for distributing dividends for preferred shares in a given year, or if preferred share dividend declaration would render the Bank's capital adequacy ratio below the minimum level required by law or the competent authority, or due to any other necessary considerations, the Bank may decide not to declare preferred stock dividends, to which holders of these preferred shares shall file no opposition. These preferred shares are not cumulative in nature, that is, undeclared or underdeclared dividends are not to be paid in subsequent years with profits recorded. Dividends for these preferred shares are declared in cash once per year. After the Bank's financial statements secure approval at its annual shareholders' meeting, the Board of Directors shall set the record date for distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual days after issuance in the year in question. Dividends distributed shall be specified in the dividend certificate.</p> <p>Except for receipt of dividends at the aforementioned dividend rate, holders of these preferred shares cannot participate in distribution of cash or stock dividends to holders of common shares from profits or additional paid-in capital.</p> |
| | Priority of claims in liquidation | <p>When it comes to priority of claims in liquidation, holders of these preferred shares have the same order of priority as holders of common shares when, in accordance with the Regulations Governing the Capital Adequacy and Capital Category of Banks, the competent authority assigns officials to take receivership over the Bank, order the Bank to suspend and wind up business, or liquidate the Bank. In the event of the Bank's subsequent distribution of residue property, holders of these preferred shares shall be superior to holders of common shares—the same priority of claims for holders of all other preferred shares issued by the Bank—but inferior to holders of Tier 2 capital, depositors, and other general creditors. Claims by holders of these preferred shares shall be capped at the total issuance amount.</p> |
| | Exercise of voting rights | <p>Holders of these preferred shares have no voting rights and cannot elect directors at the general meetings of shareholders. This restriction does not apply to meetings of holders of preferred shares and general meetings of shareholders that address matters with regard to the rights and obligations of holders of preferred shares, occasions where holders of preferred shares have the rights to vote and be elected directors.</p> |
| | Others | <p>When the Bank conducts rights issues for cash, holders of these preferred shares have the same subscription rights as holders of common shares.</p> |

| Issuance (launch) date | | November 29, 2018 | |
|------------------------------|---|--|---|
| Item | | | |
| Outstanding preferred shares | Amount redeemed or converted | NT\$9,860,000 | |
| | Balance of shares not yet redeemed or converted | NT\$2,990,140,000 | |
| | Terms of redemption or conversion | <p>1. These shares of Preferred Stock A have no maturity date but the Bank may, upon approval of the competent authority, redeem all or part of these preferred shares at the issuance price on the day after 5 years and 6 months of the issuance date. Holders of any unredeemed preferred shares shall thereafter be entitled to the same rights and obligations listed above. If the General Meeting of Shareholders resolves on paying dividends for a given year when the Bank is redeeming these preferred shares, dividend distribution thereof shall be calculated pursuant to actual days in the year up to the date of redemption.</p> <p>2. These preferred shares shall not be convertible within 1 year of the issuance date (inclusive). From the day after the first anniversary of issuance, holders of these preferred shares may apply to convert all or part of their holdings into common shares at a conversion ratio of 1:1, after which the rights and obligations entailed by common shares shall apply. Dividend distribution for the years of conversion shall be calculated pursuant to actual days in the year up to the date of conversion. Nevertheless, holders of preferred shares who convert their holdings into common shares prior to the ex-rights (ex-dividend) record date in a given year shall not be entitled to distribution of dividends for these preferred shares for the same year and the subsequent year. Such shareholders, however, shall be entitled to distribution of earnings and capital reserves among holders of common shares.</p> | |
| Market price per share | 2020 | High | NT\$10.65 |
| | | Low | NT\$8.82 |
| | | Average | NT\$10.24 |
| | 2021 | High | NT\$10.25 |
| | | Low | NT\$9.89 |
| | | Average | NT\$10.094 |
| | 2022 | High | NT\$10.85 |
| | | Low | NT\$9.76 |
| | | Average | NT\$10.15 |
| | Year to date as of April 18, 2023 | High | NT\$10.65 |
| | | Low | NT\$9.96 |
| | | Average | NT\$10.30 |
| Other rights | Amount converted or subscribed to as of the date of publication of this annual report | | NT\$9,860,000 |
| | Issuance and conversion/subscription rules | | <p>These preferred shares shall not be convertible within 1 year of the issuance date (inclusive). From the day after the first anniversary of issuance, holders of these preferred shares may apply to convert all or part of their holdings into common shares at a conversion ratio of 1:1, after which the rights and obligations entailed by common shares shall apply. Dividend distribution for the years of conversion shall be calculated pursuant to actual days in the year up to the date of conversion. Nevertheless, holders of preferred shares who convert their holdings into common shares prior to the ex-rights (ex-dividend) record date in a given year shall not be entitled to distribution of dividends for these preferred shares for the same year and the subsequent year. Such shareholders, however, shall be entitled to distribution of earnings and capital reserves among holders of common shares.</p> |

| Item | Issuance (launch) date November 29, 2018 |
|--|---|
| Impact of issuance on equity of shareholders of preferred shares and possible dilution of equity | <p>The Bank's capital increase via this issuance of Preferred Stock A comes with no maturity date. Investors are not given a put option but may convert their holdings into common shares at a 1:1 conversion ratio 1 year after issuance. As holders of these preferred shares are expected to exercise conversion at different points of time, any dilution of equity will be deferred and an immediate impact on the Bank's managerial control and earnings per share is deemed unlikely.</p> <p>If all the holders of these preferred shares choose to convert their holdings into common shares, the maximum equity dilution ratio will be:</p> $= \frac{\text{Number of new shares issued for this capital increase}}{\text{Number of shares outstanding} + \text{Number of new shares issued for this capital increase}}$ $= \frac{300,000,000 \text{ shares}}{2,413,006,000 \text{ shares} + 300,000,000 \text{ shares}} = 11.06\%$ <p>As shown above, if all the holders of these preferred shares choose to convert their holdings into common shares, the maximum equity dilution ratio will be 11.06%, a reasonably acceptable level. Moreover, no dilution will be incurred until holders of these preferred shares start to apply for conversion. Any dilution of equity is thus expected to be deferred and only a limited impact on the equity of existing shareholders is to be expected over the long term.</p> |
| Impact on equity of existing shareholders | <p>Dividend distribution for the years of conversion shall be calculated pursuant to actual days in the year up to the date of conversion. Nevertheless, holders of preferred shares who convert their holdings into common shares prior to the ex-rights (ex-dividend) record date in a given year shall not be entitled to distribution of dividends for these preferred shares for the same year and the subsequent year. Such shareholders, however, shall be entitled to distribution of earnings and capital reserves among holders of common shares.</p> <p>In terms of the impact on equity of existing shareholders, issuance of these preferred shares necessitates distribution of dividends among their holders prior to conversion, thereby reducing the earnings available for distribution among holders of common shares. Upon conversion of these shares of Preferred Stock A into common shares, however, dividend distribution for preferred shares will decrease as well. While holders of these preferred shares are entitled to convert their holdings into common shares, their conversion tends to occur at different points of time and thus the dilution of earnings per share will not be immediate. Moreover, this capital increase has ushered in regulatory capital, which not only gives an immediate boost to the Bank's capital adequacy ratio but also can be used in extending loans. This will help the Bank enhance its earnings capacity over the medium-to-long term and thus have a positive effect on equity of existing shareholders.</p> |
| Impact of redeeming preferred shares on the ratio of regulatory capital to risk-weighted assets | Not applicable |

4. Global Depository Receipts 、 Employee Stock Options 、 New Restricted Employee Shares and Information of Other Financial Institutions Acquired or Transferred: None.

5. Financing Plans and Implementation

A. Plan Content:

Any uncompleted public issue or private placement of equities or bank debentures or any such issue and placement that was completed in the most recent three years but has not yet fully yielded the intended benefits: None.

B. Implementation Status: None.

V. Operational Highlights

1. Business Activities

The Bank mainly operates the following businesses:

- Acceptance of various types of deposits.
- Issuance of financial bonds.
- Handling of loans, discounts, and acceptances.
- Handling of domestic and foreign exchange services.
- Handling of domestic and foreign guarantee services.
- Issuance of domestic and foreign L/Cs.
- Agency collection and payment services.
- Investment in and underwriting of securities.
- Proprietary trading of bonds.
- Factoring services.
- Provision of financial consulting connected with financing and non-financing services.
- Wealth management services.
- Acting as an agent for personal insurance and property insurance.
- Handling of debit card services.
- Handling of guarantee services connected with export and import foreign exchange, outward and inward remittances, foreign currency deposits and loans, and foreign currency guaranteed payments.
- Handling of services permitted under the Trust Enterprise Act.
- Handling of financial derivatives services.
- Handling of other services approved by the competent authority.

| Key Business Area | Major Business Activity |
|--------------------------------|---|
| Corporate Banking Services | Provision of corporate financial products and services: lending and deposit, corporate foreign exchange and international finance, project, corporate financial advisory services, and corporate cash management and e-Banking services, etc. |
| Retail Banking Services | Provision of personal financial products and services: lending and deposit, digital retail banking services, payment, insurance, wealth management, etc. |
| Trust Business | Trust, securitization, trust asset management, etc. |
| Investment Business | Financial products and securities trading, and direct investment. |
| Investment under Equity Method | Please refer to this annual report "Review of Financial Conditions, Operation Results, and Risk Management" for investment details. |

Weight of Business Profits

Unit: NT\$ thousands

| Item | Year | 2022 | | 2021 | |
|---|------|-------------|------|-----------|-----|
| | | Amount | % | Amount | % |
| Net interest income | | 2,767,888 | 31 | 2,210,295 | 40 |
| Net fee income | | 816,035 | 9 | 804,356 | 15 |
| Gains or losses on financial assets (liabilities) at fair value through profit or loss | | 3,232,746 | 35 | 135,585 | 2 |
| Gains from sale of fair value through other comprehensive income financial assets | | 247,534 | 3 | 267,977 | 5 |
| Net gain or loss on exchange | | (2,371,000) | (26) | 598,310 | 11 |
| Impairment loss on assets | | (158) | - | (4,851) | - |
| Share of profit or loss of subsidiaries and affiliated businesses accounted for using equity method | | 4,290,855 | 47 | 1,415,994 | 26 |
| Net profit apart from interest | | 80,076 | 1 | 83,634 | 1 |
| Net income | | 9,063,976 | 100 | 5,511,300 | 100 |

Weight of Major Business Operations

Unit: NT\$ thousands

| Asset | 2022.12.31 | Percentage (%) | Percentage Increase (Decrease) from the previous year | 2021.12.31 | Percentage (%) |
|--------------------------------------|-------------|----------------|---|-------------|----------------|
| Loans- Corporate Banking | 160,349,812 | 45.05 | 21.55 | 131,921,275 | 41.87 |
| Loans- Retail Banking | 28,509,997 | 8.01 | 5.11 | 27,124,718 | 8.61 |
| Deposits- Corporate Banking (Note 2) | 256,828,405 | 80.70 | 18.72 | 216,329,099 | 77.63 |
| Deposits - Retail Banking (Note 2) | 22,656,022 | 7.12 | 4.28 | 21,725,643 | 7.80 |
| Investment | 121,210,475 | 34.05 | 2.23 | 118,571,899 | 37.63 |
| Investment under Equity Method | 20,609,844 | 5.79 | 18.89 | 17,335,412 | 5.50 |

Note 1: the proportion of each major business operation item in total assets or total liabilities

Note 2: Deposits include: demand deposits, time deposits and re-deposits from the Chunghwa Post Co.

Unit: NT\$ thousands

| Revenue | 2022 | Percentage (%) | Percentage Increase (Decrease) from the previous year | 2021 | Percentage (%) |
|--------------------------------|-----------|----------------|---|-----------|----------------|
| Corporate Banking Services | 3,189,536 | 35.19 | 22.47 | 2,604,276 | 47.25 |
| Investment | 1,067,518 | 11.78 | (17.17) | 1,288,828 | 23.39 |
| Investment under Equity Method | 4,290,855 | 47.34 | 203.03 | 1,415,994 | 25.69 |
| Others | 516,067 | 5.69 | 155.22 | 202,202 | 3.67 |
| Net Income | 9,063,976 | 100.00 | 64.46 | 5,511,300 | 100.00 |

Volume of Foreign Exchange:

Unit: US\$ thousands

| Item | 2022 | Percentage (%) | Percentage Increase (Decrease) from the previous year | 2021 | Percentage (%) |
|---------------------------------------|------------|----------------|---|------------|----------------|
| Import (Issuance of L/C;DA;DP) | 510,879 | 2.05 | 42.07 | 359,595 | 1.35 |
| Export (Negotiation;Collection;DA;DP) | 156,580 | 0.63 | 87.66 | 83,439 | 0.31 |
| Remittance (Outward;Inward) | 24,225,100 | 97.32 | (7.70) | 26,244,889 | 98.34 |
| Total | 24,892,559 | 100.00 | (6.73) | 26,687,923 | 100.00 |

Trust Asset:

Unit: NT\$ thousands

| Item | 2022.12.31 | Percentage (%) | Percentage Increase (Decrease) from the previous year | 2021.12.31 | Percentage (%) |
|-------------|------------|----------------|---|------------|----------------|
| Monetary | 8,913,046 | 67.89 | (0.15) | 8,926,186 | 73.01 |
| Real Estate | 4,216,242 | 32.11 | 27.79 | 3,299,237 | 26.99 |
| Total | 13,129,288 | 100 | 7.39 | 12,225,423 | 100 |

Note: The item is categorized under Trust Enterprise Act, Article 16.

(1) Business Review

The Bank's domestic business locations included its Business Department Headquarters, Neihs Branch, Taoyuan Branch, Hsinchu Branch, Taichung Branch, and Kaohsiung Branch. In addition, the competent authority approved the establishment of regional service units in Taipei, Taoyuan, Taichung, Tainan, and Kaohsiung for corporate banking and business banking affairs; apart from promoting this Bank's financial products, these service units also provide all-round financial services to clients throughout northern, central, and southern Taiwan. Our first overseas branch (Hong Kong Branch) opened in April 2009 and then Tianjin Representative Office opened in April 2012; those branches have since extended our financial products and services platform to Hong Kong and the Greater China area, thereby serving local clients and Taiwanese-invested enterprises from a close distance and promoting win-win outcomes through long-term cooperation characterized by mutual trust and reciprocity.

1) Credit Extension

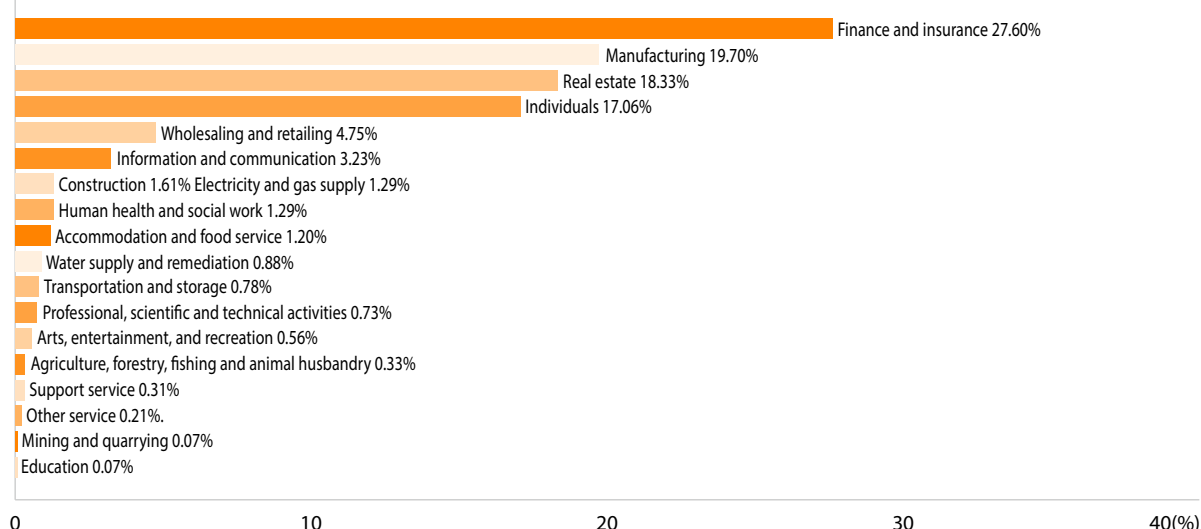
In 2022, the Bank made aggressive inroads into the personal banking sector while continuing to actively cultivate clients in Taiwan and abroad for its corporate banking services. In order to cater to different customer sectors, the Bank developed a wide range of loan products that truly meet customer needs. To keep up growth momentum, the Bank placed emphasis on further digitizing marketing endeavors and catering to funding needs of existing customers. All this bore fruit in the form of a 75% year-over-year increase in newly extended loans. In line with government policy, the Bank shouldered its social responsibility by offering lenient flexibilities to borrowers who had been furloughed or suffered otherwise due to the Covid-19 pandemic.

In 2022, given an external environment marked by global uncertainty, the Bank would rather adopt a prudent approach toward expanding its corporate banking business. Rather than seeking a major increase in lending, the objective was to make the best of the limited interest spread and grow fee income while keeping credit risk under control.

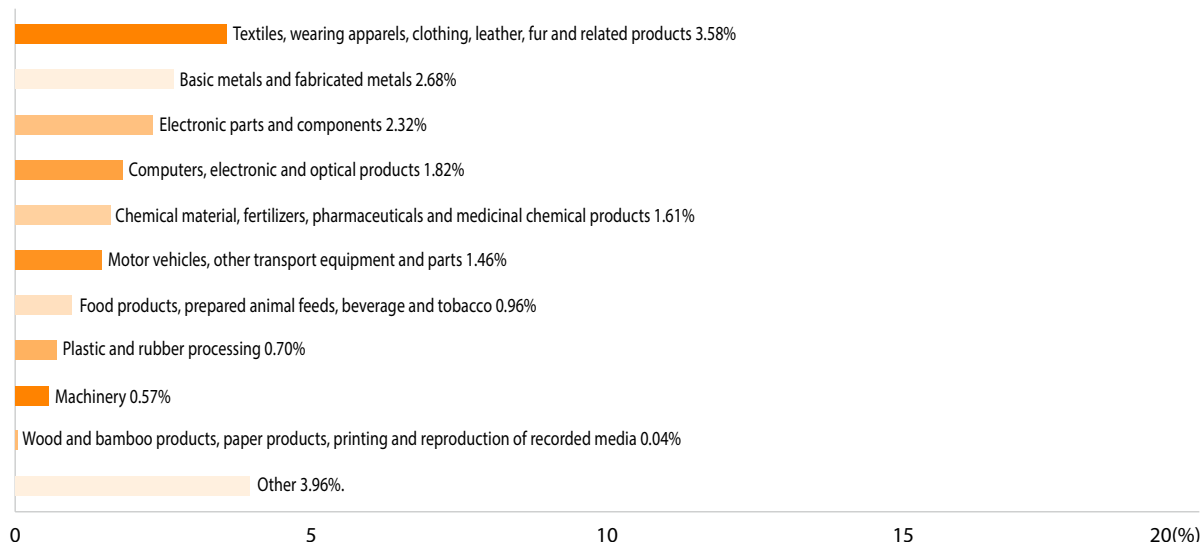
By Standard Industrial Classification of Directorate General of Budget, Accounting and Statistics, the Bank's 2022 overall credit risk exposure came in at NT\$211.6 billion, including loans, factoring, receivable acceptance, guarantee, and receivable L/C amounts; NT\$202.2 billion, excluding that fully secured by the Bank's certificates of deposit. Of these numbers, the financial and insurance industry category accounted for the greatest share of our credit risk exposure at 27.60%. Next came the manufacturing industries category with 19.70%, the real estate industry with 18.33%, the individuals with 17.06%, the wholesaling and retailing industry with 4.75%, the information and communication industry with 3.23%, the construction industry with 1.61%, the electricity and gas supply industry with 1.29%, the human health and social work industry with 1.29%, the accommodation and food service industry with 1.20%, the water supply and remediation

industry with 0.88%, the transportation and storage industry with 0.78%, the professional, scientific and technical activities industry with 0.73%, the arts, entertainment and recreation industry with 0.56%, the agriculture, forestry, fishing and animal husbandry industry with 0.33%, the support service industry with 0.31%, the other service industry with 0.21%, mining and quarrying with 0.07%, the education industry with 0.07%. Within the manufacturing sector, the textiles, wearing apparels, clothing, leather, fur and related products industry recorded the greatest credit risk exposure of 3.58%, followed by the basic metals and fabricated metals industry with 2.68%, the electronic parts and components industry with 2.32%, the computers, electronic and optical products industry with 1.82%, the chemical material, fertilizers, pharmaceuticals and medicinal chemical products industry with 1.61%, the motor vehicles, other transport equipment and parts industry with 1.46%, the food products, prepared animal feeds, beverage and tobacco industry with 0.96%, the plastic and rubber processing industry with 0.70%, the machinery industry with 0.57%, the wood and bamboo products, paper products, printing and reproduction of recorded media industry with 0.04%, and other industry with 3.96%.

The credit risk exposure, excluding that fully secured by the Bank's certificates of deposit, at the end of 2022:



The credit risk exposure within the manufacturing sector (19.70%):



We are actively cultivating new clients in Taiwan and abroad. To seek stable growth and diversify operating risk, we are proactive to consolidate our existing customer base and make inroads into the niche segment of mid-market enterprises, which promises to make an important foundation for promoting various co-marketing undertakings.

Syndicated loans have always been the mainstay of our lending business. The Bank established the Corporate Finance Department to provide customized, quick and precise financing solutions to clients, raise funds for them, and help them solve critical problems. Our target customers are mainly based in the Greater China area (Taiwan and Hong Kong) from all business sectors. Coming with a full spectrum of customized funding solutions, the Bank is ready to share growth with domestic and international businesses. Furthermore, with refined and professional services, not only does the Bank help corporates keep growing, but also boost its own competitiveness in the market.

In 2022, the global economic suffered form Fed's continuing raising the interest rate and Covid-19 pandemic. Companies face the raising finance cost and uncertainty of order visibility, so operation and investment strategies are toward conservative and prudent. Alongside a gradual decrease in syndicated loans, it was increasingly difficult to secure lead bank status. Yet, on top of a solid customer base built over the years, the Bank always prides itself on being a "boutique bank" that refrains from vying for small margins, stays focused on the referral from corporate clients and from affiliates with growth prospects, offers corporate clients financing strategies tailored to their financial planning, develops such businesses as green energy and environmental protection in line with future trends at home and abroad, and continues to expand its financing business on ESG sustainability.

2) Deposits

As of the end of 2022, the Bank's outstanding balance of NT dollar and foreign currency deposits, excluding export remittances, came in at approximately NT\$238.1 billion and increased 41.4 billion compared with last year. For the sake of both liquidity and security, the Bank gives priority to deposit stability. As such, emphasis is placed on diversifying the maturities of time deposits while actively soliciting demand deposits and small and medium-sized enterprises (SMEs) deposits to bring down capital costs. The Bank also continues to launch preferential deposit plans to support B-type and social enterprises, fulfilling the Bank's corporate social responsibility and assisting the development of related enterprises.

The Bank's various personal deposit products and services have something in common: they are all driven by customer needs. These include online opening of NT dollar and foreign currency digital accounts without visiting a physical branch, NT dollar and foreign currency demand and time deposits, children's accounts, foreign exchange swap, various payment, and "Mobile Number is Account Number" transfer services. We seek to meet clients' cash management and funds allocation needs via both digital and physical channels.

3) Foreign Exchange and Offshore Banking

We continued to offer trade financing services and give priority to maintaining a reasonable interest spread in our foreign exchange financing operations.

With regard to offshore lending, the Bank offered banking services across the Taiwan Strait while prudently assess national and industrial risks, gradually expand the international banking business foundation under controllable risks. Meanwhile, the Bank responded to the trade situation across the Taiwan Strait by

enhancing the quality of service to Taiwanese firms, thereby fostering business development and attracting even more business opportunities.

In addition, the Bank is also actively extending the group's financial services through overseas branches, with business territory covering the three places across Taiwan Strait, including affiliated companies such as Hong Kong branch, Tianjin representative office, American commercial bank subsidiary, investment using the equity method in financial leasing company, and consumer financing company in mainland China, etc., and continues to expand operations scale, promote the global financial layout.

4) Direct Investment

The Bank adopted a proactive approach to disposing of its direct investment portfolio after obtaining permission from the Financial Supervisory Commission to become a commercial bank in March 2015. As of the end of 2022, all such divestments had been completed except two cases.

5) Financial Product and securities Trading

The Bank's financial product trading operations include financial product transactions and marketing. We trade foreign exchange and fixed-income products and securities as well as their derivatives, while our financial product marketing services chiefly refer to those meant to provide clients with various financial products and services and financial hedging instruments. In 2022, the Bank secured the go-ahead to launch non-principal protected structured products composed of foreign currency equity options, foreign currency interest rate swaps, and foreign currency interest rate swap options linked to foreign currency principals, as well as to have its DBU/OBU trade bonds while engaging concurrently in securities business; and in 2022, the bank was approved to launch principal protected callable structured products composed of foreign currency interest rate options, foreign currency interest rate swaps and foreign currency interest rate swap options linked to foreign currency principals, principal protected callable structured products composed of foreign currency interest rate swaps and foreign currency interest rate options linked to foreign currency principals.

In 2022, global inflation soared rapidly due to the rapid rise in raw material and supply chain prices, and the continued war between Russia and Ukraine. With high inflationary pressure, the central banks of major economies adopted extreme contractionary monetary policies, which not only affected consumer demand, manufacturers' orders have decreased, inventories have increased, and economic growth momentum has slowed down. As a result, the financial market fluctuated sharply, the stock market fell, and bond yields rose rapidly. Although the Bank has strengthened the risk control of the fixed-income position and the positions held are mainly high-quality fixed-income products, but the fixed-income position losses are still increasing due to the impact of falling prices in the market.

The Bank's securities investment business is mainly concentrated in TWSE/TPEX listed companies. Due to the outbreak of the Russian-Ukrainian War, high inflation, major countries such as Europe and the United States raised their base interest rates sharply, and the economic does not recover after the pandemic in 2022. As a result, the inventory level of enterprises is high, and the cost rises with the inflation, leading to a decline in profits, and the risk aversion level of the financial market increases sharply. Foreign investment leaves the market as US dollar index rises and the Taiwan dollar depreciates, making the 2022 Taiwan stocks dropped to the bottom until the end of October. Although the global financial market experienced volatility in 2022, the Bank's securities investment operation strategy adopted the principle of substantially reducing

shareholdings at high prices. The achievement rate of dividends received exceeded the budget target, reaching over NT \$300 million, thus the OCI loss was still controllable.

6) Project Finance

Project finance encompasses project financing and financial advisory. Project financing chiefly provides private companies with a wide range of project financing and project development services. We provide comprehensive project financial planning, investment feasibility assessment, structuring of syndicated project loans, transfer of trust beneficiary rights, drafting of strategies for contract negotiations, and assistance with the acquisition of funds to participate in equity investments. Our financial advisory services are meant to provide clients with tailor-made solutions, that is, consulting with regard to corporate consolidation and M&As, debt arrangement, reorganization, fund-raising, M&A financing, and tax planning.

7) Trust Business

When it comes to trust business, the Bank mainly aims to develop trust, securitization, and asset management services. Our trust services focus on monetary and real estate trust; our securitization services are geared toward developing various kinds of securitized products; and our asset management services are mainly aimed at helping clients allocate assets and build well-rounded portfolios.

With regard to mutual funds, we are earnest to create comprehensive product lines. Emphasis is also placed on promoting “Robot Advisory”: big data analytics is adopted to help clients optimize investment portfolios that strike a balance between flexibility and security for their asset allocations.

As of the end of 2021, the outstanding balance of assets entrusted to the Bank came in at NT\$12.2 billion, a year-over-year decrease of NT\$2.0 billion.

8) Cash Management and e-Banking

The Bank has upgraded both tangible and intangible aspects to optimize its remittances and transfer services. Its corporate internet banking and other products help customers conclude massive transactions in no time. By staying flexible to offer customized services, the Bank was able to help corporate clients reduce financial and manpower costs and enhance transaction efficiency. This stride toward meeting a growing variety of customer needs certainly contributed to strengthening customer loyalty. The Bank's corporate e-Banking platform recorded a total of online transactions to 524,532 in 2022 and increased 27,312 compared with 497,220 in 2021.

Meanwhile, as the market became increasingly digitized, we introduced a digital corporate banking platform to support our customer relationship management (CRM) on corporate clients in 2022. This platform strengthens our sales, management, and efficiency across the Bank. Also promoted was a dynamic security verification mechanism for transactions by fax, a move meant to make the Bank's payment service more efficient. Furthermore, we initiated an automated confirmation-handling mechanism to deliver automatic output. The new initiative proved effective in enhancing efficiency and reducing operating risk. In terms of collection outlets, convenience stores are added to the Bank's collection services network with a view to attracting more deposits and cashflows.

In terms of deposits products, to keep up with the business development, our Preferential Time Deposits Campaigns were followed by a new version of the B-type corporate NT dollar tiered current deposit

preferential interest rate, social enterprise preferential NT dollar tiered current deposit preferential interest rate and financial interbank time deposit preferential interest rate, thereby offering diverse choices of fund allocation to the clients.

9) Digital Retail Banking Services

- **Electronic Banking Services:** We provide secure and convenient online/mobile banking services, and our user-friendly interface and convenient functions allow users to easily check their accounts, make transfers, sell or buy foreign exchange, pay fees, perform mutual fund transactions, “Robot Advisory,” and conduct various other operations. We also offer 24-hour video customer service: our customers are invited to take advantage of all manner of financial services anytime, anywhere.
- **Digital Wealth Management Services:** We provide a wide range of wealth management products, including mutual funds, back-end load mutual funds, and “Robot Advisory.” In addition, the option of Taiwan dollar and foreign currency is provided, to meet the diverse customer needs. We also provide customers with online KYC evaluation platform to help them invest on products that suits their own needs.

10) Payment Services

- **Card Payment Services:** In addition to debit cards with hundreds of personalized card designs for customers to choose from, we continued to provide co-branded and affinity cards issued in conjunction with members in the consumer markets, chain restaurants, sport field, public welfare entities, schools, electronic stored value card operators, etc. Featuring specific debit card discounts, cash rebate and zero-risk card use, they rightly give cardholders peace of mind.
- **Electronic Payment Services:** We have provided customers with the service of immediate deductions from their accounts when they make use of such payment platforms as GAMA PAY, JKOPAY, iPASS Money, and Easy Wallet . As such, we are poised to give customers richer possibilities as to where they can conduct transactions and support a greater number of payment instruments.

11) Insurance Services

Teaming up with PCA Life, we have introduced protection-oriented life insurance, medical insurance, accident insurance, savings-oriented insurance, and NTD/foreign currency investment-linked insurance products. Through face-to-face marketing, and other channels, we provide a wide range of products and services to ensure that customers have access to the best-fitting insurance in different stages of their lives. Apart from bring out the spirit of protection through insurance, the Bank’s offering of professional insurance service is reciprocated in the customers’ trust and loyalty.

12) Wealth Management Services

With our consultants serving the individuals and business owners separately, the Bank provides customers with tailor-made financial products and advisory services, including deposits, investment products, insurance products, and tax and asset arrangement. We provide a full spectrum of services in a bid to attract high-end customers so as to broaden and deepen their interaction with the Bank.

(2) Business Plan for 2023

1) Credit Extension

In the face of an intensely competitive financial market, we strategically consider ourselves a “boutique bank” in the corporate banking sector. We are ready to build on our existing customer base and implement the following action plans:

- (A) Deeply cultivate the Bank’s customer base: In addition to bolstering the existing customer base from the O-Bank group, we will work equally hard to make inroads into the mid-market enterprises sector and green energy sector to extend the customer sector from corporate banking clients to high-asset customers in family businesses. Through provision of a full spectrum of wealth management products, we aim to become the primary bank they count on.
- (B) Strengthen trade finance and forex trading: Promote trade finance services, foster deposits derived from customers’ capital flow, thereby complementing the growth in fee income and demand deposits. The Bank takes the advantage of existing large clients as the basis for expanding to other members of their supply chains.
- (C) Develop different types of project financing opportunities and vie for domestic and overseas syndicated loans: in addition to promoting project loans in tandem with government policy, the Bank also uncover structured deal opportunities and actively vie for quality domestic and overseas syndicated loans as a lead bank and as a syndicate member, in order to meet customer needs for fund-raising and capital allocation, thereby increasing fee income and the interest spread.
- (D) Offer integrated services: Bolster interdepartmental collaboration and strengthen integration and marketing of retail banking products to maximize synergies and come up with a comprehensive lineup of products and services.
- (E) Optimize assets: Aim for an increase in both the ROE with a view to maximizing profits out of a reasonable asset base.

Adjusting the structure to increase income: Adjust the structure of the credit case period, expand the number of products that customers deal with, aim at improving ROE, and achieve profit maximization under a certain scale of credit assets.

In terms of retail banking, four action plans will be implemented to strive for steady growth and vigorous innovation:

- (A) Consolidate corporate banking and retail banking as “one bank”: Identity the capital needs of employees of the Bank’s corporate banking and salary transfer clients; provide them with exclusive unsecured loan offers and serve them through personal and non-personal channels so as to deepen customer stickiness.
- (B) Enhance product competitiveness: Constantly monitor market changes and customer needs for the reference of product development with a view to coming up with a full spectrum of loan offerings.
- (C) Optimize the customer experience and improve operational efficiency: We always give top priority to delivering a satisfying customer experience. By taking advantage of ongoing deregulation to strive for FinTech breakthroughs, we are keen to provide customers with the best possible digital experience.
- (D) Grow risk control empowerment and increase competitive advantage: Draw on big data to analyze and seek out potential customers and enhance risk identification at the same time. Committed to innovation, we are set to adopt unorthodox risk management models in the development of small-scale trial projects to cater to hitherto digital customers. The objective is to establish an innovative digital service model to meet different customer needs.

2) Deposits

To expand sources of stable funds, reduce liquidity risk and lower capital cost, we still make it a point to increase the weighting of demand deposits and strengthen solicitation of small and medium-sized enterprises (SMEs) deposits in terms of corporate deposits in 2022.

Restructuring into a commercial bank means that our bid for attracting more depositors is no longer bound by regulations governing industrial banks and that we are free to pursue expansion by building on our corporate customer base. Meanwhile, we will continue to optimize our corporate e-banking services, improve collection and payment services for cash management, enhance incentives for new deposits, offer favorable terms for large corporate deposits that are invariably price-sensitive, and strengthen solicitation of small and medium-sized enterprises (SMEs) deposits, thereby securing long-term, low-interest funds and keeping up our interest spread on the back of low-cost funds. Based on our business goals, we will come up with different deposit plans designed specifically for different customer segments. Such preferential offers as tiered-rate demand deposit packages will be introduced to persuade customers to keep more deposits with us, thereby making O-Bank their primary partner bank.

To cater to both potential and existing customers, the Bank will usher in various types of preferential Taiwan dollar and foreign currency deposits projects, in an effort to meet customer needs for long- and short-term savings and fund allocation, bolster account capabilities to further increase customer dealings, and introduce children's accounts to help the young generation familiarize themselves with wealth management early on by means of our digital banking services. Continuous efforts will be made to persuade customers to make the Bank their primary partner in terms of capital allocation. Under our member-get-member (MGM) initiative, we will further encourage existing clients to recommend new ones and integrate resources within the O-Bank Group to attract more salary transfer accounts and thus accelerate expansion of our customer base. At the same time, we are relying on cross-industry alliances to gain access to the existing clients of our partners. We are also taking advantage of internet and social media to expand our exposure and recognition and in turn facilitate customer growth. Priority is to be given to building a secure, reliable environment for electronic transactions by applying trustworthy innovative digital verification mechanisms to document signatories and promoting digitization of operational procedures.

3) Foreign Exchange and Offshore Banking

In 2022, the Bank will continue adapting to the cross-border operating mode of customers by meeting their capital needs through provision of foreign currency financing services. Likewise, currency hedging services will be made available to customers who need to engage in cross-border payments and collections. Through its financial service platform, the Bank is set to provide customers with diverse services and one-stop shopping of financial products, thereby meeting the needs of Taiwan's companies to allocate capital across the world and helping them stay competitive.

The global economy is overshadowed by a number of uncertainties: monetary tightening across major economies, the protracted Russia-Ukraine conflict, and the lingering COVID-19 pandemic. There is no ruling out a slowdown or even a recession. As always, the Bank will adopt a "risk management comes first" strategy while seeking to expand the U.S., Hong Kong, and mainland Chinese markets. Equal emphasis will be placed on making inroads into Southeast Asia's emerging markets and consolidating our overseas platforms, thereby building up our global presence. The Bank acquired California-based EverTrust Bank in 2007, and

successfully broke into the U.S. financial markets. There are a total of eight outlets in the Greater Los Angeles Area and Silicon Valley. Catering primarily to an ethnic Chinese clientele, EverTrust Bank deals mainly in deposits, loans, cash management, trade finance, and consumer lending services, with the overall business growing and developing steadily. In the days ahead, the Bank is set to further broaden lending business and strengthen the capital efficiency by bolstering its sales team and expanding mortgage and small business administration (SBA) operations. When it comes to Hong Kong and mainland China, the Bank's Hong Kong Branch has proactively catered to businesses of the territory since its inception in 2009. In addition to gradually making inroads into the Guangdong-Hong Kong-Macao Greater Bay Area, it will also play a key part in enhancing cross-border collaboration among the Bank's affiliated businesses while placing emphasis on both business growth and asset quality. In 2012, the Bank established a representative office in Tianjin to gather market information and help the O-Bank Group expand operations there. Going forward, the Bank will consider the feasibility of its upgrade to a branch or subsidiary, an entity fitted with unique features. In the leasing sector, the Bank's subsidiary IBT Leasing Co., Ltd. merged with Jih Sun International Leasing & Finance Co., Ltd. in December 2022. As an affiliated business defined under the equity method, the merged entity Infinite Finance Co., Ltd. will draw on multiple business varieties and outlets, maximize the complementary benefits thus generated, accelerate expansion, make further inroads into the mainland Chinese leasing market, and build a presence in Southeast Asia. Beijing Sunshine Consumer Finance Co., Ltd., the Bank's joint venture with China Everbright Bank and China CYTS Tours Holding Co., Ltd., became operational in August 2020. As a consumer finance company dominated by banks, it enjoys a solid capital base and cost advantage. On the operational front, China Everbright Bank offers support through its customer resources and technological capacity for digital risk control. Beijing Sunshine Consumer Finance will take prudent steps toward developing China's consumer banking market by developing a capital-light business model geared mainly toward online channels. In terms of making inroad into Southeast Asia, the Bank is ready to support the government's "New Southbound" policy and expand its presence in Southeast Asia via forming strategic alliances, setting up outposts, and integrating OBU and cross-border syndicated lending operations, thereby giving further impetus to its overseas bid.

4) Direct Investment

In the wake of the Bank's reorganization from an Industrial Bank into a commercial bank, we will give priority to disposing of our original investment portfolio in 2022. Such disposals are expected to be completed by the end of 2022.

5) Financial Product Trading and Investment

Multiple downside risks confront the global economy going forward. These include global growth being hampered by interest rate hikes by leading central banks and the ongoing Russia-Ukraine conflict; the U.S.-China confrontation undermining globalization; geopolitical risks disrupting supply chains; and the possibility of extreme weather events and energy transition further aggravating inflation. All in all, the stability of financial markets remains an uncertainty even though the Fed appears likely to slow its rate hike cycle amid signs of inflation coming down and a still robust jobs market in the U.S. and China's reopening promises to fuel domestic demand.

On December 15, 2022, Taiwan's Central Bank announced a further monetary tightening: a 0.125-percentage point hike in benchmark interests rates. The discount rate, rate on refinancing of secured loans, and rate

on temporary accommodations were raised to 1.75%, 2.125%, and 4% from 1.625%, 2%, and 3.875% respectively. The central bank also adopted a fourth batch of selective credit control measures to help banks keep credit risks under control. Additionally, the central bank slashed its economic growth forecast for 2023 to 2.53% while leaving its inflation projections unchanged: the CPI and core CPI are seen as rising 1.88% and 1.87% respectively. As the global economy is faced with an apparent increase in downside risks in 2023, uncertainties abound despite signs of inflation easing around the world. Close attention is warranted as to how monetary policy changes in major economies, geopolitical risks, and extreme weather events may impact Taiwan's inflation outlook and economic and financial conditions.

(a) Trading and investing in fixed-income products

The Bank is set to strengthen balance sheet management and stringently control asset quality. This year we continue to pay attention to dealing in quality assets to utilize funds effectively. The rationale is to enhance the profitability and strengthen the liquidity reserves ratio. Given ongoing drastic changes across financial markets, the Bank is set to strengthen post-investment managing and stringently control and monitor asset rate and credit risk.

(b) Marketing financial products

With priority given to serving corporate clients on this front, the Bank aims to provide them with hedging instruments, such as foreign exchange and interest rate derivatives, and wealth management products. Committed to sustaining long-term relations with customers, our sales team will, based on market conditions and customer characteristics and needs, carefully assess their risk tolerance while delivering meticulous market analysis and diverse financial products to help them hedge risk and conduct investment.

(c) Securities Trading

The Fed appears to be nearing the end of its rate hike cycle started in 2022; the U.S. dollar thus loses steam and other currencies gain momentum. While an ongoing inventory adjustment is expected to persist across industries in the first half of 2023, corporate profits should be able to gradually recover after hitting bottom this year. Geopolitical and COVID concerns linger but no longer weigh that heavily. Increasingly benign inflation readings against a hardly conspicuous increase in unemployment justify expectations of a soft landing. After a more volatile first half, Taiwan's stock market stands a chance of picking up as the broader economy recovers toward year-end. In terms of securities investment, the Bank aims for better returns by focusing on value stocks and blue chips featuring high yields and low P/E ratios, supplemented by some growth stocks and corporate bonds.

6) Project Finance

We will build on our extensive customer base in the Greater China area (Taiwan and Hong Kong) to continue to cultivate group customers and deliver tailored boutique banking services and provide corporate clients with optimal customized solutions. Assistance will be offered in such areas as corporate consolidation and green lending, M&As, renewable energy lending, debt arrangement, restructuring, fund-raising, M&A financing, and tax planning. At the same time, we will plan the feasibility solutions for various development projects to fit the project features and create financing and investment opportunities that are likely to emerge accordingly.

The Bank is proactive to develop trust services and diversify trust offerings to cater to even more consumers. Priority will be given to giving customers an additional option in terms of investment and wealth management. Emphasis will also be placed on developing escrow, advance payment trust, and personal trust services. In short, we will devise tailor-made trust contracts to meet all manner of customer needs.

In 2018, O-Bank introduced its digital corporate banking platform to internally deliver real-time services at all times. High on the 2022 agenda is optimization of this platform to accommodate new businesses and consolidate pertinent information, thereby providing customers with better-rounded services. Equally important is to enhance transaction security by further upgrading security control components as the Bank is increasingly called upon to accommodate diverse operating systems and serve a broader clientele. Meanwhile, the Bank is ready to expand and bolster collection and payment services for corporate clients, such as those rendered at convenience stores, and establish channels for nationwide payment services. Furthermore, in 2022, the Bank will continuously develop more deposit offerings for corporate clients with a view to building up a capital position that comprises U.S. dollar demand deposits as well as those in the Taiwan dollar to enhance our liquidity and lower capital costs while further strengthening our collection and payment services. The goal is to create a win-win scenario in which the Bank benefits from earnings growth while building closer customer relations.

In terms of business strategies in 2023, we will continue to focus on seeking out new quality customers while strengthening our partnership with existing ones. Furthermore, we plan to deliver digital innovation to improve transaction safety and convenience.

- **E-banking Services:** Continue to optimize platform layout and operations, refine customer experiences, upgrade services, and provide customers with fitting product information based on customer behavior and dealings with the Bank. In addition, continue to optimize security control system to provide customers with even more convenient and safer transaction service.
- **Digital Wealth Management Services:** Complement preferential mutual fund offerings with our Robot Advisory initiative to give customers not only fee discounts but also custom-made recommendations with regard to their investment portfolios, thereby providing customers with diverse wealth management services and promoting financial inclusion.

- **Card Payment Services:** The Bank will continue to issue debit cards that the market and customers truly need by drawing on our capacity to identify customer preferences through data analytics. On the back of our integrating the physical and virtual, we will also tap the O-Bank group's resources to introduce debit cards that effectively meet customer needs. All in all, the objective is to increase card issuances, the active rate, and cardholder spending. In line with our altruistic ideal of "benefiting others to fulfill oneself," we are ready to keep up our corporate culture that values repaying society and caring for the less fortunate.

- **Electronic Payment Services:** In 2022, we will also take advantage of our strength as a digital bank in developing new products to cater to the younger generation, including those applicable to the EasyWallet platform. We are ready to make a presence across campuses to build up our young clientele willing to engage more proactively in digital banking. Meanwhile, more alliances will be formed with ecommerce platforms, startup partners, and electronic payment institutions to better serve customers in making payments.

11) Insurance Services

In 2023, by forming strategic alliances with life insurers and working with nonlife insurers, we will provide a broad spectrum of specialized services based on customer needs so as to boost customer confidence and retention.

12) Wealth Management Services

- (A) Provide a wide range of customized wealth management products and combine with assets allocation to develop high-net-worth customers.
- (B) Continue to deepen our customer base and form a team of wealth management professionals to serve the business owners of the Bank and its affiliates' corporate banking clients. Seek out promising clients to promote cross-selling, a collaborative initiative that promises to maximize a win-win for the Bank and its customers.
- (C) Bolster the competence of our wealth management team. Devise attractive incentives for customers as part of our comprehensive wealth management package.
- (D) Bolster the risk management mechanism, from sales to operations, and ensure rigorous legal compliance to protect customer rights and interests.

(3) Market Analysis

A. Industry status and future prospects

In 2022, the Russia-Ukraine conflict triggered a European energy crisis, causing a spike in commodity prices worldwide. Moreover, global supply chain disruptions caused by China's pandemic quarantine and restrictive measures led such major economies as the U.S. and Europe to counter inflation by means of monetary tightening. In particular, the U.S. stood out as the most aggressive in raising interest rates. Financial markets reeled and the global economy slowed. Against a flare-up in the pandemic, Taiwan also saw its exports undermined by weaker demand as the Russia-Ukraine conflict and China's pandemic restrictions weighed on the world economy. Only after the pandemic began to recede and the government phased out more stringent restrictions did the country's domestic demand and related industries start to recover. With domestic demand filling in the vacuum left by exports, Taiwan's economic performance lost luster but managed to fare reasonably well. According to the Directorate General of Budget, Accounting and Statistics (DGBAS) of Executive Yuan, Taiwan's GDP growth came in at 2.43% in 2022.

Taiwan's financial services industry saw its total pretax profit decrease 48.7% from a year earlier to NT\$479.8 billion in 2022, mainly because the insurance industry was affected by the loss of COVID-19 insurance claims and the volatile turmoil in the capital market, the net profit before tax dropped by 104.5% compared with the previous year, turning from profit to loss. By industry, the securities (including securities brokerage, securities investment, and futures), affected by the impact of the capital market, the trading volume of

the stock market decreased, and the net profit before tax declined by 52.2% compared with the previous year. The Banking sector (including domestic banks, local branches of foreign banks, Chunghwa Post Co., Ltd., bills finance corporations, and credit cooperative associations), benefited from rise in interest rate and continued growth in lending momentum, net profit before tax increased by 12.1% compared to the previous year. Collectively, Taiwan's domestic banks recorded a 16.3% annual increase in pretax profit to NT\$391.9 billion in 2022. Of the total, the headquarters and domestic branches of local banks posted pretax profit of NT\$279.0 billion, up 30% from the year before. OBUs sustained a 21.7% decline in pretax profit to NT\$67.4 billion due to rise in bond yields and the war in Ukraine, thus recorded a loss in the value of financial assets. By contrast, overseas branches saw their pretax profit jump 32.8% to NT\$43.1 billion mainly because the rise in interest rates. Pretax profit shrank 35.2% to NT\$2.4 billion for mainland Chinese branches due to the depreciation of RMB, the loss in the value of financial asset. In the overall earnings, the headquarters and domestic branches of local banks accounted for the greatest share of the overall earnings at 71.2%. Next came the OBU at 17.2%, and followed by overseas branches at 11.0% and mainland China branches at 0.6%.

As a whole, domestic banks saw their 2022 ROE increase from 8.03% to 9.19% the year before, and ROA increase from 0.59% to 0.64%. In terms of asset quality, domestic banks registered NPL and NPL coverage ratios of 0.15% and 910.46% respectively at the end of 2022. Given the impact of COVID-19 pandemic and digital financial trends, Taiwan saw the number of domestic banks' branches decrease by 20 from a year earlier to 3,384 at the end of 2022.

As the year 2023 unfolds, the ongoing global slowdown is expected to persist due to the drawn-out Russia-Ukraine conflict, still uncertain prospects for inflation, China's economic softening, and geopolitical tensions and disruption of global supply chains caused by the U.S.-China trade dispute. There is a genuine risk of major economies losing momentum. For its part, Taiwan's domestic consumption and related industries are expected to benefit from a decreasing impact of the pandemic. Nevertheless, slowing global growth and falling end demand will surely dampen Taiwan's outbound shipments. Taiwan's Directorate General of Budget, Accounting, and Statistics thus forecast GDP growth of 2.75% for 2023.

When it comes to the operating environment for domestic banks, the central bank is expected to slow its pace in raising interest rates while keeping them at relative highs against a still stable economy, softening of imported inflation pressure, and expectations of major economies shifting away from monetary tightening. Moreover, domestic banks are expected to keep up earnings stability by undertaking capital increases to bolster their capital structure. On the other hand, persistent geopolitical conflicts, uncertainties over China's post-pandemic recovery, and deepening worries over a global recession are likely to exert pressure on banks' lending momentum and asset quality.

Meanwhile, banks are confronted with many other challenges, notably higher costs stemming from the need to ensure compliance with anti-money laundering (AML), information security, and personal information protection regulations. Coupled with the competent authority's increasingly stringent regulations governing capital and liquidity, caution is warranted for assessing the 2021 earnings outlook of domestic banks.

B. Entry of emerging cross-sector competitors

To meet consumer needs against rising tides of financial digitization, the Financial Supervisory Commission issued three licenses for internet-only banks in July 2019. The recipients were LINE Bank, Chunghwa Telecom (Next Bank), and Rakuten International Commercial Bank. It was followed in July 2021 by regulatory

consolidation of electronic payment services and electronic stored value cards and business scope expansion for electronic payment institutions. This relaxation attracted a good number of new entrants, including FamilyMart (PlusPay) and Pxmart (PXPAY Plus). These emerging players come from outside the financial services industry and have business thinking distinctly different from that of traditional banks. Focusing on business innovation, they bring financial services to multiple vending platforms, develop innovative business models, and provide differentiated, competitive products and services. Moreover, these new entrants can combine the information and data they have with their core operations, thereby enhancing consumer loyalty and building a better-rounded business ecosystem. Against this rising tide of digital banking, the rapid growth of emerging players and more deregulations yet to come promise to produce a long-term impact on the local financial market.

C. Transformation of banks driven by digital technology

The rapid advances in financial technology (FinTech) have not only changed how banks interact with customers but also revolutionized the operating model traditional banks used to take for granted. Coupled with the entry of nonfinancial businesses armed with technological knowhow into the arena, banks have come under even greater pressure to go digital. Against this backdrop, the FSC began easing regulations in 2014 to help foster a digital banking environment. The financial services industry has since then been permitted to engage in online deposits, loans, and wealth management and invest in fintech enterprises. Since the promulgation of the Financial Technology Development and Innovative Experimentation Act in 2018, the FSC has driven regulatory sandbox applications and made clear its intention of urging further financial innovation. In the highlight are Open Banking, cloud outsourcing of financial operations, InsurTech, RegTech, and integration of electronic payment and electronic stored value cards. Next, in 2020, the FSC unveiled the FinTech Development Roadmap, that covers a one-stop communication platform, data sharing, regulatory adjustment and code of ethics, capacity building, digital infrastructure, FinTechSpace ecosystem, international networking, and supervisory and regulatory technology. Several measures have been implemented so far.

Fintech applications are playing an increasingly important role in the transformation of banks and the improvement of competitiveness. Mobile communications, social media, cloud services, and big data analytics have found their way into payment, insurance, financing, fund-raising, and investment services. For financial services, the physical is making way for the virtual by the day. In a departure from the dependence of traditional banks on a massive network of physical outlets, O-Bank has adopted a strategy of focusing on online merge offline operation strategy, and provides banking services with an innovative operation model. Separately, the Bank is also proactive to seek out partners outside the financial services industry in order to secure the advanced technologies or customer pools of technology companies or platform operators.

Development strategy and positive/negative factors

(A) Development strategy:

Our retail banking services will be geared mainly toward digital service. We are using advanced and flexible information systems and technologies in conjunction with social media and cloud marketing to transform ourselves into a digitally focused bank that draws on virtual channels and rapid iteration to develop unique digital banking services. On top of cost savings and a most satisfying customer experience. Separately, the Bank is set to build on the retail banking service experience and customer base accumulated since its transformation to strengthen its niche lending business. An elite team of

professionals will be called upon to develop tailor-made wealth management services and products to broaden and deepen our customer reach. In terms of corporate banking services, we will persist with our “intensive cultivation” strategy, expand our client base across industry chains of existing customers, vigorously expand MME customer base, bolster risk management mechanisms, deepen the inter-business referral mechanism and product penetration rate, strengthen the referral of products, and improve asset quality so as to effectively boost customer contribution to our earnings, thereby maximizing the capital efficiency. In terms of business innovation, the Bank will establish a digital innovation team and seek purely digital B2B2C strategic alliances to expand digital loans to micro and small businesses and individuals and tap scene payment opportunities. Emphasis will also be placed on optimizing the digitally rendered customer experience and meeting customers’ basic needs for financial services, thereby enhancing their stickiness.

In addition, the Bank is proactive to invest in domestic and overseas financial ventures. Such diversified investments are intended to enhance earnings stability and business synergies, thereby attaining an optimal performance. Of the Bank’s invested companies, China Bills Finance Corp. has long been a market leader that takes pride in quality assets and stable earnings. U.S.-based EverTrust Bank, committed to serving ethnic Chinese customers in California, has registered a solid track record in both operations and finances. To expand business and capitalize on a growing regional market, the Bank’s subsidiary IBT Leasing Co., Ltd. merged with Jih Sun International Leasing & Finance Co., Ltd. in 2022. As an affiliated business defined under the equity method, the merged entity Infinite Finance Co., Ltd. will push for accelerated growth by pursuing expansion across the Taiwan Strait, building a presence in Southeast Asia, and creating a regional leasing platform. Beijing Sunshine Consumer Finance Co., Ltd., the Bank’s joint venture with China Everbright Bank and China CYTS Tours Holding Co., Ltd., adopts a capital-light business model featuring online outlets to tap into China’s massive retail banking market. In the venture capital sector, priority is given to seeking out emerging industries that hold promise for higher returns. Meanwhile, emphasis is placed on further consolidating resources across the O-Bank Group to maximize investment synergies.

Digital banking will remain key to the Bank’s future development. Drawing on fintech applications, we will get ready innovative business models to capitalize on businesses opportunities whenever warranted. Meanwhile, we will develop a wide range of products and provide more convenient and customer-friendly financial services that better meet customer needs. In addition, the Bank will stay on the lookout for M&A opportunities both at home and abroad to expand our business reach, diversify risks, and bolster our market standing. By accelerating internal and external growth, maximizing capital utilization efficiency, and attaining stable and quality earnings, we aim for the standing of Taiwan's top boutique digital bank.

(B) Positive factors:

The Bank prides itself in being spared any burden of outdated systems and running on a highly agile organization. We are ready to adopt the most advanced information systems, and our organizational structure is highly flexible, allowing us to make rapid business decisions. We are using virtual channels to develop a business model characterized by agility, speed, and convenience, through which customers are provided with financial services of excellent quality at reasonable prices.

We have accumulated ample corporate banking experiences and an extensive customer base comprising business conglomerates. All these naturally form a solid backing for our launching into retail banking.

In the future, the O-Bank Group will continue to adopt an all-encompassing strategy to build on our existing corporate and individual clients for creating the customer base in MME, wealth management, offshore banking, and alliance with strategic digital partners.

(C) Negative factors:

Being a newcomer—a lesser-known name—in the retail banking market since 2017, the Bank will continue to draw on social media and other channels to increase exposure and expand customer sources. Moreover, brick- and-mortar outlets will be called upon to help attract customer attention and enhance the Bank's brand image, thereby creating a comprehensive service network that seamlessly integrates the physical and the virtual. In terms of physical outlets, we will reposition our branches as digital service experience centers that come with features attractive enough to draw customer attention. We will also work to have virtual and physical channels complement each other. The ultimate objective is to have customers appreciate us as a bank that is always ready to provide them with financial services.

(4) Financial Product Research and Business Development

A. Principal financial products and new lines of business added in the past two years and their scale and profitability as of the date of publication of this annual report

■ Corporate Banking:

In recent years the Bank has committed itself to strengthening both tangible and intangible channels as well as optimizing cash management services. Newly added services include transactions by fax without the need for original copies, shifting of corporate banking services online, remittances via the FXML system, and payment collections by convenience stores. In 2022, our online corporate banking platform was further optimized; an across-the-board upgrade in hardware and software efficiency made it possible to accommodate multiple operating systems and usher in customers who are non-Windows users.

Separately, the Bank has made it a point to offer preferential-rate offerings for NTD demand deposits with a view to attracting new customers. In 2022, the Bank's preferential tiered-rate demand deposit initiative for social enterprises and B Corp. businesses attested to our commitment to corporate social responsibility. Similarly, the Bank's preferential-rate demand deposits for SMEs and preferential-rate time deposits for small businesses are both extra options for corporate banking clients in capital allocation.

■ Retail Banking :

The Bank has devoted itself to building a well-rounded wealth management platform in recent years by phasing in diverse products. In 2021, offshore structured products and a proprietary bond trading platform; and in 2022, overseas stock products, ETF were added to optimize the wealth management platform and further increase customer satisfaction and stickiness.

- Digital Banking :

To speed up digital transformation and enhance competitiveness, the Bank established the Digital Innovation Department on January 1, 2022:

- (1) To accommodate the introduction of B2B2C financial trading, an operational data management platform was ushered in to match trading numbers for account articulation and chart analysis.
- (2) Promote innovative online services for SMEs and micro and small businesses across the board. Help such clients grow by offering data-based, differentiated services to meet their financing needs promptly.
- (3) To bolster our strategic alliance with partner outlets, a new unsecured lending process was introduced. Highlights include online digital lending, lending for smart food and beverage platforms, and offline loan application by scanning. These share a fully automated process for offering individuals digital unsecured lending characterized by superior efficiency and a unique customer experience.

- Trust Business:

In line with the FSC's Trust 2.0 Plan, the Bank is set to serve more financial consumers and existing customers of the bank by going beyond monetary, real estate trust, custody services, and employee benefit trust. To provide customers with more investment and wealth management options, we are planning to introduce such new wealth management and trust offerings as inheritance trust for high-asset customers and rights of superficies trust.

Trust products offered during the most recent two years and their amounts:

Unit: NT\$ millions

| Item | 2022 | 2021 |
|---|-------|-------|
| Non-discretionary money trusts for investing in domestic and foreign securities | 2,797 | 2,301 |
| Other monetary trusts | 2,347 | 2,556 |
| Real estate investment trusts | 3,226 | 3,201 |
| Advance collections trusts | 543 | 868 |
| Total | 8,913 | 8,926 |
| Real estate trusts | 4,216 | 3,299 |

※ For the information on the scale and profitability of the Bank's principle financial products, please refer to "Weight of Major Business Operations" of this Chapter: Business Activity.

B. R&D expenditures incurred in the past two years and the results achieved; future R&D projects

- Corporate Banking:

Against rapidly changing times, the Bank is proactive to bolster the security of its online corporate banking platform. On top of end-to-end encryption, we make it a point to upgrade security components whenever warranted and offer financial solutions applicable to multiple browsers. As such, multiple operating system services were made available in 2022 for corporate banking clients to choose from. In 2023, the Bank will further optimize its online corporate banking services by adding salary transfer features among others.

The Bank provides a dynamic security authentication mechanism for fax transactions that enhances security by avoiding the risk associated with delivery of physical copies and reducing operating costs

for both customers and the Bank. Meanwhile, the Bank takes corporate social responsibility seriously and upholds sustainability as an ultimate goal. In terms of payment collection, the Bank has expanded our network of such outlets; across-the-board payment collection by convenience stores got under way in 2022. New offerings planned for 2023 on this front include joining the Taiwan Clearing House's eACH initiative and expanding services rendered via convenience stores.

R&D expenditures during the most recent two years and expected future expenditures:

Unit: NT\$ thousands

| Year | 2023 (projected number) | 2022 (actual number) | 2021 (actual number) |
|-----------------|----------------------------|-------------------------|-------------------------|
| Amount | 3,000 | 3,217 | 348 |
| Growth rate (%) | (6.7%) | 824.43% | (83.04%) |

■ Retail Banking

The Bank's R&D expenses of the most recent two years went toward optimizing its existing features and services.

- (1) Electronic Banking: For O-Bank, a key endeavor of recent years is to promote awareness of green consumption. The goal is to draw on the power of finance and team up with consumers to create a business model that also benefits the environment and society. In 2022, the Bank collaborated with Mastercard to launch the "Carbon Emission Calculator" project. Thanks to API linkage to Mastercard's big data center, consumers can find out the carbon emission of each purchase measured against the amount and products or services in question. Cardholders can secure a detailed list of their one-time and cumulative carbon emissions on the Bank's online or mobile banking platform. Hopefully this will inspire consumers to take carbon reduction more seriously in their daily purchases.
- (2) Robot Advisory: We provide customers with easy and rational choices when it comes to investing and managing their assets. Our system's algorithm lets customers assemble investment portfolios that match their risk attributes and notifies them of opportune times for portfolio adjustments offered by changes in the market. To cater to different customer needs, we introduced the "Dividend Robot" and the "Brand Robot".
- (3) Impact Loans project: This project was designed specifically to help the economically disadvantaged employees or assisted subjects of the Bank's partner institutions and expand the scope of application to those who hold family certificates in special circumstances and those who support relatives who hold handbooks or certificates of disabilities issued by the government, as long as they meet the above conditions and have a fixed income so that they can tide over emergencies in life. Joining forces with consumers to give relief to the less fortunate attests to our altruistic ideal of "benefiting others to fulfill oneself."

(A) R&D expenditures during the most recent two years and expected future expenditures:

Unit: NT\$ thousands

| Year | 2023 (projected number) | 2022 (actual number) | 2021 (actual number) |
|----------------|----------------------------|-------------------------|-------------------------|
| Amount | 45,888 | 32,370 | 17,548 |
| Growth Rate(%) | 37.93% | 89.59% | (78.54%) |

(B) Research and development results during 2022

Unit: NT\$ thousands

| Project | Investment |
|---|------------|
| Strengthening of e-banking | 5,143 |
| Strengthening of back-end support system | 17,091 |
| Wealth management/investment system (including overseas stocks) | 6,898 |
| Optimization of lending procedures | 4,138 |

(C) Future research and development plans

Unit: NT\$ thousands

| Plans/projects during the most recent year | Current progress | Further required R&D expenses | Expected date of completion | Main factors weighing on success of future R&D |
|--|------------------|-------------------------------|-----------------------------|--|
| Improving retail finance model | In progress | 9,000 | 2023.9.30 | Integrity of business planning and availability of system development manpower |
| Strengthening of systems for loan operations and auxiliary functions | In progress | 26,248 | 2023.12.31 | |
| Enhancement of digital-banking functions | In progress | 6,000 | 2023.12.31 | |
| Building Broker account opening and settlement function | In progress | 4,640 | 2023.6.30 | |

In the days ahead, we will always give priority to meeting customer needs as we adapt to a rapidly changing market and take up the challenge posed by an anticipated outburst of internet-only banks. We will focus our resources on developing and delivering features and services that customers really want and need, thereby making their bank of first choice.

■ Digital Banking:

As going digital increasingly gains traction, the Bank is proactive to funnel resources toward building an operational data management platform for B2B2C financial business transactions and developing digital loans for individuals and online financing for SMEs and micro and small businesses.

(1) Corporate Banking

To better manage B2B2C financial trading of strategic alliance partners, an operational data management platform was established in 2020. In addition to bringing together trading numbers of these partners, it finds its use in account articulation and chart analysis and helps users undertake consolidation and analysis of business conditions. Subsequent optimization was mainly focused on NPL management and account articulation. Thanks to the new features added in 2022, the Bank's online corporate banking system is now charged with collecting payment data of C-end customers, which is in turn transferred to the said operational data management platform for consolidation. This goes a long way toward further strengthening account articulation and authenticating transactions. Develop online and digital financial products to spare SMEs and micro businesses all the paperwork required of the conventional loan application process or the trouble and time necessitated by dealing with physical branches. Work with third-party service providers (TSP) to facilitate cross verification of business data so as to establish a grading system that can draw on such data for reviewing loan applications of SMEs and micro businesses. Digitization of the loan application process promises to effectively optimize customer experiences and help the Bank fulfill its corporate social responsibility and sustainability aspirations on such fronts as green energy, environmental protection, and financial inclusion.

(2) Personal Banking

Capitalize on the country's opening to digital banking and, through strategic alliance channels, introduce the credit process, including:

- Online digital loan : Online Digital Loan Application: A click on the app or webpage of our partners readily gives access to the Bank's webpage meant specifically for applying for digital unsecured loans. Without involving any human contact in loan application, approval, and allocation, this service greatly streamlines the application process and enhances customer satisfaction.
- Scan QR code to apply for loan offline : Offline Loan Application by Scanning: In case of capital needs, a physical outlet customer can go to our product page instantly by means of a QR code scan, learn more about our offerings, and start the loan application process. This paperless DIY process is both convenient and environment-friendly.
- Toujiadai, a smart catering platform : Lending for Smart Food and Beverage Platforms: Having tided over the pandemic, many restauranters are now equipped with digital competence. Smart food and beverage platforms enable them to accept reservations, take orders, offer deliveries and takeouts, handle cashflow, conduct customer management, and even procure from suppliers. Meanwhile, there is greater transparency of business numbers accordingly. By working with platform operators, the Bank is able to learn more about their food and beverage vendors: how long they have been in business, how much revenue they generate, and whether their order intakes are reasonably stable. All this information will be taken into account for the Bank's provision of online loans to food and beverage vendors, which promises to be a more convenient, faster service for them.

R&D expenditures during the most recent two years and expected future expenditures:

Unit: NT\$ thousands

| Year | 2023 (projected number) | 2022 (actual number) | 2021 (actual number) |
|-----------------|----------------------------|-------------------------|-------------------------|
| Amount | 26,248 | 4,625 | 1,054 |
| Growth rate (%) | 468% | 339% | - |

■ Risk Management

In accordance with pertinent statutory requirements, the Bank teamed up with our consulting team to establish a GRC (Governance, Risk Management, Compliance) management platform in 2018 in order to effectively implement a risk-driven internal control mechanism, build a more efficient and fully integrated internal control system, and make possible timely risk analysis and management.

Starting with an operating risk management module, the GRC platform went online at the beginning of 2019. We had already completed installing the fundamental structure for compliance and auditing as of the end of 2020 and expect to have it activated in the end of 2023.

The installation of GRC platform costs a total of NT\$13,963 thousand and the expenditures during the most recent years:

Unit: NT\$ thousands

| Year | 2023 (projected number) | 2022 (actual number) | 2021 (actual number) |
|-----------------|----------------------------|-------------------------|-------------------------|
| Amount | 1,980 | 0 | 0 |
| Growth rate (%) | - | - | - |

In accordance with the Basel Committee's Fundamental Review of the Trading Book (FRTB), the Bank has set more stringent requirements for trading book positions, adopted more risk-sensitive methodologies under the standardized approach, enhanced computation complexity, and taken into account the relevance of various risk factors.

While a formal package has yet to be unveiled, Taiwan's competent authority already announced that FRTB-embedded regulations will be put into force in 2025. As such, the Bank will start its own research and assessment in 2022 and is set to complete the entire project by the regulatory deadline to ensure our compliance with capital requirement regulations.

Separately, the Bank has implemented our Climate Risk Management Policy in a bid to comply with the government's avowed objective of attaining net-zero emissions in 2050. This Policy takes into account the Guidelines for Domestic Banks' Climate-Related Financial Disclosures implemented by Taiwan's Financial Supervisory Commission, the Hong Kong Monetary Authority's Supervisory Policy Manual-GS1-Climate Risk Management, and the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD). By ushering in climate risk management, carbon footprint verification, and identification of high climate risk regions, the Bank aims to better grasp and gradually reduce the impact of climate risks on our businesses and operations, thereby attaining sustainability in a low-carbon economy.

(5) Short- and Mid- to Long-Term Business Development Plans

Taking into account current political, industry outlook and economic conditions at home and abroad and various factors favorable and unfavorable to our development, the Bank will work vigorously for business continuing growth. To achieve the said goal, we have drafted the following short- and mid- to long-term business development plans:

A. Short-term business development plans:

(A) Further expand retail customer base and enhance customer contribution

Since its transformation into a commercial bank, the Bank has successfully launched into retail banking business. But faced with a daunting environment of fierce competition and incoming challenges of retail banking business, the Bank will work along several lines to grow our customer base and enhance customer contribution. We will continue to bolster our capacity for differentiated risk control, focus on developing high-yield lending businesses, and expand our customer base for unsecured lending. We will also expand our team of wealth management professionals to better serve high net worth clients and explore opportunities of customized business by building a comprehensive and flexible platform for personal wealth management services.

On one hand, we will establish strategic alliances for provision of joint services that focus on everyday needs. As we gradually establish a brand alliance and ecosystem, we will be able to enter consumers' everyday applications and reap large numbers of new customers. Meanwhile, we will focus on developing new businesses to break through the competitive market by small-scale testing and quick replacement trying. With emphasis placed on both quality and quantity, the objective is to convince

existing customers to subscribe to the Bank's comprehensive and fully flexible wealth management services, thereby increasing product penetration and customer contribution. Equal emphasis will be placed on delivering an optimal customer experience, thereby creating an excellent reputation and soliciting customer loyalty and customer recommendations to others. It will also increase product richness to increase product penetration and customer contribution.

(B) Persist with the corporate banking "intensive cultivation" strategy to increase ROA

Confronted with economic environment changes and an increasingly stringent regulatory environment, "intensive cultivation" will remain our core strategy for corporate banking services. On top of keeping up a quality balance sheet, we will seek to maximize the benefits of capital utilization. In the days ahead, emphasis will also be placed on expanding our customer base to all segments of the relevant industry chains on the basis of our existing customers, and making inroads into the MME and offshore banking sector. Utilizing the corporate financial management service platform, extension of loans will be intended as the first step toward building up wealth management and TMU businesses as well, and strive to become the main bank for corporate customers. The ultimate objective is to improve our interest spread structure and enhance fee income, thereby further increasing our earnings capacity in the corporate banking sector while meeting the NSFR and LCR requirements for liquidity.

(C) Draw on the capacity for innovation, drive business transformation to deepen synergies for the Bank and affiliates

The importance of innovation grows by the day as the tides of fintech run high and the industry needs to adapt accordingly. The Bank will continue to take advantage of digital strategic alliances in developing digital personal lending and building a digital platform for micro businesses, thereby better serving micro SME clients and capitalizing on new payment opportunities. Equal emphasis will be placed on integrating the O-Bank Group's resources and risk management capabilities to capitalize on investment and lending opportunities in relation to green energy, environmental protection, and other ESG issues.

We will make good use of our existing corporate banking customer base and new MME customer base in expanding such services as salary transfers and customized wealth management opportunities. Priority will be given to promoting treasury marketing unit (TMU) business by facilitating cooperation between treasury marketing officers and corporate banking relationship managers and even across O-Bank affiliates. We expect to combine our innovations to provide tailor-made and integrated financial solutions, in turn meeting the wealth management needs of both business owners and corporate clients.

(D) Continue growing competent professionals

In tandem with our business and organizational development, the Bank will continue to search for professionals from different disciplines called for in this emerging digital age of ours. We are also ready to train inexperienced novices through industry-academia collaboration and summer internship programs. Separately, on top of offering various training in compliance with external regulations, the Bank is ready to map out a special program through the elite talent plan and management talent development plan, systematically discover potential talents, cultivate and retain talents in an institutionalized way, and increase the opportunities for potential talents to rotate across departments and companies, reserve talents, and improve the overall team capabilities.

Stand by commitment to corporate social responsibility and create ESG sustainability value

Since our continuous efforts in various corporate social responsibility initiatives and sustainable development, the Bank has continued to win not only international certification such as a B corporation

but also won a good number of accolades from outside organizations dedicated to CSR evaluation. It is now all but an international norm to embrace financial sustainability and carbon reduction. The Bank will continue to fulfill corporate social responsibility by promoting various projects designed with the potential to have an impact on this front. Meanwhile, we will join the cause of striving for the environment and society by further bolstering green finance, creating ESG value, and ultimately attaining sustainability.

B. Mid- to long-term business development plans:

(A) Create a competitive boutique digital banking brand name

The Bank actively seeks opportunities for cooperation in the fields of fintech and innovative business models. The latest technology is ushered in to capitalize on digital banking opportunities. Traditional banking models make way for digital banking as we develop better-rounded services of financial inclusion. Meanwhile, a wide range of products are developed to cater to different customer needs and provide consumers with an utterly refreshing experience of digital innovation. The Bank also strives to maximize capital utilization efficiency and create a steady stream of quality earnings by integrating multiple wealth management service platforms and resources across the O-Bank Group, thereby making Taiwan's top boutique digital bank.

(B) Enhance overall efficiency via M&As or strategic alliances

To consolidate resources, expand business, and create synergies, the Bank will continue evaluating M&A and investment plans or opportunities inside or outside the country in line with its operational strategy. To improve the breadth and depth of the group's financial services and improve the quality and stability of earnings, we will make adjustment of existing investees, investment in FinTech ventures, and formation of cross-sector strategic alliances.

(C) Continue to promote the "Wangdao" spirit

We have long believed that every enterprise is defined by its corporate culture. Thus, the Bank is proactive not only to promote the "wangdao (benevolent way)" spirit of "benefiting others to fulfill oneself" internally but also to share this altruistic ideal with all stakeholders. As the Bank continues to expand, we will stand by this benevolent way as we invite more like-minded professionals to get on board. While our organization is set to get bigger and bigger, the Bank will enhance communication and operational efficiency through following this benevolent way faithfully. Externally, the Bank has also taken the lead to demonstrate our commitment to this altruistic ideal by endorsing the B Corporation initiative, and further launched a number of innovative Social Impact Programs. In the days ahead, we expect to develop financial services that combine our corporate social responsibility, ESG sustainability goal and professional financial expertise and prove even more beneficial to the public.

2. Human Resources

(1) The Bank's number of employees, as well as their average years of service, average age, educational background, and professional licenses held during the most recent two years and the current year up to the date of publication of this annual report:

| Year | | 2023/4/18 | 2022/12/31 | 2021 |
|----------------------------------|---|-----------|------------|-------|
| Number of Employees | Clerks | 1,078 | 1,067 | 948 |
| | Workers | 18 | 18 | 16 |
| | Total | 1,096 | 1,085 | 964 |
| Average Age | | 41.5 | 41.4 | 40.8 |
| Average Years of Service | | 4.4 | 4.3 | 4.5 |
| Distribution of Academic Degrees | PhD | 0.1% | 0.0% | 0.0% |
| | MA | 28.7% | 28.9% | 29.4% |
| | BA | 64.4% | 64.2% | 64.0% |
| | Senior High School | 6.8% | 6.9% | 6.6% |
| Professional Licenses Held | Banks' Internal Control and Audit Exam | 419 | 423 | 390 |
| | Exam on Financial Market Knowledge and Professional Ethics | 415 | 423 | 412 |
| | Trust Services Competency Exam | 365 | 371 | 349 |
| | Structured Commodities Salesperson Qualification Exam | 127 | 129 | 126 |
| | Financial Derivatives Salesperson Qualification Exam | 80 | 80 | 76 |
| | Securities Brokerage Salesperson Qualification Exam | 73 | 76 | 63 |
| | Securities Brokerage Senior Salesperson Qualification Exam | 118 | 117 | 117 |
| | Personal Insurance Salesperson Qualification Exam | 232 | 225 | 211 |
| | Property Insurance Salesperson Qualification Exam | 168 | 165 | 154 |
| | Exam for Personal Insurance Salespeople Selling Foreign Currency, Non-Investment Products | 72 | 67 | 61 |
| | Entry-Level Lending Personnel Qualification Exam | 185 | 186 | 164 |
| | Entry-Level Forex Personnel Qualification Exam | 152 | 157 | 142 |
| | Bond Trading Competency Exam | 21 | 23 | 27 |
| | Forex Trading Competency Exam | 8 | 10 | 7 |
| | Bills Salesperson Qualification Exam | 35 | 38 | 36 |
| | Securities Investment and Trust Salesperson Qualification Exam | 65 | 68 | 73 |
| | Securities Analyst Qualification Exam | 6 | 6 | 6 |
| | ACAMS Certification | 6 | 6 | 9 |
| | CISA Certification | 2 | 2 | 2 |
| | CPA Certification of the ROC | 5 | 5 | 3 |

Note: The employee tallies in the table do not take account of those working at overseas branch entities.

(2) Status of employee training:

To meet the need for migrating toward digital banking and ushering in a new business model, the Bank devises comprehensive training programs and career paths for employees based on its operating strategy and goal while paying special attention to incorporating the Bank's core values and specific requirements. Each year, training programs that focus on management capacity and specialized skills are designed separately for employees of different levels to enhance their competitiveness.

In 2022, the Bank hosted 443 internal training courses and drew on outside organizations for another 716 courses. Trainees totaled 42,022 persons. Combined, the Bank's employees underwent a total of 52,815.36 hours of training, averaging out to 49.5 hours at an average cost of over NT\$4,242.6 per person.

On top of the internal and external courses cited above, the Bank's digital learning platform—O-Bank Digital Academy—also provides a wide range of in-house and outsourced courses that cover various financial disciplines, legal compliance, and management issues. In 2022, a total of 326 such online training courses were offered and employee attendances amounted to 29,014.9 hours.

To accommodate migration toward updated international criteria for certification of personal information protection, the Bank offered a series of training on personal information protection in 2022 to get aligned with international practices and enhance employee awareness on this front.

3. Corporate Social Responsibilities and Code of Ethical Conduct

Committed to sustainable development since its inception, the Bank has continuously devoted itself to the six major corporate social responsibility areas of corporate governance, employee care, customer service, environmental protection, social engagement, and green finance. In January 2015, the Bank established its Corporate Social Responsibility Committee and took in the highest-ranking managerial officers of all departments as committee members. Reporting to the Board of Directors on an annual basis, the committee is charged with the task of making real the Bank's belief in ethical management and sustainability throughout, thereby ensuring that the Bank fulfills its responsibilities to all stakeholders: employees, customers, shareholders, suppliers, and the public. Since publishing its first year report to disclose results of implementing corporate social responsibility initiatives in 2016, the Bank has to date emerged a recipient of the TCSA Taiwan Corporate Sustainability Awards granted by the Taiwan Institute for Sustainable Energy (TAISE) for seven consecutive years.

■ Overview of the 6 Corporate Social Responsibility Areas

In the area of corporate governance, we make it a point to fulfill ethical management, and maintain information transparency and open disclosure. Besides the appointment of independent directors, we have established various functional committees to ensure the effective supervision of internal company operations. In addition, we have established Whistleblower System, an internal reporting system, set up anti-corruption and fraud prevention policies, and promoted employee training and awareness, thereby making real our belief in ethical management. With regard to employee care, we continue to provide annual financial training courses and develop a digital platform for e-learning so that employees can take courses at their own convenience. Meanwhile, we provide various types of benefits and care measures, and pay attention to employees' work-life balance, thus creating a working environment of gender equality as well as diversity and equity. In the area of customer service, we faithfully comply with the competent authority's regulations and effectively protect customer privacy and transaction security. Moreover, in the spirit of "benefiting others to fulfill oneself", we have launched a charity affinity card platform and routed partial cashback benefits to the cooperating non-profit

organizations. As of year-end 2022, we worked with 12 non-profit organizations. The launch of affinity card allows each customer to support the social issues he or she chooses and do good deeds in each swipe of the affinity card.

In terms of environmental protection, we advocate energy conservation and carbon reduction, strengthen water resources management and waste reduction, promote green procurement, and urge suppliers to do their part in fulfilling corporate social responsibility. We have instituted an ISO 14001:2015 environmental management system, an ISO 14064-1:2018 greenhouse gas inventory system, and an ISO 50001:2018 energy management system, with the objective to fulfill the vision of co-existence with the environment from different areas. In the area of social engagement, we abide by our humane belief as we continuously support schools in remote areas and provide the schoolchildren with various resources and experiences. Also, we continue to purchase products from social enterprises and B Corporations and host various events to support the businesses that aim for a harmonious co-existence between nature and society. In terms of green finance, in 2021 we signed the Equator Principles (EP) to assess the potential environmental and social risks of project finance operations.

In 2022, the Bank signed the Partnership for Carbon Accounting Financials (PCAF) and started measuring our emissions from investment and lending activities. Climate change is now an increasingly serious threat to the world. In 2021, the Bank became a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) with a view to assessing and identifying climate-related opportunities and risks that may confront the Bank and our investment and lending positions. Since the beginning of 2022, the Bank has also subjected all investment and lending decisions to ESG risk assessment, thereby helping us make a responsible lender and investor and attain the goal of sustainable finance.

In 2017, the Bank became the first financial services provider and public company listed on the Taiwan Stock Exchange to be certified as a B Corporation, an honor it won again in 2021. Over the years the Bank has also been a frequent recipient of the Taiwan Corporate Sustainability Awards; its 2022 winnings include the Awards for Taiwan's Top 100 Sustainability Paradigm Enterprises, Gender Equality Awards, Creativity in Communication Awards, and Corporate Sustainability Report Silver Awards in the Finance and Insurance category. Further attesting to the Bank's CSR achievement is the ESG Risk Rating of 8.7—a measure of negligible risk—granted by Sustainlytics. As of January 2023, the Bank was Taiwan's only financial services provider to have secured such a high rating that also ranked us third place among all local listed companies.

■ Social Engagement Achievements

To support the enterprises that are good for the environment and society, the Bank has purchased products from social enterprises and B Corporations, as holiday gifts for employees and media reporters. The total amount of these purchases came to over NT\$570,000 in 2022. In addition, every quarter, the Bank organizes "Social Enterprise Group Buying," and Social Enterprise market where employees are encouraged to support social enterprises. Furthermore, the Bank has introduced "preferential corporate deposit accounts," "preferential corporate payroll accounts," and special loan program for B Corporations, to use the power of finance to support the businesses that aim for a harmonious co-existence between nature and society. To encourage more customers to support social enterprises and B Corporations, the Bank has taken the lead in the industry to advocate conscious consumption. As of year-end 2022, O-Bank had brought together 28 social enterprises and B Corporations to become brands participating in green consumption. The Bank offers a cashback reward of 4.22% to encourage customers to engage in green consumption, thereby making a difference with the consumption power.

To further use the power of finance to care for the disadvantaged persons, the Bank launched the Social Impact Program in later 2020. The Bank was the first to build a sustainable business model that combines three parties: the Bank, the customers, and the disadvantaged persons. The Bank set up customers to open accounts under the Social Impact Program and promised the funds to be used solely for the specific purpose of backing microloans that would be provided with no service charges to help economically disadvantaged persons, including the economically disadvantaged employees and successfully mentored employees of the Social Impact program's cooperating entities, anyone in Taiwan who holds government-issued proof of low income or medium-low income status, and Certificates of families in special circumstances and those who support relatives with certificates of physical and mental disabilities and whose income is eligible. The Social Impact Program turns customers' time deposit into emergent resources, allowing customers to do good deeds and provide funds to the economically disadvantaged persons. The Bank fully makes use of the power as the financial median and create the positive financial cycle.

Separately, the Bank is proactive to encourage and induce carbon reduction among consumers. In March 2022, we collaborated with Mastercard to launch the "Carbon Emission Calculator" project. Thanks to this pioneer initiative, consumers can find out the carbon emission from each purchase, an effective incentive for taking action. Moreover, the Bank took the lead in launching a low-carbon credit card that offers cashbacks on the basis of carbon emissions: the less carbon emissions, the higher cashbacks for cardholders. Consumers are given a solid incentive to do more for our planet.

■ Education in Culture and the Arts

Setting up an O-Bank education foundation in July 2000, we draw on our corporate expertise, government support, and private resources to vigorously promote various industry-academia collaborations, technology management seminars, entrepreneurship workshops, and artistic and cultural activities. We hope to open new horizons for the public and the younger generation, inspire the spirit of innovation, and cultivate the capacity for art appreciation, thereby boosting the country's competitiveness and cultural endowment. With its sponsorship of art events meant for charity, innovative startups, and social engagement events, the O-Bank Education Foundation was a recipient of the Arts & Business Awards of the Council for Cultural Affairs in 2010 and of the 9th National Civic Service Awards of the Ministry of the Interior in 2011. These honors attest to the Bank's dedication to fulfilling its corporate social responsibility.

In order to promote art education, we have held a series of artistic and cultural activities since 2008, including "Stars of Tiding for Culture and the Arts," "Stars of Tiding Art Exhibition," the call for works for "Stars of Tiding for Culture and the Arts," the subsidy program for "Stars of Tiding 2.0 Visual Art Exhibition," "Art Salons," and "Creating Arts and Experiences." We provide stages for new artistic talents to perform on, help emerging artists to engage in interdisciplinary study, and promote the development of the art industry.

In 2022, the O-Bank Education Foundation held a total of 41 artistic and cultural events. Of these, three were concerts, eight online music shows, three lectures on culture and the arts, five art exhibitions and 10 promotional events, two workshops, three events co-hosted with outside organizers, and seven artistic and cultural workshops intended for underprivileged schoolchildren. In total, physical events attracted more than 2,400 attendees and nearly 11,000 people participated in the online ones. Under the Star of Tiding 2.0 Project, a total of 35 young musicians and eight young artists were given resources and a stage to assert themselves, thereby bringing artistic vitality to communities and helping the local populace better appreciate the arts.

To promote art appreciation among people of all ages, we organized seven “Creating Arts and Experiences” sessions and one presentation for elementary school pupils in 2022. Based on preset themes, young artists granted subsidies under the Star of Tiding 2.0 Project designed teaching materials for schoolchildren with a view to inspiring their creativity and imagination. A total of 95 underprivileged schoolchildren benefited from this initiative. In addition to cultivating artistic talent and organizing artistic and cultural activities, the O-Bank Education Foundation sponsored Taipei International Choral Festival 2022 hosted by the Taipei Philharmonic Foundation for Culture and Education to help advance cross-border choral exchanges and promote this art form in Taiwan. Likewise, the Bank’s sponsorship of Ming Hwa Yuan’s “The Sixteen Prefectures” attested to its commitment to supporting Taiwan’s traditional drama troupes.

The O-Bank Education Foundation also teamed up with Lin Mun-lee, former director of the National Palace Museum, to undertake the Taiping Elementary School Museum project. Architect Huang Sheng-yuan, a winner of the National Award for Arts, was charged with space planning. A highlight of the museum is “Bust of a Girl” by Huang Tu-shui, Taiwan’s first sculptor to have studied in Japan. The Bank’s involvement in creating Taiwan’s first on-campus art museum at Huang’s alma mater in Taipei attested to our taking a proactive approach toward social participation by means of artistic and cultural engagement.

4. Number, Average Salary, and Median Salary of Fulltime and Non-Executive Employees; Their Differences from the Previous Year:

| Year | 2022 | 2021 | Difference (%) |
|--|-------|-------|----------------|
| Number of Non-Executive Employees | 800 | 698 | 14.6 |
| Average Salary of Employees (NT\$ thousands) | 1,279 | 1,251 | 2.2 |
| Median Salary of Employees (NT\$ thousands) | 1,032 | 1,023 | 0.9 |

Note: The employee tallies in the table do not take account of those working at overseas branch entities.

5. Information Equipment

(1) Hardware and Software Configurations of Major Information Systems

The Bank’s major information systems include those meant for front-end trading, mid-end management, back-end operations, and office automation. The primary hardware lineup includes IBM RS6000, Oracle SPARC, HP ProLiant, and Lenovo xServer while software, IBM AIX, RedHat Linux, Oracle Solaris, Windows Server, VMware, Oracle DB, and Windows SQL DB. Besides conducting in-house supervision and maintenance of the said major hardware and software, the Bank has also contracted suppliers for routine maintenance and emergency repairs in order to make sure that all information equipment runs smoothly at all times. The Bank is ready to gradually expand the foregoing information systems in coming years if this is warranted by business needs and performance considerations.

(2) System Development or Procurement

A. Major Special Projects Undertaken in 2022:

- 1) Mastercard Carbon Emission Calculator Project: The Bank collaborated with Mastercard to launch the “Carbon Emission Calculator” project, making us the first bank in Taiwan to offer carbon emission calculation services. This promotes a sustainable image of “working together with consumers on energy conservation and carbon reduction” as we seek to build up a loyal ESG-minded clientele with the introduction of more new products featuring sustainability-related benefits. The project was launched in March 2022.
- 2) Automation of Derivatives Control Account Management Process: Upon notification by the Joint Credit Information Center, the system automatically executes operations designed specifically for alert/derivatives control accounts. The system was launched in November 2022.
- 3) MUREX System Upgrade Project: The upgrade, designed to optimize the functionality of the MUREX system and meet the needs of new product development, is scheduled to be launched in September 2023.
- 4) SWIFT ISO 20022 MT to MX Conversion Project: To convert FIN MT1xx/2xx/9xx messages to MX messages in ISO 20022 format, related systems need to be modified for receipt of the latter. The SWIFT/SWALLOW system was launched in October 2022, followed by the launch of the Taiwan/Hong Kong Anti-Money Laundering system in November 2022.
- 5) Prompt Unsecured Loan Project: Devised for online contract constitution and non-compensatory cases, the project makes it possible to directly allocate funds to a customer’s designated account (including non-business hours) upon completion of the contract constitution process on the online banking platform. The project went online in December 2022.
- 6) Optimization of Workflow at the Trust Department: Establish a fully integrated operating platform for wealth management by adjusting order-placing procedures for both retail and corporate banking as well as automating transactions. The account linkage sub-project was launched in December 2022.
- 7) Installation of Overseas Equities System: Expand sales of trust products and add overseas equities to the Bank’s investment and trading lineup. The system went online in September 2022.
- 8) Compliance with Regulatory Revision of the Hong Kong Monetary Authority (HKMA): Readjust the content of the Hong Kong Branch’s online banking system (exchange rate display, adjustment of major announcement items, and extension of the data inquiry period (from 5 years to 7 years)). These adjustments went online in November 2022.
- 9) In accordance with the Civil Code revision that majority is attained upon reaching the eighteenth year of age, modification of related systems went online in December 2022.
- 10) Installation of Digital Banking System: SME digital banking’s offline loan application process went online in December 2022.
- 11) Vulnerability Tracking Management System: The system, which consolidates the latest in patching vulnerabilities of various tools and keeps track of related tracking and handling processes, went online in November 2022.
- 12) Network Detection and Response System: The system, designed both to detect unusual behavior of and malicious attacks against internal networks through real-time detection and monitoring and to create a reporting and response mechanism in conjunction with other cybersecurity monitoring tools, went online in December 2022.

- 13) Conducted computer system cybersecurity assessment in accordance with the “Regulations Governing Assessment of Computer System Cybersecurity by Financial Institutions” and implemented technical and management-related inspections and tests to enhance the security of the Bank’s network and information system services.
- 14) Optimization of Bank-wide Optical Fiber Networks: The project, designed to strengthen the optical fiber infrastructure of the Bank’s information center and remote backup facilities, reduce the incidence of abnormalities, and enhance the quality of infrastructure services, went online in May 2022.
- 15) Optimization of the stability of the Bank’s online banking system, upgrade in service quality, and strengthening of database systems (separating the database for wealth management and that for anti-money laundering from the online banking system’s login page) went online in July 2022.
- 16) Reduction in Fees for Authorized Database Access: The reduction in fees for authorized access to corporate banking’s New Taiwan dollar and financial trading systems went into effect in March 2022.
- 17) Renewal of End-of-Service (EOS) Network Equipment: To ensure uninterrupted financial information services, bolster communications security, and enhance internet speed and stability, the Bank’s Information Center renewed outdated network equipment no longer serviced by suppliers and put it online in November 2022. This will be followed by renewal of EOS network equipment at the head office over time.

B. Major Special Projects to be Undertaken in 2023 and Beyond:

- 18) Securities Settlement Bank Project: The project, devised to provide such services as securities settlement, online authorization by customers, and funds deduction for securities settlement, is scheduled to go online in the second quarter of 2023.
- 19) C3 Certificate Application, Download, and Management Services for Online/Mobile Banking: The project, designed to cater to large-size online forex transactions and public-sector information inquiries for unsecured lending and enhance operational efficiency, is scheduled to go online in the second quarter of 2023.
- 20) Online Banking’s 24-Hour Forex Business Project: This project is expected to help the Bank increase income from such transactions and DCI fees and expand our clientele.
- 21) Big Data Database Upgrade Project: The project, designed to expand big data applications in marketing, risk management, and operational processes by upgrading our data warehouse, is scheduled to be completed by the end of June 2023.
- 22) Installation of Review Module for Corporate Banking’s eLoan System: The project, designed to transfer from the business management system to corporate banking’s eLoan system such review features as post-lending management, material incident notification, simple tracking reporting, customer rating upgrade/downgrade, and tracking and alert settings—query interface, notification, and management reporting—as well as to enhance operational efficiency, is scheduled to go online in the fourth quarter of 2023.
- 23) FXML System Upgrade Project: Upgrade of the system, warranted by its outdatedness and cybersecurity concern, is scheduled to be ready for service in the third quarter of 2023.
- 24) Meant to enhance FEP security in interbank remittance operations, a Hardware Security Module (HSM) upgrade is scheduled to be ready for service in the second quarter of 2023.

- 25) To accommodate Hong Kong's SWIFT MT to MX conversion slated for October 2023, modification of our core system and online corporate banking platform in the territory is scheduled to go online by the end of September 2023.
- 26) Optimization of Workflow at the Trust Department: Establish a fully integrated operating platform for wealth management by adjusting order-placing procedures for both retail and corporate banking as well as automating transactions.
- 27) Establishment of Clearing Platform: Collaborate with Taiwan Depository & Clearing Corp. to establish a centralized clearing platform for onshore mutual funds, thereby standardizing and automating the clearing and settlement mechanism and creating a better-rounded ecosystem of mutual fund services.
- 28) Endpoint Access Management System: Establish a virtual endpoint isolation system that accesses external online resources via virtual browsing apps and monitors the files thus downloaded, thereby protecting the Bank against the onslaught of viruses or ransomware.
- 29) Cybersecurity Governance Maturity Assessment: Taking our lead from the cybersecurity assessment tool (CAT) of the U.S. Federal Financial Institutions Examination Council, the Bank aims to further bolster cybersecurity management by conducting our own assessment of cybersecurity risk.
- 30) Mobile Office Intranet WiFi Project: Under this project intended to cater to mobile office needs at the head office, wireless access will be made available to all meeting rooms on different floors to make it easier to connect to our intranet during internal meetings.
- 31) Optimization of Neihu Information Center and Remote Backup Database: The aim is to ensure timely data transmission and data synchronicity between the two locations.
- 32) Optimization and Upgrade of Corporate Banking, Financial Trading, and Database Systems: The project is intended to further enhance our service quality.
- 33) New Privileged Account Management System Project: On top of EOS by the original vendor, the current privileged account management system is unable to accommodate various new versions of operating platforms. As such, there is an ongoing evaluation of ushering in CyberArk as our new privileged account management system.

(3) Mock Drills for Information Security

The Bank conducts drills for DoS Attacks, Malware Attacks, and Personal Information Leakage on an annual basis. The objective is to make sure that the Bank, in the event of any accident caused by natural disasters, human errors, or malignant attacks, can report and handle it in a timely manner and thus keep its impact to a minimum.

- 1. Drills for DoS Attacks: Every year the Bank joins forces with telecom operators to organize drills for DoS attacks to get thoroughly familiar with all the emergency response procedures. Meanwhile, the Bank's Emergency Response Program for DoS Attacks is subject to revision whenever warranted.
- 2. Drills for Malware Attacks: Simulations are implemented annually for IT personnel to get familiar with all the procedures—evaluation, notification, sequestration, handling, and recovery—in the event of a malware attack against PCs or servers.
- 3. Drills for Personal Information Leakage: With a different scenario designed each year, the drills may involve more participants if this is warranted by the scope and severity of the simulated impact. A post-drill review is conducted to ensure a swift response in the event of an actual leakage going forward.

(4) Protective Measures for Information Security

To ensure the security of its information environment, the Bank has installed the following: antivirus software, double firewalls, intrusion prevention, file and mainframe access control, network traffic anomaly detection, automatic updating of patches, website links control, instant messaging control, email filtering, control of USB storage devices, information leakage prevention, database monitoring, control of mobile devices, management of privileged accounts, 2FA, laptop HD encryption, APT protection, and protection against DDoS attacks, and endpoint detection and response, network detection and response system, vulnerability tracking management system and other measures. In terms of application security, the Bank has adopted source code, black box, and open source tools and built an online inspection and testing mechanism. Meanwhile, the Bank also engages specialized institutions to verify the information security of apps on an annual basis.

6. ICT Security Management

(1) ICT Security and Risk Management Framework

When it comes to managing ICT security, the Bank plans and implements measures from the perspective of operations management, thereby bolstering its overall capacity for upholding information security. The chief information security officer (“CISO”) is charged with policy implementation and resources allocation to strengthen the Bank’s information security management as well as supervision of planning and monitoring on this front. In addition to devising a fitting overall system as well as surveillance and protection mechanisms, the unit responsible for information security and composed of 10 people shall join related departments to conduct risk assessment and implement management and control measures.

To effectively implement its information security management system and enforce relevant operations, the Bank established an information security promotion team and an information security implementation and examination team in November 2016. Convened by the Head of Information Technology Division, the information security promotion team is responsible for supervising and deciding on matters in relation to the information security management system. The team also convenes meetings every six months to examine the implementation status of the information security management system and provide the resources needed.

With a plan to report to the Board annually, on March 14, 2023, the Bank’s CISO filed a report to the Board of Directors on overall information security implementation during the previous year. As such, the Board of Directors and senior management are charged with the responsibility of overseeing security on this front. Each year the CISO was joined by the chairman of the board, the president, the chief auditor, the chief compliance officer in issuing the Declaration of Overall Information Security Implementation.

(2) ICT Security Management System:

To ensure the confidentiality, completeness, usability, and legality of information assets and prevent intentional or accidental threats both within and without, the Bank has taken account of its business needs while enacting its information security policy and operational regulations, and thus “Information Security Policy” was approved by the Board of Directors. From setting information security policies and goals and adopting implementation and maintenance measures to reviewing and amending policies and regulations on a regular basis and assessing risks, the Bank follows the PDCA (Plan-Do-Check-Act) cycle as it seeks ceaselessly to improve and strengthen all relevant aspects on this front. After securing ISO 27001 certification Operational Highlights for information security management in December 2022, the Bank won recertification after a three-year cycle in December 2022 and extended the effective certification period from January 20, 2023 to January 20, 2026, giving testimony to the effective operations of its information security management system.

The Bank’s information security goals are as follows:

- Ensure the confidentiality of information assets by enforcing control of access to information and requiring that only authorized personnel are given such access.
- Ensure the completeness of information operations management to prevent unauthorized alteration.
- Ensure the uninterrupted functioning of information operations.
- Ensure the compliance of information operations with applicable laws and regulations.

(3) ICT Security Management and Resources

The Bank is proactive to funnel resources toward information security management, including construction of a well-rounded managerial and technical infrastructure, procurement of protective equipment, surveillance of external intelligence, assignment of dedicated personnel, joining the Financial Information Sharing and Analysis Center (F-ISAC), and training of all employees on this front.

In 2022, cybersecurity expenses (including those for software, hardware, and authorization) accounted for 9% of the Bank’s total IT budget. As of December 2022, the Bank’s cybersecurity professionals had secured a total of 13 international certificates.

A comprehensive defensive mechanism is installed across application systems, servers, and network equipment (such as firewall systems, firewalls for web applications, intrusion detection systems, and clean pipe operations) to ward off malicious external attacks. Establish a surveillance system, review daily routine records, and conduct early warning operations. Tackle information system anomalies and potential information security threats, thereby effectively upholding information security and minimizing the risk of data leakage and malicious intrusions.

A. Measures for enhancing information security

In 2022, the Bank ushered in Endpoint Network Detection and Response system, weakness tracking management system. Meanwhile, external intelligence was included in the Bank’s information security surveillance system.

In accordance with the Financial Cybersecurity Action Plan implemented by the Financial Supervisory Commission, the Bank introduced the cybersecurity assessment tool (CAT) of the U.S. Federal Financial Institutions Examination Council to assess our cybersecurity maturity. Slated to be completed in 2023, this assessment will serve as the basis for regular review and improvement thereof going forward.

B. Information security measures to foster customer transactions

- 1) While the Bank sustained a 14% increase in malicious scanning, vulnerability detection, attacks, and intrusions in 2021, no impact or damage was recorded thanks to its monitoring, analysis, and blocking.
- 2) To determine and enhance the security of websites and apps offered to customers, the Bank engaged a specialized information security company to conduct penetration tests.
- 3) Electronic equipment insurance was secured to offer protection against material damage and financial losses due to sudden, unexpected accidents.

C. ICT Security Training and Awareness Promotion:

In 2022, the Bank provided all employees with 3.25 hours training and monthly e-mail promotion on information security to help them better grasp its importance and the threats and regulatory trends on this front as well as advocated information security otherwise on an irregular basis, thus enhancing their information security awareness and vigilance. Separately, the Bank's dedicated personnel charged with information security are required to undergo relevant training of not less than 15 hours.

(4) Major ICT Security Incidents

The Bank has not recorded any major ICT security incident during the most recent year and the current year up to the date of publication of this annual report.

In 2022, however, there were 42 information security incidents that fell short of being categorized as major. All four had no impact on customers as they were ascertained as being caused by software or hardware anomalies and manufacturer connection management rather than hacking or viruses.

The Bank has implemented a set of procedures for reporting and handling information security incidents to prepare for possible losses and consequences as well as countermeasures should they do occur. Information security incidents are assigned different grades. Upon receipt of notice of any information security incident, the handling unit shall address and resolve it within the prescribed timeframe. Subsequently it is also supposed to analyze causes of the incident and adopt remedial measures so as to prevent a repeat.

7. Labor Relations**(1) Employee benefit plans and retirement system as well as the status of their implementation; the status of labor-management agreements and measures for preserving employee rights and interests:****A. Benefit Plans:**

- (1) Employee Insurance: In addition to offering labor insurance and national health insurance, as required by law, the Bank provides employees and their families with group insurance and increases their coverage under term insurance, accident and injury insurance, hospitalization insurance, cancer insurance, accident insurance for overseas business trips, and occupational hazard insurance. This makes a well-rounded insurance scheme that helps create a carefree working environment for employees.
- (2) Health Checkups: Each year employees of the Bank are entitled to health checkups that are more thorough than is required by applicable laws and regulations. The Bank also conducts follow-up inquiries to help employees keep track of their health in order to ensure that they are taken good care of both physically and mentally.

(B) Labor Pension Act: The Bank makes monthly appropriations to be deposited in the labor pension reserve fund account. Upon implementation of the Labor Pension Act, the Bank also began, on a monthly basis, making labor pension contributions not lower than 6% of qualified employees' monthly wages to their individual accounts at the Bureau of Labor Insurance, Ministry of Labor. In terms of employees who voluntarily make contributions out of their wages to the labor pension reserve fund, the Bank shall withhold a percentage of their wages of their choosing and deposit the amount in their individual accounts at the Bureau of Labor Insurance, Ministry of Labor. In 2022, the Bank's appropriations toward this end amounted to NT\$49,766 thousand.

(C) Qualifications for Employees to Apply for Retirement:

a. Voluntary Retirement

An employee may apply for voluntary retirement under any of the following circumstances:

1. Where the employee attains the age of 55 and has worked for not fewer than 15 years.
2. Where the employee has worked for not fewer than 25 years.
3. Where the employee attains the age of 60.
4. Where the employee attains the age of 55 and has worked as a driver or security guard.

b. Compulsory Retirement

The Bank shall notify an employee of compulsory retirement if either of the following situations has occurred:

1. Where the employee attains the age of 65.
2. Where the employee is unable to perform his/her duties due to disability.

(D) Criteria for Payment of Pensions:

a. For employees who reported to work prior to June 30, 2005 and choose to retain applicability to the retirement mechanism in the Labor Standards Act:

Two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be not more than 45. The length of service is calculated as half year when it is less than six months and as one year when it is more than six months;

In accordance with Article 55, paragraph 1, subparagraph 2, an additional 20% on top of the aforesaid amount shall be given to employees forced to retire due to disability incurred from the execution of their duties.

b. For employees applicable to provisions of the Labor Pension Act, which went into effect July 1, 2005:

Of the employees who reported to work prior to June 30, 2005, their years of service before their choosing a switch of applicability to the Labor Pension Act shall be reserved and, in turn, their pension entitlement for the given period shall be calculated in accordance with provisions laid out above.

In terms of the employees applicable to provisions of the Labor Pension Act, which went into effect July 1, 2005, the Bank shall, pursuant to the Table of Monthly Contributions for Labor Pension promulgated by the Ministry of Labor, contribute the equivalent to 6% of their monthly wages as labor pension on a monthly basis.

C. Labor-Management Agreements:

To promote labor-management relations and hear what employees have to say, the Bank's has established a number of channels for communicating with them:

- (A) Hold labor-management meetings on a regular basis: The annual labor-management meeting is held to discuss matters with regard to the protection of labor under applicable laws and regulations, such as overtime work and nighttime work for female employees. Any resolution adopted by the meeting shall be incorporated into the Bank's working regulations and made known to all employees. Meanwhile, the Bank continues to promote employee awareness of key regulations governing attendance and overtime work, thereby ensuring the rights and interests of all employees.
- (B) Organize employee conferences and "WeCare 2.0" events on a regular basis: To strengthen the interaction between employees and senior managers, the Bank holds employee conferences on a regular basis and WeCare 2.0 event once a month. "WeCare 2.0" events allow employees to meet senior managers at the managers' office during the designated hour to exchange and share opinions, thereby improving bilateral communication between the company and employees.
- (C) Install mailboxes to communicate with and care for employees: To protect employee rights and ensure effective communication, the Bank has established mailboxes for employees to file general complaints and sexual harassment charges. Complaint documents and letters shall be treated as confidential information to protect the rights and interests of the informing party. Separately, the "WeCare Mailbox" is put in place to encourage employees to make suggestions on employee care and help establish a workplace open to communication.
- (D) "Corner for O-Bank Employees": The Bank has established "Corner for O-Bank Employees" on Facebook to make public all sorts of information whenever warranted and thus keep employees stay up to date. In addition, the Bank is proactive to uncover employee needs and suggestions through its internal publication "TOUCH News" and by way of non-routine employee surveys.
Any newly introduced or corrective measures that bear on labor-management relations shall be preceded by full communication and consensus building between the two sides. Employees can also present their personal opinions through internal channels or directly to supervisors, thereby attaining effective communication and promoting labor-management relations.

D. Measures for Preserving Employee Rights and Interests: In addition to enacting well-rounded internal regulations and operating procedures, the Bank makes it a point to uphold employee rights and interests and make sure that employees perform their duties in accordance with applicable laws or regulations and internal control regulations. The said regulations and procedures contain clearly defined provisions with regard to working hours, requesting and taking leave, salaries and bonuses, rewards and penalties, retirement, and occupational safety and health. To spare employees from sexual harassment and uphold gender equality at the workplace, the Bank has also implemented preventive measures and adopted regulations for filing complaints and imposing penalties. A sexual harassment complaint handling committee is now in place to receive allegations, conduct investigations, and take whatever action is warranted accordingly.

(2) Losses sustained as a result of labor disputes (including violations of the Labor Standards Act detected in labor inspections):

The Bank has not recorded any labor dispute and violations of the Labor Standards Act detected in labor inspections during the most recent year and the current year up to the date of publication of this annual report.

8. Material Contracts:

| Type of Contract | Contracting Parties | Commencement and Expiration Dates | Major Content | Restrictive Clauses |
|---|---|-----------------------------------|--|-----------------------------|
| Contract on authorization and maintenance of the Bank's new core system | The Bank and International Integrated Systems, Inc. | 2015.11.9-2030.11.8 | Installation of a new core system after the Bank's transformation to a commercial bank | As provided by the contract |
| Contract on authorization for system use and provision of special project service | The Bank and Salesforce.com Singapore Pte. Ltd. | 2022.2.15-2024.2.14 | Authorization for system use and provision of special project service after the Bank's transformation to a commercial bank | As provided by the contract |
| Contract on maintenance of the Bank's hardware and storage equipment | The Bank and IBM Taiwan | 2022.9.1-2025.8.31 | Maintenance of the Bank's primary systems and storage equipment | As provided by the contract |
| Contract on outsourced production and delivery of bank/debit cards | The Bank and Thales DIS Taiwan Co., Ltd. | 2022.10.6-2024.10.5 | Outsourced production and delivery of bank/debit cards | As provided by the contract |
| Contract on outsourced production and delivery of bank/debit cards | The Bank and Taiwan Name Plate Co., Ltd. | 2021.6.5-2023.6.4 | Outsourced production and delivery of bank/debit cards | As provided by the contract |
| Contract on cash transport for the Bank | The Bank and Taiwan Security Co., Ltd. | 2021.1.1-2024.12.31 | Cash transport | As provided by the contract |
| Contract on cash transport for the Bank | The Bank and Lee Bao Security Co., Ltd. | 2021.1.1-2024.12.31 | Cash transport | As provided by the contract |

9. Securitization:

The O-Bank Number One Real Estate Investment Trust (REITs) Fund, for which the Bank acts as lead arranger and trustee, was listed on the Taiwan Stock Exchange on June 21, 2018. The ninth REITs fund to go public in Taiwan, it marks the first instance of the local financial services industry launching into real estate securitization in nearly 11 years. Currently, the Fund holds mainly office buildings and shopping malls worth some NT\$3 billion. During their meeting on December 26, 2022, beneficiaries resolved that New Light International shall replace Sinyi Global as the Fund's management institution to expand its asset size and improve its management efficiency.

VI. Financial Information

1. Five-Year Financial Summary-Condensed Balance Sheet and Comprehensive Income Statement

(1) Condensed Consolidated Balance Sheets

Unit: NT\$ thousands

| Item | The Last Five Years | | | | |
|--|---------------------|-------------|-------------|-------------|-------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| CASH AND CASH EQUIVALENTS, DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS | 24,200,768 | 24,760,696 | 27,746,758 | 25,881,765 | 31,834,070 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | 144,850,687 | 151,899,447 | 162,494,696 | 172,913,193 | 151,512,614 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME | 155,223,551 | 191,156,680 | 172,509,235 | 142,112,770 | 149,952,752 |
| INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST | 25,665,306 | - | - | - | 499,939 |
| SECURITIES PURCHASED UNDER RESELL AGREEMENTS | 3,951,999 | 5,364,108 | 4,732,882 | 100,013 | 991,363 |
| RECEIVABLES, NET | 3,691,557 | 20,076,514 | 14,952,859 | 16,483,174 | 20,829,951 |
| CURRENT TAX ASSETS | 299,379 | 324,529 | 362,328 | 422,886 | 381,082 |
| DISCOUNTS AND LOANS, NET | 204,312,972 | 172,727,589 | 183,710,973 | 194,246,229 | 197,338,050 |
| INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD | 7,241,771 | 880,879 | 789,863 | - | - |
| OTHER FINANCIAL ASSETS | 785,669 | 875,733 | 858,462 | 1,229,503 | 1,329,918 |
| PROPERTY AND EQUIPMENT, NET | 2,405,135 | 2,545,050 | 2,672,567 | 2,854,194 | 2,951,660 |
| RIGHT-OF-USE ASSETS, NET | 420,124 | 332,938 | 429,678 | 485,426 | - |
| INTANGIBLE ASSETS, NET | 1,809,664 | 1,946,051 | 2,207,244 | 2,319,547 | 2,457,300 |
| DEFERRED TAX ASSETS, NET | 1,125,574 | 900,743 | 895,887 | 734,542 | 672,656 |
| OTHER ASSETS | 1,358,976 | 1,289,712 | 1,050,198 | 916,774 | 1,090,219 |
| TOTAL ASSETS | 577,343,132 | 575,080,669 | 575,413,630 | 560,700,016 | 561,841,574 |
| DEPOSITS FROM THE CENTRAL BANK AND BANKS | 23,427,644 | 27,876,301 | 28,479,755 | 43,439,398 | 55,529,376 |
| FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | 1,008,165 | 441,337 | 790,298 | 533,582 | 793,272 |
| SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE | 180,156,757 | 187,952,616 | 181,165,826 | 159,553,385 | 151,446,900 |
| ACCOUNTS PAYABLES | 3,272,901 | 2,467,406 | 2,740,642 | 3,687,621 | 5,636,437 |
| CURRENT TAX LIABILITIES | 112,306 | 238,572 | 172,428 | 46,361 | 17,857 |
| DEPOSITS AND REMITTANCES | 293,164,986 | 259,379,425 | 267,719,672 | 265,731,824 | 261,803,321 |
| BANK DEBENTURES | 13,600,000 | 15,000,000 | 16,400,000 | 18,700,000 | 17,850,000 |
| OTHER FINANCIAL LIABILITIES | 5,156,808 | 20,580,832 | 18,102,763 | 12,909,259 | 15,034,414 |

| Item | | Year | The Last Five Years | | | | |
|--|---------------------|--------|---------------------|-------------|-------------|-------------|-------------|
| | | | 2022 | 2021 | 2020 | 2019 | 2018 |
| PROVISIONS | | | 1,872,637 | 2,076,334 | 2,102,012 | 1,915,054 | 1,869,428 |
| LEASE LIABILITIES | | | 432,826 | 350,370 | 444,659 | 498,832 | - |
| DEFERRED TAX LIABILITIES | | | 628,178 | 830,510 | 793,255 | 451,572 | 341,015 |
| OTHER LIABILITIES | | | 500,360 | 2,719,579 | 2,249,555 | 2,416,851 | 2,400,842 |
| TOTAL LIABILITIES | BEFORE DISTRIBUTION | | 523,333,568 | 519,913,282 | 521,160,865 | 509,883,739 | 512,722,862 |
| | AFTER DISTRIBUTION | Note 2 | | 520,859,927 | 521,833,819 | 510,976,442 | 512,734,389 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE BANKS | | | 37,722,239 | 36,380,906 | 35,555,895 | 33,259,203 | 31,989,128 |
| CAPITAL STOCK | BEFORE DISTRIBUTION | | 30,330,063 | 30,330,063 | 30,330,063 | 27,130,063 | 27,130,063 |
| | AFTER DISTRIBUTION | Note 2 | | 30,330,063 | 30,330,063 | 27,130,063 | 27,130,063 |
| CAPITAL SURPLUS | | | 13,652 | 6,734 | 5,966 | 9,750 | 8,503 |
| RETAINED EARNINGS | BEFORE DISTRIBUTION | | 10,455,863 | 6,567,892 | 5,200,426 | 6,186,867 | 5,010,543 |
| | AFTER DISTRIBUTION | Note 2 | | 5,621,647 | 4,527,472 | 5,094,164 | 4,999,016 |
| OTHER EQUITY | | | (3,050,502) | (485,479) | 57,744 | (67,477) | (159,981) |
| TREASURY STOCK | | | (16,837) | (38,304) | (38,304) | - | - |
| NON-CONTROLLING INTERESTS | | | 16,287,325 | 18,786,481 | 18,696,870 | 17,557,074 | 17,129,584 |
| TOTAL EQUITY | BEFORE DISTRIBUTION | | 54,009,564 | 55,167,387 | 54,252,765 | 50,816,277 | 49,118,712 |
| | AFTER DISTRIBUTION | Note 2 | | 54,220,742 | 53,579,811 | 49,723,574 | 49,107,185 |

Note 1: The fiscal years for which reports were CPA audited.

Note 2: The appropriation of earnings for 2022 has yet to be approved by 2023 general shareholders' meeting.

(2) Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ thousands; EPS in dollars

| Item \ Year | The Last Five Years | | | | |
|--|---------------------|-------------|-------------|-------------|-------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Interest revenue | 9,347,757 | 6,830,219 | 7,733,670 | 9,559,209 | 9,183,853 |
| Less: Interest expenses | 4,766,262 | 2,170,292 | 3,709,021 | 5,674,337 | 4,959,744 |
| Net interest | 4,581,495 | 4,659,927 | 4,024,649 | 3,884,872 | 4,224,109 |
| Net revenue other than interest | 7,539,324 | 4,654,885 | 4,031,842 | 4,427,079 | 3,597,804 |
| Total net revenue | 12,120,819 | 9,314,812 | 8,056,491 | 8,311,951 | 7,821,913 |
| Bad debt expenses and guarantee liability provisions (miscellaneous provision) | (608,103) | (553,924) | (599,286) | (1,002,491) | (547,214) |
| Total operating expenses | (4,895,490) | (4,521,920) | (4,357,908) | (4,597,225) | (4,604,221) |
| Profit (loss) from continuing operations before income tax | 6,617,226 | 4,238,968 | 3,099,297 | 2,712,235 | 2,670,478 |
| Income tax expenses | (808,871) | (1,034,348) | (785,791) | (681,601) | (730,948) |
| Profit (loss) from continuing operations | 5,808,355 | 3,204,620 | 2,313,506 | 2,030,634 | 1,939,530 |
| Net profit (loss) from discontinued operations | - | (4,697) | (12,577) | (4,033) | 2,823 |
| Net profit for the year | 5,808,355 | 3,199,923 | 2,300,929 | 2,026,601 | 1,942,353 |
| Other comprehensive income, net of income tax | (5,182,417) | (777,217) | 915,112 | 438,919 | (381,787) |
| Total comprehensive income | 625,938 | 2,422,706 | 3,216,041 | 2,465,520 | 1,560,566 |
| Net profit (loss) attributable to: Owners of the Bank | 5,034,471 | 1,840,842 | 1,147,403 | 1,100,433 | 954,659 |
| Net profit (loss) attributable to: Non-controlling interests | 773,884 | 1,359,081 | 1,153,526 | 926,168 | 987,694 |
| Total comprehensive income attributable to: Owners of the bank | 2,259,593 | 1,497,197 | 1,384,692 | 1,280,355 | 730,675 |
| Total comprehensive income attributable to: Non-controlling interests | (1,633,655) | 925,509 | 1,831,349 | 1,185,165 | 829,891 |
| Earnings per share | 1.80 | 0.63 | 0.41 | 0.45 | 0.40 |

Note: The fiscal years for which reports were CPA audited.

(3) Condensed Individual Balance Sheets

Unit: NT\$ thousands

| Item \ Year | The Last Five Years | | | | |
|--|---------------------|-------------|-------------|-------------|-------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| CASH AND CASH EQUIVALENTS, DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS | 21,253,673 | 16,067,776 | 20,693,345 | 21,821,456 | 25,354,849 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | 32,835,125 | 37,056,448 | 56,042,294 | 80,623,826 | 53,820,259 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME | 63,579,072 | 80,744,358 | 65,178,855 | 35,244,741 | 48,889,287 |
| INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST | 24,181,824 | - | - | - | 499,940 |
| RECEIVABLES, NET | 2,954,768 | 2,098,288 | 1,413,105 | 3,233,348 | 6,842,372 |
| CURRENT TAX ASSETS | 68,713 | 143,645 | 74,418 | 89,717 | 82,212 |
| DISCOUNTS AND LOANS, NET | 185,976,501 | 156,748,321 | 163,916,864 | 173,981,178 | 179,388,428 |
| INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD | 20,609,844 | 17,335,412 | 16,542,108 | 14,920,171 | 14,120,402 |
| OTHER FINANCIAL ASSETS, NET | 614,454 | 771,094 | 219,108 | 517,198 | 614,919 |
| PROPERTY AND EQUIPMENT, NET | 2,281,372 | 2,365,867 | 2,489,958 | 2,661,050 | 2,757,103 |
| RIGHT-OF-USE ASSETS, NET | 186,327 | 182,470 | 246,147 | 309,517 | - |
| INTANGIBLE ASSETS, NET | 636,363 | 853,597 | 1,084,891 | 1,163,114 | 1,274,262 |
| DEFERRED TAX ASSETS, NET | 388,985 | 422,953 | 367,617 | 288,087 | 164,392 |
| OTHER ASSETS | 387,305 | 273,322 | 584,938 | 399,430 | 531,695 |
| TOTAL ASSETS | 355,954,326 | 315,063,551 | 328,853,648 | 335,252,833 | 334,340,120 |
| DEPOSITS FROM THE CENTRAL BANK AND BANKS | 13,920,429 | 18,780,176 | 22,339,755 | 28,938,529 | 28,984,872 |
| FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | 785,585 | 316,245 | 637,659 | 519,880 | 780,811 |
| SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE | 8,285,988 | 895,966 | 1,439,016 | 2,863,548 | 4,400,442 |
| ACCOUNTS PAYABLES | 2,741,713 | 1,617,652 | 1,925,339 | 2,681,645 | 4,834,006 |
| CURRENT TAX LIABILITIES | 90,074 | 100,670 | 23,946 | 46,360 | - |
| DEPOSITS AND REMITTANCES | 274,503,978 | 238,194,464 | 246,420,823 | 243,645,080 | 240,461,299 |
| BANK DEBENTURES | 13,600,000 | 15,000,000 | 16,400,000 | 18,700,000 | 17,850,000 |
| OTHER FINANCIAL LIABILITIES | 2,870,224 | 2,314,610 | 2,848,008 | 3,468,649 | 4,321,291 |

| Item \ Year | | The Last Five Years | | | | |
|--------------------------|---------------------|---------------------|-------------|-------------|-------------|-------------|
| | | 2022 | 2021 | 2020 | 2019 | 2018 |
| PROVISIONS | | 354,875 | 509,495 | 512,847 | 370,856 | 328,048 |
| LEASE LIABILITIES | | 195,008 | 190,235 | 253,261 | 313,446 | - |
| DEFERRED TAX LIABILITIES | | 628,175 | 517,450 | 435,263 | 400,449 | 333,990 |
| OTHER LIABILITIES | | 256,038 | 245,682 | 61,836 | 45,188 | 56,233 |
| TOTAL LIABILITIES | BEFORE DISTRIBUTION | 318,232,087 | 278,682,645 | 293,297,753 | 301,993,630 | 302,350,992 |
| | AFTER DISTRIBUTION | Note 2 | 279,629,290 | 293,970,707 | 303,086,333 | 302,362,519 |
| CAPITAL STOCK | BEFORE DISTRIBUTION | 30,330,063 | 30,330,063 | 30,330,063 | 27,130,063 | 27,130,063 |
| | AFTER DISTRIBUTION | Note 2 | 30,330,063 | 30,330,063 | 27,130,063 | 27,130,063 |
| CAPITAL SURPLUS | | 13,652 | 6,734 | 5,966 | 9,750 | 8,503 |
| RETAINED EARNINGS | BEFORE DISTRIBUTION | 10,445,863 | 6,567,892 | 5,200,426 | 6,186,867 | 5,010,543 |
| | AFTER DISTRIBUTION | Note 2 | 5,621,247 | 4,527,472 | 5,094,164 | 4,999,016 |
| OTHER EQUITY | | (3,050,502) | (485,479) | 57,744 | (67,477) | (159,981) |
| TREASURY STOCK | | (16,837) | (38,304) | (38,304) | - | - |
| TOTAL EQUITY | BEFORE DISTRIBUTION | 37,722,239 | 36,380,906 | 35,555,895 | 33,259,203 | 31,989,128 |
| | AFTER DISTRIBUTION | Note 2 | 35,434,261 | 34,882,941 | 32,166,500 | 31,977,601 |

Note 1: The fiscal years for which reports were CPA audited.

Note 2: The appropriation of earnings for 2022 has yet to be approved by 2023 general shareholders' meeting.

(4) Condensed Individual Income Statement

Unit: NT\$ thousands; EPS in dollars

| Account | Year | The Last Five Years | | | | |
|---|----------------|---------------------|----------------|----------------|----------------|----------------|
| | | 2022 | 2021 | 2020 | 2019 | 2018 |
| Interest revenue | | 5,812,033 | 3,471,339 | 4,359,827 | 5,763,585 | 5,505,554 |
| Less: Interest expenses | | 3,044,145 | 1,261,044 | 2,445,244 | 3,806,134 | 3,324,033 |
| Net interest | | 2,767,888 | 2,210,295 | 1,914,583 | 1,957,451 | 2,181,521 |
| Net revenue other than interest | | 6,296,088 | 3,301,005 | 2,736,893 | 3,347,764 | 2,548,362 |
| Total net revenue | | 9,063,976 | 5,511,300 | 4,651,476 | 5,305,215 | 4,729,883 |
| Bad debt expenses and guarantee liability provisions | | (482,416) | (474,298) | (429,960) | (921,016) | (453,038) |
| Total operating expenses | | (3,339,734) | (3,021,932) | (2,985,225) | (3,174,107) | (3,150,159) |
| Profit (loss) from continuing operations before income tax | | 5,241,826 | 2,015,070 | 1,236,291 | 1,210,092 | 1,126,686 |
| Income tax expenses | | (207,355) | (174,228) | (88,888) | (109,659) | (172,027) |
| Profit (loss) from continuing operations | | 5,034,471 | 1,840,842 | 1,147,403 | 1,100,433 | 954,659 |
| Net profit for the year | | 5,034,471 | 1,840,842 | 1,147,403 | 1,100,433 | 954,659 |
| Other comprehensive income, net of income tax | | (2,774,878) | (343,645) | 237,289 | 179,922 | (223,984) |
| Total comprehensive income | | 2,259,593 | 1,497,197 | 1,384,692 | 1,280,355 | 730,675 |
| Net profit (loss) attributable to: Owners of the Bank | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| Net profit (loss) attributable to: Non-controlling interests | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| Total comprehensive income attributable to: Owners of the bank | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| Total comprehensive income attributable to: Non-controlling interests | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| Earnings per share | | 1.80 | 0.63 | 0.41 | 0.45 | 0.40 |

Note: The fiscal years for which reports were CPA audited.

(5) Auditors' Opinions from 2018 to 2022:

| Year | Accounting Firm | CPA | Audit Opinion |
|------|-------------------|----------------------------------|--------------------|
| 2022 | Deloitte & Touche | Lee, Kuan-Hao 、 Lin, Wang-Sheng | Unmodified Opinion |
| 2021 | Deloitte & Touche | Lee, Kuan-Hao 、 Lin, Wang-Sheng | Unmodified Opinion |
| 2020 | Deloitte & Touche | Chen, Yin-Chou 、 Lin, Wang-Sheng | Unmodified Opinion |
| 2019 | Deloitte & Touche | Chen, Yin-Chou 、 Lin, Wang-Sheng | Unmodified Opinion |
| 2018 | Deloitte & Touche | Yang, Cheng-Hsiu 、 Chen, Li-Chi | Unmodified Opinion |

2. Five-Year Financial Analysis

(1) Consolidated Financial Analysis

Unit: NT\$ thousands

| Analysis Item | | Year | The Last Five Years | | | | |
|--|---|------|---------------------|-----------|---------|---------|-----------|
| | | | 2022 | 2021 | 2020 | 2019 | 2018 |
| Operating Capacity | Loan to deposit Ratio (%) | | 70.78 | 67.62 | 69.55 | 74.14 | 76.50 |
| | NPL Ratio (%) | | 0.35 | 0.41 | 0.42 | 0.75 | 0.02 |
| | Ratio of interest payments against annual average deposit balance (%) | | 0.92 | 0.39 | 0.80 | 1.24 | 1.08 |
| | Ratio of interest revenues against annual average loan balance (%) | | 2.95 | 2.16 | 2.50 | 2.99 | 2.96 |
| | Total assets turnover rate (times) | | 0.02 | 0.02 | 0.01 | 0.01 | 0.01 |
| | Average revenue per employee (in NTD thousand) | | 7,790 | 6,285 | 5,472 | 5,571 | 5,365 |
| | Average earnings per employee (in NTD thousand) | | 3,733 | 2,159 | 1,563 | 1,358 | 1,332 |
| Profitability | Return on Tier 1 capital (%) | | 23.44 | 15.48 | 8.47 | 6.00 | 6.35 |
| | Return on assets (%) | | 1.01 | 0.56 | 0.41 | 0.36 | 0.35 |
| | Return on equity (%) | | 10.64 | 5.85 | 4.38 | 4.06 | 4.08 |
| | Net income ratio (%) | | 47.92 | 34.35 | 28.56 | 24.38 | 24.83 |
| | Earnings per share (in NT\$ dollars) | | 1.80 | 0.63 | 0.41 | 0.45 | 0.40 |
| Financial structure | Total liabilities to total assets ratio (%) | | 90.37 | 90.10 | 90.27 | 90.66 | 90.99 |
| | Total property and equipment to equities ratio (%) | | 4.45 | 4.61 | 4.93 | 5.62 | 6.01 |
| Growth rate | Growth rate of assets (%) | | 0.39 | (0.06) | 2.62 | (0.20) | 3.93 |
| | Growth rate of profitability (%) | | 56.28 | 37.18 | 13.98 | 1.30 | (4.39) |
| Cash Flow | Cash flow ratio (%) | | 2.77 | Note 8 | Note 8 | Note 8 | 6.69 |
| | Cash flow adequacy ratio (%) | | 132.38 | 173.44 | 203.93 | 55.65 | 202.32 |
| | Cash flow satisfied ratio (%) | | 204.45 | Note 8 | Note 8 | Note 8 | Note 8 |
| Liquidity reserves ratio (Individual) (%) | | | 46.54 | 46.81 | 46.39 | 45.89 | 45.61 |
| Total secured loans to related parties (Individual) | | | 883,911 | 2,835,864 | 769,742 | 836,242 | 1,012,134 |
| Ratio of total secured loans to related parties against total loans (Individual) (%) | | | 0.42 | 1.45 | 0.38 | 0.42 | 0.50 |
| Scale of Operations (Individual) | Market share of assets (%) | | 0.55 | 0.52 | 0.57 | 0.64 | 0.66 |
| | Market share of worth (%) | | 0.83 | 0.83 | 0.84 | 0.81 | 0.83 |
| | Market share of deposits (%) | | 0.56 | 0.52 | 0.58 | 0.64 | 0.66 |
| | Market share of loans (%) | | 0.52 | 0.47 | 0.54 | 0.61 | 0.66 |

Please explain the reasons for any changes in financial ratios in the past two years. (Analysis is not required if the changes were smaller than 20%)

1. Ratio of interest payments against annual average deposit balance: mainly due to the increase in deposits and interest rates, resulting in an increase in interest expenses.
2. Ratio of interest revenues against annual average loan balance: mainly due to the increase in the total amount of loans and the rise in interest rates, resulting in an increase in interest income.
3. Average revenue per employee: mainly due to the increase in the net income of this year compared with the previous year, the average revenue per employees increased compared with the previous year.
4. Average earnings per employee: Mainly due to the increase in net profit of this year compared with the previous year, the average profit of employees increased compared with the previous year.
5. Return on Tier 1 capital: mainly due to the increase in net profit before tax this year compared to the previous year, resulting in an increase in the rate of return on Type I capital compared to the previous year.
6. Return on assets: mainly due to the increase in net profit this year compared to the previous year, resulting in an increase in return on assets compared to the previous year.

7. Return on equity: mainly due to the increase in net profit in this year compared with the previous year, resulting in an increase in return on equity compared to the previous year.
8. Net income ratio: mainly due to the increase in net profit in this year compared with the previous year, resulting in an increase in net profit ratio compared with the previous year.
9. Earnings per share: Mainly due to the increase in net profit for this year compared with the previous year, resulting in an increase in earnings per share compared with the previous year.
10. Growth rate of assets: mainly due to the increase in loans this year, resulting in an increase in total assets compared with the previous year.
11. Growth rate of profitability: mainly due to the increase in pre-tax net profit this year compared with the previous year.
12. Cash flow ratio: mainly because the net cash flow of operating activities in the previous year was negative, but the net cash flow of operating activities in the current year is positive.
13. Cash flow adequacy ratio: mainly due to the decrease in net cash flow from operating activities in the last five years (2018-2022) compared to the previous period (2017-2021).
14. Cash flow satisfied ratio: mainly when the net cash flow of operating activities in the previous year was negative or the net cash flow of investment activities was positive, it will not be calculated, but the net cash flow of operating activities and net cash flow of investment activities in the current year are positive due to negative values.
15. Total secured loans to related parties: mainly due to the due repayment of the part of guaranteed credit of interested parties in this year, which caused the total balance of guaranteed credit of interested parties to decrease compared with the previous year.
16. Ratio of total secured loans to related parties against total loans: mainly because the total balance of guaranteed credit by interested parties in this year decreased but the total balance of credit increased compared with the previous year, so the total balance of guaranteed credit by interested parties accounted for the total balance of credit ratio decreased.

Note 1: The fiscal years for which reports were CPA audited.

Note 2: The following calculation formulas shall be listed at the end of this Table in the annual report:

1. Operating ability
 - (1) Ratio of loans to deposits = total loans / total deposits
 - (2) Non-performing loan ratio = (loans overdue + other overdue) / total loans
 - (3) Ratio of interest cost to annual average deposits = interest cost / annual average deposits
 - (4) Ratio of interest income to annual average loans outstanding = interest income / annual average loans outstanding
 - (5) Total assets turnover = net operating revenue / average of total assets
 - (6) Average operating revenue per employee (Note 6) = net operating revenue / number of employees
 - (7) Average profit per employee = after-tax income / total number of employees
2. Profitability
 - (1) Return on tier 1 capital = before-tax earnings or losses / Net Average Tier I Capital
 - (2) Return on assets = net income / average of total assets
 - (3) Return on equity = net income / average of total equity
 - (4) Ratio of net income = net income / total revenue
 - (5) Earnings per share = (net income – preferred stock dividend)/average weighted outstanding stock (Note 4)
3. Financial structure
 - (1) Ratio of liabilities to assets = liabilities / total assets
 - (2) Ratio of real estate & equipment to equity = real estate and equipment assets / equity
4. Growth rate
 - (1) Asset growth rate = (total assets of the year – total assets of previous year) / total assets of previous year
 - (2) Profit growth rate = (before-tax earnings or losses of the year – before-tax earnings or losses of previous year) / before-tax earnings or losses of previous year
5. Cash flow (Note 7)
 - (1) Ratio of cash flow = net cash flow from business activities / (call loans and overdrafts from banks + commercial paper payable + financial liabilities measured at fair value through profit or loss (fvtp) + bonds and bills sold under repurchase agreements + current portion of payables)
 - (2) Cash flow adequacy ratio = net cash flow from business activities for the past five years / (capital expenditures + cash dividends) for the past five years
 - (3) Cash flow satisfied ratio = net cash flow from business activities / net cash flow from investing activities
6. Liquidity reserves ratio = liquid assets stipulated by CBC / reserves appropriated for various types of deposits
7. Operating scale
 - (1) Market share of asset = total assets / total assets of the major financial institutions (Note 5)
 - (2) Market share of net worth = net worth / total net worth of the major financial institutions
 - (3) Market share of deposit = total deposits / total deposits of the major financial institutions
 - (4) Market share of loan = total loans / total loans of the major financial institutions

Note 3: Total liabilities are deducted from guarantee liability preparation and accidental loss provisions

Note 4: The calculation formula for the earnings per share of the preceding paragraph should pay particular attention to the following matters when measuring:

- (1) Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.
- (2) In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.
- (3) In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
- (4) If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax.
- (5) In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; if there is loss, then no adjustment need be made.

Note 5: Financial institutions capable of operating deposits and loans, including the local banks, branches of China's banks in Taiwan, branches of foreign banks in Taiwan, credit cooperatives, credit departments of agriculture and fishery associations.

Note 6: Revenue refers to the total of interest income and non-interest income.

Note 7: Give special attention to the following matters when carrying out cash flow analysis:

- (1) Net cash flow from operating activities means net cash in-flow amounts from operating activities listed in the statement of cash flows.
- (2) Capital expenditures means the amounts of cash out-flows for annual capital investment.
- (3) Cash dividend includes cash dividends from both common shares and preferred shares.

Note 8: If the net cash flow from operating activities is negative, it will not be calculated. Moreover, if the cash flow satisfied ratio's net cash flow from operating activities is negative or the net cash flow of investment activities is positive, it shall not be calculated.

Consolidated Capital Adequacy

Unit: NT\$ thousands

| Analysis Item | | | Year | The Last Five Years | | | | |
|---|----------------------------|---|---------------|---------------------|---------------|-------------|-------------|--|
| | | | 2022 (Note 3) | 2021 (Note 3) | 2020 (Note 3) | 2019 | 2018 | |
| Eligible Capital | Common Equity | | 27,276,219 | 27,505,405 | 26,668,441 | 43,690,516 | 42,039,566 | |
| | Other Tier 1 Capital | | 1,437,626 | 235,115 | 300,001 | 2,223,697 | 2,248,225 | |
| | Tier 2 Capital | | 3,979,520 | 2,194,638 | 2,843,868 | 7,492,885 | 7,639,991 | |
| | Eligible Capital | | 32,693,365 | 29,935,158 | 29,812,310 | 53,407,098 | 51,927,782 | |
| Amount of risk-weighted assets | Credit risk | Standard | 210,297,034 | 184,900,099 | 204,697,317 | 305,810,019 | 308,063,174 | |
| | | Internal ratings-based approach | - | - | - | - | - | |
| | | Asset securitization | - | - | - | - | - | |
| | Operational risk | Basic indicator approach | 9,922,725 | 9,483,113 | 9,020,363 | 9,966,550 | 9,260,225 | |
| | | Standard/ alternative standardized approach | - | - | - | - | - | |
| | | Advanced measurement approach | - | - | - | - | - | |
| | Market risk | Standard | 5,461,463 | 9,171,150 | 21,536,500 | 86,130,688 | 76,233,338 | |
| | | Internal models approach | - | - | - | - | - | |
| | Total risk-weighted assets | | 225,681,222 | 203,554,362 | 235,254,180 | 401,907,257 | 393,556,737 | |
| Capital adequacy ratio | | | 14.49% | 14.71% | 12.67% | 13.29% | 13.19% | |
| Ratio of Tier 1 capital to risk-weighted assets | | | 12.72% | 13.63% | 11.46% | 11.42% | 11.25% | |
| Ratio of common equity to risk-weighted assets | | | 12.09% | 13.51% | 11.34% | 10.87% | 10.68% | |
| Leverage ratio | | | 7.80% | 7.99% | 7.49% | 7.07% | 6.86% | |

Note 1: The fiscal years for which reports were CPA audited.

Note 2: The table shall disclose the calculation formula as follows:

- (1) Eligible Capital = Common Shares Equity Tier 1 + other tier 1 capital + tier 2 capital
- (2) Risk weighted assets = credit risk weighted assets + (capital requirement for operational risk + capital requirement for market risk) × 12.5
- (3) Capital adequacy ratio = Eligible Capital / amount of risk-weighted assets
- (4) Common Shares Equity Tier 1 risk based capital ratio = Common Shares Equity Tier 1 / amount of risk-weighted assets
- (5) Common stock based capital ratio = (Common Shares Equity Tier 1 + Other Tier 1 Capital) / amount of risk-weighted assets
- (6) Leverage ratio = Common Shares Equity Tier 1 + Other Tier 1 Capital / total risk exposure

Note 3: In accordance with Article 3 of Regulations Governing the Capital Adequacy and Capital Category of Banks, the items originally required for the calculation of the consolidated capital adequacy ratio are then changed to be deducted from the eligible capital from 2020.

(2) Individual Financial Analysis

Unit: NT\$ thousands

| Analysis item | | Year | The Last Five Years | | | | |
|---|---|------|---------------------|-----------|---------|---------|-----------|
| | | | 2022 | 2021 | 2020 | 2019 | 2018 |
| Operating Capacity | Loan to deposit Ratio (%) | | 68.81 | 66.81 | 67.42 | 72.42 | 75.71 |
| | NPL Ratio (%) | | 0.35 | 0.41 | 0.42 | 0.75 | 0.02 |
| | Ratio of interest payments against annual average deposit balance (%) | | 0.93 | 0.38 | 0.79 | 1.21 | 1.04 |
| | Ratio of interest revenues against annual average loan balance (%) | | 2.62 | 1.89 | 2.15 | 2.61 | 2.55 |
| | Total assets turnover rate (times) | | 0.03 | 0.02 | 0.01 | 0.02 | 0.02 |
| | Average revenue per employee (in NTD thousand) | | 8,724 | 5,939 | 4,917 | 5,486 | 5,152 |
| | Average earnings per employee (in NTD thousand) | | 4,845 | 1,984 | 1,213 | 1,138 | 1,040 |
| Profitability | Return on Tier 1 capital (%) | | 18.57 | 7.37 | 4.70 | 4.81 | 4.97 |
| | Return on assets (%) | | 1.50 | 0.57 | 0.35 | 0.33 | 0.30 |
| | Return on equity (%) | | 13.59 | 5.12 | 3.33 | 3.37 | 3.12 |
| | Net income ratio (%) | | 55.54 | 33.40 | 24.67 | 20.74 | 20.18 |
| | Earnings per share (in NTD) | | 1.80 | 0.63 | 0.41 | 0.45 | 0.40 |
| Financial structure | Total liabilities to total assets ratio (%) | | 89.34 | 88.34 | 89.08 | 90.02 | 90.38 |
| | Total property and equipment to equities ratio (%) | | 6.05 | 6.50 | 7.00 | 8.00 | 8.62 |
| Growth rate | Growth rate of assets (%) | | 12.98 | (4.19) | (1.91) | 0.27 | 13.33 |
| | Growth rate of profitability (%) | | 160.13 | 62.99 | 2.17 | 7.40 | (8.08) |
| Cash Flow | Cash flow ratio (%) | | 27.39 | Note 3 | Note 3 | Note 3 | 33.81 |
| | Cash flow adequacy ratio (%) | | 341.72 | 128.13 | 90.14 | 101.07 | 176.97 |
| | Cash flow satisfied ratio (%) | | Note 3 | Note 3 | Note 3 | Note 3 | 3,043.40 |
| Liquid reserves ratio (%) | | | 46.54 | 46.81 | 46.39 | 45.89 | 45.61 |
| Total secured loans to related parties (in NTD thousand) | | | 883,911 | 2,835,864 | 769,742 | 836,242 | 1,012,134 |
| Ratio of total secured loans to related parties against total loans (%) | | | 0.42 | 1.45 | 0.38 | 0.42 | 0.50 |
| Scale of Operations | Market share of assets (%) | | 0.55 | 0.52 | 0.57 | 0.64 | 0.66 |
| | Market share of worth (%) | | 0.83 | 0.83 | 0.84 | 0.81 | 0.83 |
| | Market share of deposits (%) | | 0.56 | 0.52 | 0.58 | 0.64 | 0.66 |
| | Market share of loans (%) | | 0.52 | 0.47 | 0.54 | 0.61 | 0.66 |

Please explain the reasons for any changes in financial ratios in the past two years. (Analysis is not required if the changes were smaller than 20%)

1. Ratio of interest payments against annual average deposit balance: mainly due to the increase in deposits and interest rates, resulting in an increase in interest expenses.
2. Ratio of interest revenues against annual average loan balance: mainly due to the increase in the total amount of loans and the rise in interest rates, resulting in an increase in interest income.
3. Total asset turnover rate: mainly due to the increase in net income this year compared to the previous year, resulting in an increase in the total asset turnover rate this year compared to the previous year.
4. Average revenue per employee: Mainly due to the increase in the net income of this year compared with the previous year, the average income of employees increased compared with the previous year.
5. Average earnings per employee: Mainly due to the increase in net profit of this year compared with the previous year, the average profit of employees increased compared with the previous year.

6. Return on Tier 1 capital: mainly due to the increase in net profit before tax this year compared to the previous year, resulting in an increase in the rate of return on Type I capital compared to the previous year.
7. Return on assets: mainly due to the increase in net profit in this year compared with the previous year, resulting in an increase in return on assets compared to the previous year.
8. Return on equity: mainly due to the increase in net profit in this year compared to the previous year, resulting in an increase in return on equity compared to the previous year.
9. Net income ratio: mainly due to the increase in net profit in this year compared with the previous year, resulting in an increase in the net profit ratio compared with the previous year.
10. Earnings per share: Mainly due to the increase in net profit for this year compared with the previous year, resulting in an increase in earnings per share compared with the previous year.
11. Growth rate of assets: mainly due to the increase in loans this year, resulting in an increase in total assets compared with the previous year.
12. Growth rate of profitability: mainly due to the increase in pre-tax net profit this year compared with the previous year.
13. Cash flow ratio: mainly because the net cash flow of operating activities in the previous year was negative, but the net cash flow of operating activities in the current year is positive.
14. Cash flow adequacy ratio: mainly due to the increase in the amount of net cash flow from operating activities in the last five years (107-111) compared with the previous period (106-110).
15. Total secured loans to related parties: mainly due to the due repayment of the part of guaranteed credit of interested parties in this year, which caused the total balance of guaranteed credit of interested parties to decrease compared with the previous year.
16. Ratio of total secured loans to related parties against total loans: mainly because the total balance of guaranteed credit by interested parties in this year decreased but the total balance of credit increased compared with the previous year, so the total balance of guaranteed credit by interested parties accounted for the total balance of credit ratio decreased.

Note 1: The fiscal years for which reports were CPA audited.

Note 2: Please refer to consolidated financial analysis for the calculation formulas for each item in the above Table.

Note 3: If the net cash flow from operating activities is negative, it will not be calculated. Moreover, if the cash flow satisfied ratio's net cash flow from operating activities is negative or the net cash flow of investment activities is positive, it shall not be calculated. Non-performing loan ratio is over than that of the previous year mainly to an increase in the amount of overdue loans.

Cash flow adequacy ratio is lower than that of the previous year mainly due to a decrease in cash flow from operating activities.

Individual Capital Adequacy

Unit: NT\$ thousands

| Analysis Item | | | Year | The Last Five Years | | | | |
|---|----------------------------|---|-------------|---------------------|-------------|-------------|-------------|--|
| | | | 2022 | 2021 | 2020 | 2019 | 2018 | |
| Eligible Capital | Common Equity | | 27,276,219 | 27,505,405 | 26,668,441 | 25,023,843 | 23,857,101 | |
| | Other Tier 1 Capital | | 1,437,626 | 235,115 | 300,001 | 639,356 | 750,999 | |
| | Tier 2 Capital | | 3,979,520 | 2,194,638 | 2,843,868 | 4,212,975 | 4,518,127 | |
| | Eligible Capital | | 32,693,365 | 29,935,158 | 29,812,310 | 29,876,174 | 29,126,227 | |
| Amount of risk- weighted assets | Credit risk | Standard | 210,297,034 | 184,900,099 | 204,697,317 | 188,883,844 | 196,614,687 | |
| | | Internal ratings-based approach | - | - | - | - | - | |
| | | Asset securitization | - | - | - | - | - | |
| | Operational risk | Basic indicator approach | 9,922,725 | 9,483,113 | 9,020,363 | 8,785,450 | 8,071,238 | |
| | | Standard/ alternative standardized approach | - | - | - | - | - | |
| | | Advanced measurement approach | - | - | - | - | - | |
| | Market risk | Standard | 5,461,463 | 9,171,150 | 21,536,500 | 15,774,738 | 8,099,200 | |
| | | Internal models approach | - | - | - | - | - | |
| | Total risk-weighted assets | | 225,681,222 | 203,554,362 | 235,254,180 | 213,444,032 | 212,785,125 | |
| Capital adequacy ratio | | | 14.49% | 14.71% | 12.67% | 14.00% | 13.69% | |
| Ratio of Tier 1 capital to risk-weighted assets | | | 12.72% | 13.63% | 11.46% | 12.02% | 11.56% | |
| Ratio of common equity to risk-weighted assets | | | 12.09% | 13.51% | 11.34% | 11.72% | 11.21% | |
| Leverage ratio | | | 7.8% | 7.99% | 7.49% | 7.31% | 7.16% | |

Note 1: The fiscal years for which reports were CPA audited.

Note 2: Please refer to consolidated capital adequacy for the calculation formulas for each item in the above Table.

3. Review Report of 2021 Financial Statements by the Audit Committee

O-Bank Co., Ltd.

Audit Committee Report

The Board of Directors has compiled and submitted the Bank's consolidated and parent balance sheets, income statements, statements of changes in shareholders' equity, and cash flow statements for 2022 audited by certified public accountants Kuan-Hao Lee and Wang-Sheng Lin of Deloitte & Touche, business report, and statement of distribution of earnings to the Audit Committee. After reviewing the abovementioned statements and reports and discussing with the CPAs, the Audit Committee has found them to meet the requirements of applicable laws and regulations. This report is hereby prepared and submitted in accordance with Articles 14-4 and 14-5 of the Securities and Exchange Act.

Hank H.K Lin

Convener of the Audit Committee

O-Bank Co., Ltd.

Date: March 16, 2023

4. Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report: Please refer to Appendix 1.

5. Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report: Please refer to Appendix 2.

6. Any Financial Distress Experienced by the Company or Its Affiliated Enterprises and Impact on the Company's Financial Status, in the Latest Year Up till the Publication Date of This Annual Report: None.

VII. Review of Financial Conditions, Operation Results, and Risk Management

1. Analysis of Financial Status

Unit: NT\$ thousands

| Item | Year | 2022 | 2021 | Difference | |
|---|------|--------------|--------------|--------------|------|
| | | | | Amount | % |
| CASH AND CASH EQUIVALENTS | | \$ 4,113,060 | \$ 3,801,811 | \$ 311,249 | 8 |
| DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS | | 17,140,613 | 12,265,965 | 4,874,648 | 40 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | 32,835,125 | 37,056,448 | (4,221,323) | (11) |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME | | 63,579,072 | 80,744,358 | (17,165,286) | (21) |
| DEBT INSTRUMENTS MEASURED AT AMORTIZED COST | | 24,181,824 | - | 24,181,824 | - |
| RECEIVABLES, NET | | 2,954,768 | 2,098,288 | 856,480 | 41 |
| CURRENT TAX ASSETS | | 68,713 | 143,645 | (74,932) | (52) |
| DISCOUNTS AND LOANS, NET | | 185,976,501 | 156,748,321 | 29,228,180 | 19 |
| INVESTMENTS MEASURED BY EQUITY METHOD | | 20,609,844 | 17,335,412 | 3,274,432 | 19 |
| OTHER FINANCIAL ASSETS, NET | | 614,454 | 771,094 | (156,640) | (20) |
| PROPERTY AND EQUIPMENT, NET | | 2,281,372 | 2,365,867 | (84,495) | (4) |
| RIGHT-OF-USE ASSETS, NET | | 186,327 | 182,470 | 3,857 | 2 |
| INTANGIBLE ASSETS, NET | | 636,363 | 853,597 | (217,234) | (25) |
| DEFERRED TAX ASSETS, NET | | 388,985 | 422,953 | (33,968) | (8) |
| OTHER ASSETS, NET | | 387,305 | 273,322 | 113,983 | 42 |
| TOTAL ASSETS | | 355,954,326 | 315,063,551 | 40,890,775 | 13 |
| DEPOSITS FROM THE CENTRAL BANK AND BANKS | | 13,920,429 | 18,780,176 | (4,859,747) | (26) |
| FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | | 785,585 | 316,245 | 469,340 | 148 |
| NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENT | | 8,285,988 | 895,966 | 7,390,022 | 825 |
| ACCOUNTS PAYABLE | | 2,741,713 | 1,617,652 | 1,124,061 | 69 |
| CURRENT TAX LIABILITIES | | 90,074 | 100,670 | (10,596) | (11) |
| DEPOSITS AND REMITTANCES | | 274,503,978 | 238,194,464 | 36,309,514 | 15 |
| BANK NOTES PAYABLE | | 13,600,000 | 15,000,000 | (1,400,000) | (9) |
| OTHER FINANCIAL LIABILITIES | | 2,870,224 | 2,314,610 | 555,614 | 24 |
| PROVISIONS | | 354,875 | 509,495 | (154,620) | (30) |
| LEASE LIABILITIES | | 195,008 | 190,235 | 4,773 | 3 |
| DEFERRED TAX LIABILITIES | | 628,175 | 517,450 | 110,725 | 21 |
| OTHER LIABILITIES | | 256,038 | 245,682 | 10,356 | 4 |
| TOTAL LIABILITIES | | 318,232,087 | 278,682,645 | 39,549,442 | 14 |
| CAPITAL STOCK | | 30,330,063 | 30,330,063 | - | - |
| CAPITAL SURPLUS | | 13,652 | 6,734 | 6,918 | 103 |
| RETAINED EARNINGS | | 10,445,863 | 6,567,892 | 3,877,971 | 59 |
| OTHER EQUITY | | (3,050,502) | (485,479) | (2,565,023) | 528 |
| TREASURY STOCK | | (16,837) | (38,304) | 21,467 | (56) |
| TOTAL EQUITY | | 37,722,239 | 36,380,906 | 1,341,333 | 4 |

Analysis of the changes:

1. Due from the central bank and call loans to banks are higher than those of the previous year mainly due to call loans to banks.
2. Financial assets at fair value through other comprehensive profit or loss are lower than those of the previous year mainly due to a decrease in investment in negotiable certificates of deposits.
3. Debt Instruments measured at amortized cost are higher than those of the previous year mainly due to an increase in new investment in government bonds, financial bonds, corporate bonds and negotiable certificates of deposits measured at amortized cost..
4. Receivables: The net is higher than that of the previous year mainly due to an increase in accounts receivable, investment delivery settlement and interest receivables..
5. Current tax assets are lower than those of the previous year mainly due to an decrease in income tax refund receivables
6. Other financial assets: The net is lower than that of the previous year mainly due to an decrease in other financial assets.
7. Intangible assets: the net is lower than that of the previous year mainly due to the amortization expenses recognized this year.
8. Other assets: The net is higher than that of the previous year mainly due to an increase in refundable deposits paid out as security.
9. Deposits from the central bank and banks are lower than the previous year mainly due to decrease in call loans to banks.
10. Financial liabilities at fair value through profit or loss are higher than those of the previous year mainly due to an increase in loss of the unrealized value of derivatives financial products. .
11. Accounts payable are higher than those of the previous year mainly due to an increase in bond transaction with repurchase agreement.
12. Account payables are higher than those of the previous year mainly due to an increase in interest payable.
13. Other financial liabilities are higher than those of the previous year mainly due to principal increase of structured commodities.
14. Provisions are lower than those of the previous year mainly due to an increase in warranty.
15. Deferred tax liabilities are higher than the previous year due to foreign exchange differences.
16. Capital surplus is higher than the previous year mainly due to the transfer of treasury stocks to employees.
17. Retained earnings are higher than those of the previous year mainly due to an increase in net incomes.
18. The decline in other equity mainly reflects a decrease in unrealized losses from financial assets.
19. Treasury stock is lower than the previous year due to the transfer of treasury stocks to employees.

2. Analysis of Financial Performance

Unit: NT\$ thousands

| Item | Year | 2022 | | 2021 | | Change Amount | Change Ratio(%) |
|--|------|-------------|--------------|------------|--------------|---------------|-----------------|
| | | Subtotal | Total | Subtotal | Total | | |
| Interest revenue | | | \$ 5,812,033 | | \$ 3,417,339 | \$2,340,694 | 67 |
| Less: Interest expenses | | | 3,044,145 | | 1,261,044 | 1,783,101 | 141 |
| Net interest revenue | | | 2,767,888 | | 2,210,295 | 557,593 | 25 |
| Non-interest revenue | | | | | | | |
| Net service fee revenue | | \$ 816,035 | | \$ 804,356 | | | |
| Gain (loss) on financial assets or liabilities measured at fair value through profit or loss | | 3,232,746 | | 135,585 | | | |
| Realized gains on financial assets at fair value through other comprehensive income | | 247,534 | | 269,977 | | | |
| Foreign exchange gain (loss), net | | (2,371,000) | | 598,310 | | | |
| Share of profit of associates and joint ventures accounted for using equity method | | 4,290,855 | | 1,415,994 | | | |
| Other net revenue other than interest income | | 79,918 | | 78,783 | | | |
| Net Non-interest revenue | | | 6,296,088 | | 3,301,005 | 2,995,083 | 91 |
| Net income | | | 9,063,976 | | 5,511,300 | 3,552,676 | 64 |
| Less: Bad debt expenses and guarantee liability provisions (miscellaneous provision) | | | 482,416 | | 474,298 | 8,118 | 2 |
| Operating expenses | | | | | | | |
| Employee welfare costs | | 1,920,746 | | 1,666,457 | | | |
| Depreciation and Amortization expenses | | 520,908 | | 525,492 | | | |
| Other general and administrative expenses | | 898,080 | | 829,983 | | | |
| Total operating expenses | | | 3,339,734 | | 3,021,932 | 317,802 | 11 |
| Less: Profit from continuing operations before income tax | | | 5,241,826 | | 2,015,070 | 3,226,756 | 160 |
| Less: Tax expense | | | 207,355 | | 174,228 | 33,127 | 19 |
| Profit | | | \$ 5,034,471 | | \$ 1,840,842 | \$ 3,193,629 | 173 |

Analysis of the changes:

1. Interest revenue is higher than that of the previous year mainly due to an increase in loans and the total amount extended and interest rate.
2. Interest expenses are higher than those of the previous year mainly due to an increase in deposit and interest rate.
3. Net non-interest revenue is higher than that of the previous year mainly due to an increase in earnings of associates and joint ventures accounted for using equity method.

3. Analysis of Cash Flow

(1) Analysis of Changes of Cash Flow in the Most Recent Year:

- A. Operating Activities: There was a NT\$7,870,904 thousand increase in the net cash inflow from operating activities from the previous year mainly due to a decrease in unrealized gains and losses on FVOCI, an increase in deposits and remittances,.
- B. Investing Activities: There was a NT\$94,165 thousand decrease in the net cash inflow from investing activities from the previous year mainly due to increase in refundable deposits.
- C. Financing Activities: There was a NT\$658,837 thousand decrease in the net cash outflow from financing activities from the previous year mainly due to , an increase in other financial debts, and decrease in repayment of appropriate loan fund.

(2) Improvement Plan of Insufficient Liquidity: Not Applicable.

(3) Analysis of Cash Flow for the Coming Year:

Unit: NT\$ thousands

| Amounts of cash and cash equivalents- beginning of period | Estimated annual net cash flows from (used in) operating activities | Projected net cash flow from investment and financing activities | Estimated fiscal deficit(surplus) of cash and cash equivalents | Remedy if cash and cash equivalents in deficit | |
|--|--|--|--|--|----------------|
| | | | | Investment plan | Financing plan |
| 12,278,061 | (288,973) | 852,586 | 12,841,674 | - | - |

4. Major Capital Expenditure Items and Effect on The Company's Future Business: Not Applicable.

5. Investment Policy, Main Causes of Profits or Losses, and Improvement and Investment Plans for the Coming Year

In keeping with the trends and changes across domestic and regional financial environments, the Bank adopts an investment strategy that centers on increasing earnings diversity and stability and striking a balance between risks and rewards for its investment portfolio. In line with the mainstream thinking of the financial services industry with regard to risk management, the Bank seeks to diversify its investments in domestic and foreign financial businesses to reduce the volatility of its investment portfolio. Currently, the Bank's domestic and foreign investment businesses cover securities finance, financial leasing, American commercial banks, Mainland China consumer finance, venture capital and venture capital management consultants, etc., providing diversified financial services for customers in various life cycles and regions.

For 2022, the Bank booked, under the equity method(without disposal of subsidiaries), from the businesses in which it holds stakes a combined profit of NT\$1.077 billion, which represents a 24% decrease from a year earlier. Of the Bank's invested companies, China Bills Finance Corp. saw its net profit contract 44% year-on-year to NT\$1.041 billion in 2022 due to a shrunk interest spread amid tighter liquidity in the wake of the Fed's rapid succession of rate hikes as well as the impact of capital market fluctuations on its bond portfolio. For its part, IBT Holdings Corp. (U.S.-based EverTrust Bank's holding company) managed a marginal 1% increase in net profit to NT\$320 million as higher interest income from rate hikes could barely offset the price war between rival banks and the softer property market's impact on lending momentum. Thanks to handsome rewards from our investment targets, the Bank's venture capital business scored net profit of NT\$133 million in 2022.

The leasing sector came under pressure as a number of negative factors undermined economies on both sides of the Taiwan Strait. Fallout from the escalating pandemic sapped Taiwan's economic strength; China's power curbs and pandemic restrictions both adversely affected SMEs operations. With credit risk still under reasonable control, however, our leasing business continued to grow. The Bank's subsidiary IBT Leasing Co., Ltd. built on its investment in and lending to solar energy ventures; IBT International Leasing Corp. also added an outlet in Xiamen to develop new customers and diversify risks. To accelerate expansion of our leasing business, IBT Leasing Co., Ltd. merged with Jih Sun International Leasing & Finance Co., Ltd. on December 1, 2022, thereby creating Infinite Finance Co., Ltd. As Taiwan's fourth-largest leasing company by assets, Infinite Finance is set to maximize the synergies thus created and build on the two's respective strengths in corporate leasing, trade finance, long-term vehicle rental, marketing of foreign suppliers, and green energy investment and lending. As an affiliated business defined under the equity method, Infinite Finance promises to further enhance the Bank's earnings capacity over time. In 2022, the Bank booked an investment profit of NT\$249 million from its leasing business: IBT Leasing Co., Ltd.'s net profit for the first 11 months of the year plus Infinite Finance's earnings contribution calculated under the equity method. Separately, Beijing Sunshine Consumer Finance Co., Ltd.—the Bank's joint venture with China Everbright Bank and China CYTS Tours Holding Co., Ltd.—became operational in August 2020. Business has grown steadily over the past couple of years. In 2022, it brought the Bank an investment profit of NT\$116 million calculated under the equity method, up 22% from a year earlier.

As the year 2023 unfolds, the Bank will retain a prudent approach toward investing against the prospect that the global economy is likely to head for a slowdown amid many uncertainties. In addition to bolstering asset quality and management efficiency, the Bank will proactively search for expansion opportunities and attain reasonable growth targets while staying on top of the latest changes in the economy and financial markets.

6. Risk Management

(1) Qualitative and Quantitative Information of Various Risks

A. Credit risk management system and required capital

2022 Credit Risk Management System

| Item | Content |
|--|---|
| 1. Credit risk strategy, goals, policy, and procedures | <ul style="list-style-type: none"> ■ Credit risk strategy <ol style="list-style-type: none"> 1. Create an independent credit risk management organization. 2. Adopt a clearly defined credit risk management policy and regulations. 3. Establish credit risk assessment, identification, and management systems. 4. Fully report and disclose the results of credit risk monitoring. 5. Adopt information system SOPs for control of credit-checking and lending as well as assigning of rating scores. ■ Credit risk goals <ol style="list-style-type: none"> 1. Minimize potential financial losses and attain an optimal ratio of risk to reward by drawing on an appropriate risk management strategy and policy as well as fitting procedures, comply with the principle of risk diversification to implement rigorous credit risk management. 2. Ensure compliance with applicable laws and regulations and group-wide risk management, in turn upholding credit standards and asset quality, by enforcing sound risk management mechanisms and control procedures, strengthening information integration and analysis, bolstering the effectiveness of early warnings, and carrying out lending management and monitoring without fail. ■ Credit risk management policy <ol style="list-style-type: none"> 1. In order to establish an effective risk management system, ensure the Bank's sound operation and development, and provide a basis for business risk management and implementation, the Bank has drafted a risk management policy in tandem with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries promulgated by the Financial Supervisory Commission. The Bank has also drafted a set of credit risk management guidelines to govern the management of credit risk and establish credit risk management mechanisms to ensure that credit risk is controlled within an acceptable range. With capital adequacy rigorously upheld, the Bank will continue to control the bank's credit risk and achieve operational and management goals. |

| Item | Content |
|--|--|
| | <p>2. The Bank has also drafted the Lending Policy to serve both as guidelines for credit checking and lending work and as implementation indicators. The content of this policy includes lending principles and credit asset portfolio management. At the same time, the Bank has also compiled credit extension handbooks that specify credit checking and lending procedures and related operating details, ensure that policies will be continuously and effectively implemented, maintain strict loan approval standards, and facilitate the control of credit risk, assessment of possible business opportunities, and identification and management of NPLs.</p> <p>■ Credit risk management procedures</p> <p>1. Risk identification Credit risk management starts with the identification of existing and potential risk, including all bankbook, blotter, and on- and off-balance sheet transactions. With the arrival of financial innovation and emergence of increasingly complex loan services, the Bank's responsible units must gain a full understanding of the credit risk of sophisticated services before engaging in any existing or new types of business. The Bank must also determine the probability that any breach of contract may occur when entering into a loan arrangement or transaction.</p> <p>2. Risk assessment (1) Establish a credit risk rating mechanism as a key tool for management of the Bank's asset portfolio. (2) Portfolio management is intended to achieve the following three goals: a. Establish and monitor the Bank's loan asset portfolio to ensure that risk is kept within an acceptable range. b. Impose concentration limits to prevent risk concentration, in turn attaining the goal of risk diversification. c. Achieve the objective of optimal earnings.</p> <p>3. Risk communication (1) Internal reporting: The risk management unit shall establish an appropriate credit risk reporting mechanism based on which to regularly provide upper management with correct, consistent, and real-time credit risk information, thereby ensuring that any instances in which limits are exceeded or exceptions occur are promptly reported and serving as reference for subsequent decision-making. Such reports may cover such items as asset quality, asset portfolio status, rating status, and all types of exceptions. (2) External disclosure: In accordance with capital adequacy requirements and the principle of market discipline, units responsible for credit risk shall provide self-assessment of the Bank's performance against quantitative and qualitative credit risk indicators as well as information regarding the Bank's credit risk management system and status in terms of required capital. They shall do so using the format and covering the items stipulated by the competent authority in the way and frequency it requires.</p> <p>4. Risk monitoring (1) The Bank shall establish a monitoring system to assess changes in credit risk of borrowers or transaction counterparties, which will facilitate the prompt discovery of problematic assets or transactions, while enabling the Bank to take action quickly, and respond to any possible breach of contract. (2) Apart from monitoring individual credit risks, the Bank shall also perform monitoring and management of its loan portfolio. (3) The Bank shall establish rigorous credit checking processes and lending regulations based on which to take into account lending factors worthy of consideration, perform post-lending management of new, renewed, and existing loans, and preserve credit checking and lending records. At the same time, the Bank monitors closely the proportions of various types of loans in its loan portfolio. (4) The Bank shall establish a limit management system to prevent excessive concentrations of credit risk, including country risk, industry risk, same-group risk, and same concerned party risk. (5) The Bank shall establish a security management system to ensure that security is managed effectively.</p> |
| 2. Credit risk management organization and structure | <p>■ Board of Directors: The Board of Directors is the Bank's highest supervisory body that is responsible for establishing an effective risk management mechanism, approving and reviewing the Bank's credit risk strategy and major credit risk policies, and setting down a bank-wide credit risk management organizational framework and major credit risk management regulations. The Bank's credit risk strategy should correspond to the degree of risk that the Bank can withstand and the profitability standards that the Bank expects to reach against all types of credit risk.</p> <p>■ Audit Committee:</p> <p>1. Members: The committee is composed of all of the Bank's independent directors, who shall total not fewer than three. One of them shall serve as convener, and at least one of them shall possess accounting or financial expertise.</p> <p>2. Chief duties: The committee is responsible for the adopted or revised internal control system; evaluating the effectiveness of the internal control system; determining or revising procedures for the handling of major financial business actions involving the acquisition or disposal of assets and the trading of derivatives; reviewing matters that involve directors as stakeholders; reviewing major asset and derivative transactions, major lending cases, endorsements, and provision of guarantees; reviewing issuance or private offerings of equity-type securities; reviewing CPA appointment/discharge or remuneration; reviewing the appointment and discharge of financial and accounting or internal audit managers; reviewing annual and semi-annual financial statements signed or sealed by the chairman, manager and accounting supervisor; and reviewing other major matters stipulated by the Bank or the competent authority.</p> |

| Item | Content |
|---|---|
| | <p>■ Risk Management Committee:</p> <ol style="list-style-type: none"> Members: The Chairman shall chair the Risk Management Committee, whose member shall include at least two directors equipped with professions in risk management or finance, and appointed by the Board of Directors. Also, the President, Head of Operation Management Division, Head of Legal & Compliance Division, Head of Business Strategy Division, Head of Risk Management Division, Head of Information Technology Division, Head of Financial Business Division, Head of Financial Market Division, and Head of Corporate Governance shall serve as the committee members. Chief duties: The committee is responsible for reviewing the Bank's risk management policies and regulations, annual risk appetite, quota, and risk management proposals and mechanisms that call for board approval, reviewing the risk management mechanism for new business applications, as well as overseeing and reviewing risk management measures concerning credit, market, and operational risk, liquidity, information security, AML, personal information, climate change, and emergencies, thereby bolstering the Bank's risk management regime and ensuring the effectiveness of its risk management procedures. <p>■ Loan Evaluation Subcommittee:</p> <ol style="list-style-type: none"> Members: The President shall serve as convener, and the managers of the lending and risk management departments shall serve as subcommittee members. The subcommittee shall meet once each week as a rule, and may hold an interim meeting when necessary. Chief duties: The committee is responsible for reviewing loan applications forwarded by the Corporate Credit Management Department and Retail Credit Management Department. After giving its approval, the committee shall still present such applications to the relevant supervisory body for deliberation. <p>■ Loan Assets Quality Assessment Meeting:</p> <ol style="list-style-type: none"> Members: The Head of Risk Management Division or Head of Corporate Credit Management Department shall serve as convener and chairman of the conference. Personnel from various relevant units shall attend meetings, and the President may attend when the situation warrants. Chief duties: The conference is responsible for assessing the current state of credit asset quality; determining and reviewing strategies and action plans; assessing losses that loan assets are likely to suffer; and reviewing the adequacy of NPL and guarantee liability provisions. If the conference decides to propose an increase in NPL and guarantee liability provisions, it shall first submit the proposal to the President for approval. <p>■ Risk Management Units: The Bank's risk management units include the Risk Management Department, Corporate Credit Management Department, and Retail Credit Management Department.</p> <ol style="list-style-type: none"> Risk Management Department: Charged with managing the Bank's credit, market, operating, and liquidity risk, the Risk Management Department is also responsible for supervising and keeping track of countermeasures taken by relevant units with regard to risk management decisions and assignments. Upon detection of any risk exposure that threatens to undermine the Bank's finances or business operations, it shall immediately take proper action and present a report in a timely manner. Corporate Credit Management Department: The Corporate Credit Management Department is responsible for identifying, assessing, monitoring, and managing corporate banking risk; drafting loan review standards; drafting and revising contracts and forms; and controlling and releasing loan contracts and collateral. Retail Credit Management Department: The Retail Credit Management Department is charged with the identification, evaluation, monitoring, domestic real estate appraisal work, and management of retail banking risk, appropriation of provisions, loss assessment, and post-lending management. |
| 3. Scope and characteristics of credit risk reporting and assessment system | <p>With regard to the credit risk inherent in all products and business activities and before introducing new products and launching into any new line of business, the Bank has in place appropriate risk measures and controls, which have secured approval of Risk Management Committee, Audit Committee, or the Board of Directors.</p> <p>Credit risk assessment and control procedures include credit checking, rating assignment, credit line control, post-lending management, and debt collection. Apart from implementing the foregoing operating procedures, risk management units also regularly present various types of credit risk and asset quality analysis reports as management indicators. In addition, the Bank actively controls risk from country, group, industry, same concerned party, and same affiliated enterprise, and regularly submits monitoring results to the Board of Directors so that it can keep track of the Bank's exposure to various types of risk.</p> <p>In order to understand the Bank's risk-bearing capacity and the impact on its capital adequacy in the event of changes in economic conditions and the financial environment, the Bank performs credit risk stress testing in accordance with the Financial Supervisory Commission's Plan for Domestic Banks' Conducting Stress Testing and Operating Guidelines for Banks' Credit Risk Stress Testing. The results not only serve as an important basis for credit risk management but also are used for reference in continuously adjusting the Bank's business development, lending policy, and credit assessment procedures.</p> |
| 4. Credit risk hedging or risk mitigation policy, and strategies and procedures for continuous validity of risk supervision, avoidance and mitigation tools | <p>The Bank mainly uses the following risk mitigation tools to reduce exposure to credit risk: (1) provision of security by transaction counterparties or third parties; (2) on-balance sheet netting, such as using the deposits of a transaction counterparty at its financing bank for the purpose; and (3) third-party guarantees.</p> <p>Although credit risk mitigation tools can reduce or transfer credit risk, the simultaneous use of such tools may increase other residual risks, including legal risk, operational risk, liquidity risk, and market risk. The Bank has adopted rigorous procedures to control these types of risk, including formulation of policies, drafting of operating procedures, implementation of credit review and appraisal, establishment of control systems, contract management, etc.</p> <p>The Bank has established security management policies and operating procedures, verified bank-wide security data, and built a security management system. In order to apply a comprehensive approach to risk mitigation, the Bank has completed collection and analysis of data needed for security offsetting, linked the credit checking and lending system with its security management system, and established a capital requirement calculation platform.</p> |
| 5. Method for meeting statutory capital requirement | Standardized approach |

Risk exposure and required capital after risk mitigation employing the standardized approach for credit risk

Base Date: March 31, 2023

Unit: NT\$ thousands

| Type of risk exposure | Risk exposure after risk mitigation | Required capital |
|--|-------------------------------------|------------------|
| Sovereigns | 61,118,340 | 0 |
| Non-central government public sector entities | 0 | 0 |
| Banks (including multilateral development banks and Qualifying Central Counterparty) | 29,564,168 | 826,327 |
| Corporates (including securities firms and insurance companies) | 99,042,034 | 6,963,810 |
| Retail portfolios | 26,638,633 | 1,868,797 |
| Exposure in real estate | 105,216,957 | 6,405,040 |
| Equity securities investment | 5,812,205 | 888,738 |
| Equity securities investment in funds and venture capital business | 876,022 | 167,757 |
| Other assets | 5,773,035 | 348,550 |
| Total | 334,041,394 | 17,469,019 |

B. Securitization risk management system, risk exposure, and required capital

2022 securitization risk management system

| Item | Content |
|--|---|
| 1. Securitization management strategy and procedures | The Bank's asset securitization management strategy focuses on increasing the efficiency of funds use and asset liquidity, and relies on adjustment of the asset/liability structure and shifting of asset risk. As a consequence, apart from carefully assessing its loan assets and analyzing risk exposure, the Bank also makes active use of asset securitization as a channel and tool to ensure that it does not assume excessive risk in the course of pursuing profitability. Each securitization case must be approved by management and reported to the Board of Directors for consent, and must also be approved by the competent authority before implementation. |
| 2. Securitization management organization and structure | In securitization cases for which the Bank serves as the originating entity, all loan assets in the asset pool must be reviewed and approved in advance by the Bank's operating and review units, and the credit status of target assets in the asset pool must be assessed and analyzed. The risk management unit bears responsibility for controlling and assessing relevant market risk. |
| 3. Scope and characteristics of securitization risk reporting and assessment system | Before issuance of securitized products, the Bank's relevant units will handle target assets in the asset pool in accordance with the Bank's general credit checking and lending procedures, screen asset quality, assess risk, and gradually establish a securitization system. After issuance, depending on the status of target assets in the asset pool, the Bank will regularly perform re-assessment and reveal asset quality in a timely fashion. With regard to holdings taken on in response to credit rating upgrade or subscriptions to newly issued securitized products, the Bank will continue to perform follow-up risk management, model assessment, asset portfolio limit monitoring, asset quality control, bookkeeping, and compilation of information. These steps are intended to prevent deterioration of asset quality and facilitate response measures, when needed, to safeguard the Bank's rights as creditor. |
| 4. Securitization hedging or risk mitigation policy, and strategies and procedures for continuous validity of risk supervision, avoidance and mitigation tools | The Bank trades securitized products only of the conventional type, and all hedging is geared toward shifting the primary credit risk of the asset pool to third parties and creating insulation on the legal front. With regard to required capital after issuance, the Bank makes it a point to attain a level not higher than that when no risk mitigation instruments are employed, thereby reducing risk and maintaining profitability. When it comes to monitoring the continued effectiveness of subsequent hedging and risk mitigation tools, the Bank considers it a fundamental requirement that relevant documents must possess binding power over all related parties as well as legal force. At the same time, the Bank will perform necessary review to ensure the continued existence of mandatory force in law. The Bank shall perform the foregoing procedures, including drafting of strategies and operating procedures, implementation of credit review and assessment, establishment of control systems, and contract termination risk management, in accordance with its internal rules, regulations, and business handbook requirements. |
| 5. Method for meeting statutory capital requirement | Standardized approach |

Status of the Asset Securitization:

The O-Bank Number One Real Estate Investment Trust (REITs) Fund, for which the Bank acts as lead arranger and trustee, was listed on the Taiwan Stock Exchange on June 21, 2018. The ninth REIT fund to go public in Taiwan, it marks the first instance of the local financial services industry launching into real estate securitization in nearly 11 years. The underlying assets of this NT\$3 billion fund include two types: office building and commercial complex, and the resolution of the beneficiary meeting on December 26, 2022 agreed that the management agency should be changed from Sinyi Global Asset Management Co., Ltd. to New Light International Co., Ltd. to help enhance management efficiency and the fund size.

Securitization risk exposure and required capital (by transaction type): None.

Information concerning securitized products:

(A) Summarized information on investing in securitized products: None.

(B) a. Information to be disclosed on investment in securitized products at an initial cost of NT\$300 million or more (not including holdings taken on by the Bank as originator for the purpose of credit enhancement): None.

b. Information to be disclosed on holdings taken on by the Bank as originator for the purpose of credit enhancement: None.

c. Information to be disclosed on the Bank acting as a purchasing organization or a settlement purchasing organization for credit-impaired assets: None.

(C) Information to be disclosed on the Bank acting as a guarantee institution or providing liquidity financing credit lines: None.

C. Operational risk management system and required capital

2022 Operational Risk Management System

| Item | Content |
|--|---|
| 1. Operational risk management strategy and procedures | <p>■ Operational risk management strategy</p> <ol style="list-style-type: none"> 1. The Bank has established a comprehensive risk management environment and has instilled operational risk management consciousness throughout personnel at all levels, including the Board of Directors, thereby enabling internalization of the Bank's risk management culture. 2. The Bank has established a risk management organization with clearly defined duties and powers in order to promote the implementation of bank-wide operational risk management. 3. In order to enhance the effectiveness of operational risk management, the Bank has drafted a clear operational risk management framework, implementation regulations, and guidelines complying with the competent authority's requirements. 4. The Bank implements independent and professional internal audits in order to check the effectiveness of operational risk management mechanisms. <p>■ Operational risk management procedures</p> <p>The Bank's operational risk management procedures include process cataloging, risk analysis, risk identification, risk assessment, risk monitoring, and risk reporting. Meanwhile, the Bank employs such management tools as risk control self-assessment (RCSA), loss data collection (LDC), key risk indicators (KRIs), and Clean Desk (CD).</p> |

| Item | Content |
|---|---|
| 2. Operational risk management organization and structure | <p>The Bank's operational risk management organization comprises the Board of Directors, Risk Management Committee, Risk Management Department, Auditing Division, and other units. Roles of the operational risk management and responsibilities of personnel at various levels are as follows:</p> <p>■ Board of Directors:</p> <ol style="list-style-type: none"> 1. Serving as the Bank's highest level of operational risk management decision-maker. 2. Ensuring the establishment of an appropriate risk management system and culture. 3. Approval of a bank-wide operational risk management framework and strategy, including operational risk policy, organization, and duties, and regular review of the aforesaid items. 4. Supervision of the functioning of operational risk management mechanisms to ensure their effectiveness. 5. Provision of clearly defined guidelines over the identification, assessment, communication, and supervision of operational risk. 6. Review of operational risk management reports and other risk-related information in order to gain an understanding of risk assumed by the Bank and ensure that internal resources are properly utilized and allocated. 7. Ensuring that the Bank's operational risk management framework has been subject to internal audits by independent, properly trained employees with the necessary skills. <p>■ Audit Committee:</p> <ol style="list-style-type: none"> 1. The committee is composed of all of the Bank's independent directors, who shall total not fewer than three. One of them shall serve as convener, and at least one of them shall possess accounting or financial expertise. 2. The committee is responsible for the adopted or revised internal control system; evaluating the effectiveness of the internal control system; determining or revising procedures for the handling of major financial business actions involving the acquisition or disposal of assets and the trading of derivatives; reviewing matters that involve directors as stakeholders; reviewing major asset and derivative transactions, major lending cases, endorsements, and provision of guarantees; reviewing issuance or private offerings of equity-type securities; reviewing CPA appointment/discharge or remuneration; reviewing the appointment and discharge of financial and accounting or internal audit managers; reviewing annual and semi-annual financial statements signed or sealed by the chairman, manager and accounting supervisor; and reviewing other major matters stipulated by the Bank or the competent authority. <p>■ Risk Management Committee:</p> <ol style="list-style-type: none"> 1. Review of the Bank's operational risk management policies and regulations, annual operational risk appetite, and proposals for operational risk management that call for Board approval. 2. Review of operational risk management mechanisms for applying for or launching new lines of business (self-started or out of strategic alliances). 3. Supervision of operational risk management. 4. Supervision of operational risk early warning, exception management, and countermeasures warranted. 5. Supervision of operational risk management at the Bank's U.S. operations. 6. Supervision of the setup of risk management mechanism of all departments and its implementation. 7. Review of the implementation of operational risk management. 8. Planning and drafting of operational risk management mechanisms in response to environmental, regulatory, or market changes. <p>■ Risk Management Department: This department is the Bank's second line of defense for controlling operational risk.</p> <ol style="list-style-type: none"> 1. Drafting of bank-wide operational risk management and control strategy, policy, and procedures. 2. Drafting of consistent operational risk identification, assessment, monitoring, and mitigation standards applicable throughout the Bank. 3. Implementation of the independent operational risk management framework and decisions approved by the Board of Directors, and establishment of a bank-wide operational risk management system. 4. Formulation of the powers and responsibilities of the Risk Management Department and of management at various levels, as well as their relationships in the Bank's chain of command. 5. Coordination and communication with various units about operational risk management matters, and continued supervision of their implementation performance. 6. Compilation of bank-wide operational risk information and, depending on the nature of such information, reporting it to the Board of Directors, the president, or the Head of Risk Management Division charged with supervising the department. 7. Implementation of operational risk training. |

| Item | Content |
|---|--|
| | <p>■ Other units:</p> <p>8. Act as the Bank's first line of defense for operational risk management, these relevant units are responsible for determining and managing regulations and handbooks concerning the operational risk of the business and matters under their management. Each unit must designate one person to serve as its operational risk manager, who is to collaborate with the Risk Management Department in performing first-line defense tasks in the control of operational risk associated with the business and matters under the unit's management.</p> <p>9. Comply with and implement the Bank's operational risk management regulations, actively monitor and control operational risk associated with their respective duties and operations, and report to the appropriate superior or unit in accordance with regulations.</p> <p>10. Identify operational risk within each unit, including its sources and contributing factors.</p> <p>11. Assess the frequency and severity of risk generated by each unit's operational processes on a regular basis; supervise and track efforts to address the inadequacy in terms of risk control.</p> <p>12. File regular reports on operational risk issues, including major operational risk exposure and losses as well as measures taken to improve risk control or operational processes.</p> <p>■ Auditing Division:</p> <p>In accordance with the Bank's Principles for Three Lines of Defense for Internal Control, act as the third line of defense and assess and verify the effectiveness of the Bank's risk management and internal control mechanisms.</p> |
| 3. Scope and characteristics of operational risk reporting and assessment system | The Bank employs risk control self-assessment (RCSA), loss data collection (LDC), key risk indicators (KRIs), and Clean Desk (CD) as operational risk assessment and monitoring tools. The results thus obtained are compiled as qualitative or quantitative risk information of the relevant organization and operations. In turn, the Risk Management Department presents independent analytical reports to the Board of Directors and upper management, while implementation results are relayed to relevant departments and senior managers for their reference in drafting policies and allocating resources, thereby ensuring that the Bank puts its capital to optimal use. |
| 4. Operational risk hedging or risk mitigation policy, and strategies and procedures for continuous validity of risk supervision, avoidance, and mitigation tools | <p>The Bank makes use of appropriate outsourcing and control of tasks as an operational risk mitigation policy. One of the outsourced tasks is cash transport.</p> <p>The Bank relies on appropriate insurance as a hedging strategy for addressing certain types of operational risk. For both outsourcing and insurance, the Bank always sets down clearly defined cooperative relationships and legal agreements, thereby ensuring the quality of such cooperation, service reliability, and effectiveness of risk shifting.</p> |
| 5. Method for meeting statutory capital requirement | <p>Basic indicator method (BIA)</p> <p>The Bank adopts the basic indicator method, spelled out in the An Explanation on Banks' Calculating Equity Capital and Risk-Weighted Assets—Calculating Operational Risk promulgated by the Financial Supervisory Commission, to calculate its operational risk charge. That is, the Bank shall hold capital for operational risk equal to the average over the previous three years of 15% of positive annual gross profit.</p> |

Required capital for operational risk

Base Date: Dec. 31, 2022

Unit: NT\$ thousands

| Year | Gross Profit | Required Capital |
|-------|--------------|------------------|
| 2020 | 4,532,243 | |
| 2021 | 5,436,625 | |
| 2022 | 5,907,487 | |
| Total | 15,876,355 | 793,818 |

D. Market risk management system and required capital

2022 market risk management system

| Item | Content |
|--|--|
| 1. Market risk management strategy and procedures | <ul style="list-style-type: none"> ■ market risk management strategy <ol style="list-style-type: none"> 1. The Bank takes a proactive stance toward rigorously managing market risk. 2. Transactions are one of the Bank's major earnings sources: money is made on accurately capturing swings in market risk factors (stock prices, exchange rates, and interest rates). The paramount principle is to earn reasonable rewards while keeping risk exposure under effective control. The Bank takes account of its own macroeconomic and industry analyses as well as those undertaken by peer institutions. Targets are determined after in-depth discussions among the President, trading departments, and the department charged with market risk management. Such targets reviewed by the Risk Management Committee, are submitted to the Board of Directors for approval. 3. In light of the risk attributes of various transactions, the Bank has in place clearly defined management regulations and risk management indicators that govern risk exposure limits, reporting of such limits being exceeded, and managerial personnel authorized for decision-making and countermeasures warranted under such circumstances. Priority is given to rigorous implementation in order to ensure that traders always adhere to trading discipline and that the Bank's market risk exposure is kept within a reasonable range. ■ Market risk management procedures <ol style="list-style-type: none"> 1. The planning of market risk transaction amounts for any given year is performed in conjunction with the compilation of business and financial budget targets. At the end of each year, trading departments submit their respective amount applications to the Risk Management Department's Market Risk Management Section. When reviewing such applications, the section also takes into account the Bank's overall budget limits and estimate of capital consumption under capital adequacy before moving on to propose bank-wide transaction quotas and an overall stop-loss threshold. These proposals are then submitted to the Risk Management Committee for review and the Board of Directors for approval. 2. Based on the aforesaid overall stop-loss threshold approved by the Board of Directors, the Risk Management Department's Market Risk Management Section goes on to draft monthly stop-loss limits for each product line, VaR limits, and MAT (management action trigger) limits. These, upon approval by the President, will serve as the basis for the Bank's market risk management. |
| 2. Market risk management organization and structure | <ul style="list-style-type: none"> ■ The Board of Directors is the Bank's highest supervisory body for market risk management: <ol style="list-style-type: none"> 1. When it comes to managing market risk inherent in various transactions, the bank-wide transaction quotas and overall loss threshold approved by the Board of Directors at the end of each year serve as the ultimate guidelines for market risk management. Based on the aforesaid overall stop-loss threshold for the coming year, the board authorizes the President to determine individual thresholds for various transactions by product. 2. The board also performs annual assessment to determine whether the Bank's performance in various transactions is consistent with preset business strategies and whether the assumed risk is within the Bank's tolerable range. In the event of a major abnormality in transactions or an instance of management by exception, review or retroactive approval of the board is warranted. ■ The Audit Committee is charged with the control of the Bank's existing or potential risks: <ol style="list-style-type: none"> 1. The committee is composed of all of the Bank's independent directors, who shall total not fewer than three. One of them shall serve as convener, and at least one of them shall possess accounting or financial expertise. 2. The committee is responsible for the adopted or revised internal control system; evaluating the effectiveness of the internal control system; determining or revising procedures for the handling of major financial business actions involving the acquisition or disposal of assets and the trading of derivatives; reviewing matters that involve directors as stakeholders; reviewing major asset and derivative transactions, major lending cases, endorsements, and provision of guarantees; reviewing issuance or private offerings of equity-type securities; reviewing CPA appointment/discharge or remuneration; reviewing the appointment and discharge of financial and accounting or internal audit managers; reviewing annual and semi-annual financial statements signed or sealed by the chairman, manager, and the accounting manager; and reviewing other major matters stipulated by the Bank or the competent authority. ■ The Risk Management Committee is a supervisory body responsible for setting market risk management guidelines and overseeing implementation of market risk management. <ol style="list-style-type: none"> 1. The Chairman shall chair the Risk Management Committee, whose member shall include at least two directors equipped with professions in risk management or finance, and appointed by the Board of Directors. The members shall also include the President, Head of Operation Management Division, Head of Legal & Compliance Division, Head of Business Strategy Division, Head of Risk Management Division, Head of Information Technology Division, Head of Financial Business Division, Head of Financial Market Division, and Head of Corporate Governance. 2. The committee shall gather relevant departments for risk management meetings to discuss and report issues with regard to risk management. In addition, the committee shall each year review market risk management guidelines and product quotas for transactions as well as the overall stop-loss threshold for the coming year that are to be proposed to the Board of Directors. ■ The Risk Management Department is the operating department responsible for implementing market risk management. In accordance with the Bank's organizational rules, the Market Risk Management Section of the Risk Management Department bears responsibility for performing market risk management tasks with regard to planning, statistics, reporting, and monitoring. |

| Item | Content |
|--|--|
| 3. Scope and characteristics of market risk reporting and assessment system | <p>An explanation is hereby given on the following three fronts—internal management regulations, framework of trading limits, and reporting procedures:</p> <ul style="list-style-type: none"> ■ Internal management regulations Based on the risk attributes of equities, interest rates, and exchange rates, the Bank has in place management regulations and guidelines that spell out risk management indicators and risk exposure limits, as well as the reporting, decision-making, and responding mechanisms in the event of over-limit events. ■ Framework of trading limits <ol style="list-style-type: none"> 1. To bolster the framework for managing market risk, the Risk Management Department takes into account the specific risk attributes of various products and sets VaR limits, MAT limits, 20-day average liquidity limits, and sensitivity limits (such as DV01, Delta etc.) that complement trading limits and stop-loss thresholds separately imposed on individual products. Upon approval of the President, the aforesaid complementary limits will serve as the basis for market risk management. 2. After the overall stop-loss threshold and quotas of product holdings for trading departments become effective upon approval of the Board of Directors, authorized the President to distribute among trading units, thereby authorizing the latter to set down their respective monthly loss limit. In turn, heads of trading departments shall conduct allocations among traders and report these to the Risk Management Department in writing as the basis for risk control. ■ Reporting procedures Against previously authorized trading limits, the Risk Management Department shall compile statistics on the risk exposure of trading departments and individual traders. In accordance with internal management regulations, it shall also submit risk reports, monitor over-limit events, and implement follow-up measures. |
| 4. Market risk hedging or risk mitigation policy; strategies and procedures for continuous validity of risk supervision, avoidance, and mitigation tools | <ul style="list-style-type: none"> ■ All of the Bank's trading departments put in place their respective limits on trading positions and loss thresholds as well as other control mechanisms. The Market Risk Management Division of Risk Management Department is responsible for managing such risk by monitoring and assessing risk exposure on a daily basis. ■ In terms of hedging transactions conducted for financial derivatives, the risk exposure and sensitivity of the said derivatives are taken into account in assessing the effectiveness of hedging. ■ The Bank regularly undergoes market risk sensitivity assessment and stress tests, the results of which are presented to the Risk Management Committee and Board of Directors. |
| 5. Method for meeting statutory capital requirement | Standardized approach |

Market risk required capital

Base Date: March 31, 2023
Unit: NT\$ thousands

| Risk Type | Required Capital |
|-------------------------------|------------------|
| Interest rate risk | 229,050 |
| Equity securities risk | 14,604 |
| Foreign Exchange rate risk | 195,757 |
| Product risk | 0 |
| Options (simplified approach) | 29,685 |
| Total | 469,096 |

E. Evaluation of liquidity risk includes a maturity analysis of assets and liabilities and an explanation of the methods adopted to manage asset liquidity and funds gap liquidity:

In terms of asset liquidity and funds gap liquidity management, the Bank has in place the Regulations on Managing Liquidity Risk and Interest Rate Risk, based on which various units are responsible for conducting cash flow control and compiling liquidity risk reports for submission to upper management on a regular basis. The Bank has also prepared a liquidity emergency plan to fill in any liquidity gap, reduce liquidity risk, and ensure smooth operations across the Bank.

Term Structure Analysis of New Taiwan Dollar-denominated Assets & Liabilities

Base Date: March 31, 2023

Unit: NT\$ thousands

| | Total | Amounts remaining during the period prior to the due date | | | | | |
|--------------------------------|--------------|---|-------------|--------------|--------------|-----------------|------------------|
| | | 0-10 days | 11-30 days | 31-90 days | 91-180 days | 181 days-1 year | More than 1 year |
| Major matured capital inflows | 289,136,501 | 58,168,766 | 27,036,807 | 39,595,386 | 18,430,227 | 21,809,899 | 124,095,416 |
| Major matured capital outflows | 340,878,453 | 24,001,457 | 30,250,561 | 79,408,488 | 80,927,777 | 47,707,871 | 78,582,299 |
| Capital gap | (51,741,952) | 34,167,309 | (3,213,754) | (39,813,102) | (62,497,550) | (25,897,972) | 45,513,117 |

Note: This table contains only Taiwan dollar (excluding foreign currency) amounts at the Bank's headquarters and domestic branches.

Term Structure Analysis of U.S. Dollar-denominated Assets & Liabilities

Base Date: March 31, 2023

Unit: US\$ thousands

| | Total | Amounts remaining during the period prior to the due date | | | | |
|--------------------------------|-----------|---|------------|-------------|-----------------|------------------|
| | | 0-30 days | 31-90 days | 91-180 days | 181 days-1 year | More than 1 year |
| Major matured capital inflows | 5,521,233 | 2,597,455 | 1,100,048 | 485,000 | 352,000 | 986,730 |
| Major matured capital outflows | 5,747,831 | 2,546,903 | 1,476,557 | 548,004 | 413,512 | 762,855 |
| Capital gap | (226,598) | 50,552 | (376,509) | (63,004) | (61,512) | 223,875 |

Note: 1. The table contains U.S. dollar amounts at the Bank as a whole.

There is no need for reporting off-book amounts (e.g. planned issuance of NCDs, bonds, or equities).

Note: 2. Where offshore assets account for 10% or more of the bank's total assets, disclosure of supplementary information is warranted. (Branch assets accounted for 14.63% of the Bank's total assets as of March 2023.)

【Disclosure of supplementary Information】

Term Structure Analysis of U.S. Dollar-denominated Assets & Liabilities Hong Kong Branch

Base Date: March 31, 2023

Unit: US\$ thousands

| | Total | Amounts remaining during the period prior to the due date | | | | |
|--------------------------------|-----------|---|------------|-------------|-----------------|--------------------|
| | | 0-30 days | 31-90 days | 91-180 days | 181 days-1 year | Longer than 1 year |
| Major matured capital inflows | 1,803,290 | 1,333,090 | 258,671 | 48,565 | 57,292 | 105,672 |
| Major matured capital outflows | 1,820,347 | 849,318 | 403,746 | 130,375 | 149,091 | 287,817 |
| Capital gap | (17,057) | 483,772 | (145,075) | (81,810) | (91,799) | (182,145) |

(2) Impact of major domestic and foreign policies and legal changes on the Bank's finances and operations as well as countermeasures

- January 26, 2022: Guidelines of the General Office of the China Banking and Insurance Regulatory Commission on the Digital Transformation of the Banking and Insurance Industry (Yin-bao-jian-ban-fa [2022] No. 2)
 1. The document was forwarded to relevant units at the Bank for their reference in business planning.
 2. It has yet to have any material impact on the Bank's finances or operations.
- February 21, 2022: The newly revised "Standards for Items to be Recorded in Bank Annual Reports" was promulgated ((Financial Supervisory Commission Act No. 11102703781).
 1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
 2. It has yet to have any material impact on the Bank's finances or operations.
- May 10, 2022: Notice by the China Banking and Insurance Regulatory Commission with regard to Regulating and Promoting the Development of Commercial Pension Financial Services (Yin Bao Jian Gui [2022] No. 8)

1. The document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank's finances or operations
- May 12, 2022: The newly revised "Principle for Financial Service Industries to Treat Clients Fairly" was promulgated ((Financial Supervisory Commission Order Jin-Guan-Yin-Kong-Zi No. 1110192104).
1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
2. It has yet to have any material impact on the Bank's finances or operations.
- June 2, 2022: Notice by the China Banking and Insurance Regulatory Commission with regard to Issuing Green Finance Guidelines for the Banking and Insurance Industry (Yin Bao Jian Fa [2022] No. 15).
1. The document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank's finances or operations
- July 15, 2022: Notice by the China Banking and Insurance Regulatory Commission with regard to Strengthening the Management of the Internet Loan Business of Commercial Banks and Improving the Quality and Efficiency of Financial Services (Yin Bao Jian Gui [2022] No. 14)
1. The document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank's finances or operations.
- October 13, 2022: The newly revised "Corporate Governance Best Practice Principles for Banks" was promulgated (National Federation of Bank Commercial Associations of the Republic of China No. 1111000808).
1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
2. It has yet to have any material impact on the Bank's finances or operations.
- November 8, 2022: "Regulations Governing the Establishment and Related Matters of Special Committees of Public Companies for Merger/Consolidation and Acquisition" (Jin Guan Zheng Fa Zi No. 1110384739).
1. The document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank's finances or operations.
- November 14, 2022: "Regulations on Application of Commercial Banks to Invest in Venture Capital Businesses and Management Consulting Businesses" (Jin Guan Yin Fa Zi No. 11102734501).
1. The document was forwarded to relevant units at the Bank and the subsidiaries for their reference in business planning.
2. It has yet to have any material impact on the Bank's finances or operations.
- November 25, 2022: The newly revised "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and "XXX Co., Ltd. Self-Regulatory Rules on Disclosure of Merger and Acquisition Information, Template Version" examples were promulgated (Taiwan Securities Shangyizi No. 1110023245 Announcement).
1. The document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank's finances or operations.
- December 26, 2022: The newly revised "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries " was promulgated (Central Bank order No. 11002730311110046573).
1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
2. It has yet to have any material impact on the Bank's finances or operations.

- January 19, 2023: Article 43-1, Item 1 of the Securities and Exchange Law “Guidelines for the Declaration System for Acquisition of Large Scale Equity Interests” (Taiwan Zhengjian Zi No. 1120001094)1. The document was forwarded to relevant units at the Bank for their reference in business planning.
- 2. It has yet to have any material impact on the Bank’s finances or operations.

(3) Impact of technological changes (including ICT security risks) and industrial changes on the Bank’s finances and operations as well as countermeasures

Technological development is stimulating rapid changes in the industry, and is accelerating the industry’s transformation. The industry’s future developmental focal point will be financial service innovation, and cooperation between the financial industry and partners in other industries will be a source of future business opportunities. The Bank has always striven to provide customers with the most superior service. When changing to a commercial bank to cross over into personal financial services, which has been a leading trend in the financial industry. In response to the extension of the transaction methods between customers and banks to digital platforms, the ratio of using digital channels is growing rapidly, and payment tools are constantly being introduced, thus the Bank has embraced new thinking about digital finance, adopted advanced technologies to take advantage of opportunities in online banking. The Bank has introduced services including the online opening of domestic and foreign currency deposit accounts, online application for credit loans, robot wealth management, and 24-hour video customer service. The Bank has also joined strategic partners to package revolving loans around B2B2C and scene payment services. A common ecosystem of digital brands is thus created to help the Bank further develop competitive, inclusive digital financial services.

On the other hand, ICT security is increasingly a risk management concern as fintech advances. Using emerging technologies can help to reduce the cost, improve the efficiency and promote the development of financial market, which raise potential risks such as information correctness and integrity, information security and privacy protection, and the security of outsourced vendors or suppliers’ services. In particular, outsourcing vendors and suppliers of software and hardware become the vulnerable points that hackers to look for the bug of information security protection as springboards to attack and then obtain customer information or confidential information for commercial blackmail, resulting in financial losses or damage of goodwill. The Bank’s operating system may be hacked and then system services, operating activities or service will be affected and interrupted, so the customer litigation, financial loss and litigation risks will be occurred.

In the future, the Bank is continuing to focus on the development of emerging financial technologies. Before implementing the emerging technologies, the Bank will set: (1) supplier management procedures, pre-outsourcing analysis planning, vendor selection process, contract signing, risk assessment and management, contract termination and service change and termination; (2) The supplier must ensure the delivery of the information system and service components without malicious programs and backdoors; (3) 24-hour monitoring, analysis of network traffic and identification of malicious program, detection and protection of unknown external malicious threats; (4) Emerging technologies and new types of security attack patterns will be continuously reviewed and revised of self-regulatory or operations. After controlling the security risks through the compliance, data protection and technology application, we provide the innovative financial services that are safe, simple, convenient and fun to the clients.

In addition, in order to monitor technological changes and reduce risk factors associated with abrupt changes in industry, the Bank conducts annual surveys and analysis of industry’s economic conditions and development trends, and, in order to control industries credit limit, has adopted a policy of dispersing risks connected with credit, deposits, and investment, etc. Meanwhile, in response to international sustainable finance and carbon reduction trends, continue to deepen green finance, and guide the sustainable development and low-carbon transformation of the industry. Furthermore, in conjunction with employee education and training, the Bank has striven to increase the depth and breadth of employees’ transformation concerning economic conditions and industry. At the same time, we are relying on regular double-checking, strengthened post-loan management, strict control of asset quality, and maintenance of risk control discipline to minimize the risk and improve overall banking financial stability.

(4) Impact of changes in the Bank's public image on its crisis management as well as countermeasures

After our transformation into a commercial bank, the Bank has drawn on multiple media exposure channels and taken advantage of social media for interacting with the public. To regulate social media applications and consolidate our external communication policy, the Bank has implemented a set of procedures for social media management. This is also meant to help the Bank better manage the appropriateness and risk of how we present messages and our brand name on emerging media. Likewise, a mechanism for managing public statements is put in place to ensure the accuracy, consistency, and appropriateness of the Bank's messages meant for the public. Authorized spokespersons are appointed to represent the Bank in relaying accurate information and upholding our public image. Meanwhile, the Public Relations Section under the Bank's Corporate Communications Department is responsible for helping uphold our brand image, facilitate effective communication, and track news coverage of the Bank and monitor our social media exposure on a daily basis. The objective is to stay up to date with media coverage and consumer perception, thereby upholding our reputation and image and minimizing the risk of their being undermined by misunderstanding or inappropriate information. Moreover, the Bank has established a well-rounded mechanism for interdepartmental coordination and communication to respond to various demands of stakeholders in no time.

(5) Expected benefits and potential risks of M&As as well as countermeasures

"Mergers and acquisitions" represent a pathway for corporate growth. Mergers and acquisitions can expand the magnitude and scope of corporate business, disperse operating risk, disperse markets, enlarge financial product lines, boost operating efficiency, and enhance overall competitiveness. As a consequence, the Bank cannot rule out possible M&A plans when opportunities present themselves, and may employ mergers and acquisitions to quickly boost its market status and competitiveness.

The Bank will consider the rights and interests of all stakeholders when implementing any possible future M&A plans, and will strive to cautiously assess possible cooperating partners that will benefit the Company's long-term development under the premise that no harm is done to employees, customers, and shareholder's equity. As of the date of printing of this annual report, the Bank had no concrete M&A plans.

(6) Expected benefits and potential risks of expansion of business outlets as well as countermeasures

After the Bank changed to a commercial bank, it has emphasized that development of its digital financial services, and its service development efforts have focused on virtual channels such as online and mobile banking. In turn, physical outlets are charged with the task of promoting the Bank's brand image and acting as a venue for excellent financial services. Expanding our business locations can increase our service coverage, expand our channels and customer base, and achieve the benefits of dispersing risk and training more professional manpower. Because the Bank currently has relatively few business locations, and because we must perform prudent cost-benefit analysis before establishing any new locations, which is necessary to ensure that all locations provide the greatest possible benefit, we are exposed to limited risk from the expansion of business locations.

| Possible risk | Explanation | Countermeasures |
|---|---|--|
| Personnel or asset losses | Impairment of material assets due to natural disasters or other incidents | Premises security maintenance, safeguarding, emergency response drills, property insurance |
| Business disruptions and system crashes | Losses caused by business disruptions and system crashes | Offsite system backup plan and simulation as well as business continuity plan and simulation |

Responding to the gradual relaxation of controls on cross-Strait finance, the Financial Supervisory Commission has issued regulations governing prior review, risk control, subsequent management and restrictions on total investment for domestic financial organizations establishing representative offices, branches, subsidiary banks, and equity participation in mainland China or the Hong Kong/Macau areas. The Bank will continue to take appropriate response and risk management measures in accordance with laws and regulations. The Bank established its first overseas branch in Hong Kong during April 2009, and subsequently established Tianjin representative office in April 2012. Looking ahead to the future, we will assess the feasibility of upgrading it as a

branch or subsidiary to help the group expand the Chinese market.

Separately, the Bank has invested vigorously to extend the O-Bank Group's reach into the financial services sphere and better serve customers keen to expand globally. As such, our 2007 acquisition of California-based EverTrust Bank helped the Bank make inroads into the ethnic Chinese market in the Greater Los Angeles Area and San Francisco. In 2020, the Bank teamed up with China Everbright Bank and China CYTS Tours Holding Co., Ltd. for a joint venture—Beijing Sunshine Consumer Finance Co., Ltd.—to meet China's consumer banking needs with digital innovation. In 2022, the Bank's subsidiary IBT Leasing Co., Ltd. merged with Jih Sun International Leasing & Finance Co., Ltd. The merged entity Infinite Finance Co., Ltd. will strive for accelerated expansion across the Taiwan Strait and a presence in Southeast Asia, thereby creating a regional leasing benchmark.

(7) Risks incurred by business concentration and countermeasures

Our change to a commercial bank in 2017 has allowed us to expand our customer base from corporations to individuals. On top of corporate banking, retail banking, financial trading, and securities trading, the Bank has made inroads into the bills sector and invested in leasing operations, a commercial bank in the U.S., a consumer banking venture in mainland China, venture capital and venture capital management consulting services. With a diverse business reach extending beyond Taiwan to Hong Kong, mainland China, and the U.S., the Bank has effectively brought down the risk of business concentration as all these businesses are on track to healthy growth.

(8) Effect upon and risk to the Bank associated with any change in managerial control, as well as countermeasures: None.

(9) Effect upon or risk to the Bank if a large quantity of shares held by a director, supervisor, or major shareholder with not less than a 1% stake are to be transferred or otherwise change hands, as well as countermeasures: There was no transfer of a large quantity of shares or other form of changing hands thereof by any of the Bank's directors and major shareholders. Changes in shareholdings on the part of some shareholders holding more than 1% stake had no impact on the Bank's operations.

(10) Litigious and non-litigious matters: None.

(11) Other major risks and countermeasures:

■ Information security risks

The Bank performs the following two assessment tasks with regard to information security risks:

1. Information asset risk assessment

We perform information asset risk assessment tasks every half-year. These assessments consider such factors as the value of information assets, weaknesses, threats, internal issues, external issues (including laws and regulations, major information security incidents, technological changes, and industry changes, etc.), and take the requirements of stakeholder groups into consideration, and seek to understand the risk entailed by such information assets, and facilitate the adoption of appropriate security control measures able to reduce information security risks.

In 2022 the assessment found no high risk or major operating risk matters.

2. Computer system information security assessment

In accordance with the "Regulations for the Information Security Assessment of Computer Systems by Financial Institutions," annual information security assessments are conducted by external information security institution. These assessments inspect and confirm various information security threats and weaknesses, and implement control measures addressing technological and management aspects in order to strengthen network and information system security ability. Assessment tasks include the following:

- (1) Inspection of information architecture: We inspect network architecture configuration, the adequacy of information equipment security management rules, the greatest impact and risk acceptance ability in the case of single-point malfunctions, and the ability to maintain operations, etc.
- (2) Inspection of network activity: We inspect network equipment and server access records and user rights, information security equipment monitoring records, and malicious Internet usage or abnormal DNS server queries, etc.
- (3) Testing of network equipment, servers, terminal equipment, and Internet of Things devices: We perform equipment vulnerability scans and patches, testing of whether malicious programs exist, and testing of the complexity of account numbers and passwords.
- (4) Testing of network equipment, servers, and Internet of Things devices, and connection with the Internet: We perform penetration testing, website vulnerability scans, and inspection of server directory and website access rights, and database security settings, etc.
- (5) Customer-end applications programs: We perform testing of applications programs given to customers.
- (6) Inspection of security settings: We inspect server password setting principles and account number determination principles, the adequacy of firewall settings, operating system and antivirus software updating settings and updating status, and key storage protection mechanisms and access, etc.
- (7) Compliance inspection: We inspect computer systems to determine whether they meet the competent authority's standards.
- (8) Social engineering drills: We implement annual e-mail social engineering drills involving all employees, and conduct social engineering attack awareness and training.

In 2022, the implementation results found no high risk or major operating risk matters.

7. Crisis management and response mechanisms

In order to strengthen the Bank's ability to respond to major crises and disasters, the Bank has drafted the "Major Accident Emergency Response and Recovery Plan Implementation Guidelines". These guidelines contain emergency response measures and notification and handling principles for natural or man-made disasters, major epidemics, information system crashes, personal data invasion accidents, and liquidity crises. We have also strengthened our disaster prevention simulations, drills, and testing. In the event of an accident or disaster, we hope to eliminate or reduce damage to the Bank as quickly as possible, maintain the normal functioning of our banking services, and ensure the customers' rights and interests. Furthermore, in 2018, we established an emergency response committee platform and drafted "Emergency Response Committee Organizational Guidelines". The president serves as the chairperson of the Emergency Response Committee, which is tasked with ensuring that the Bank can notify relevant personnel in real-time in the event of a major accident, and integrate interdepartmental crisis handling.

The Bank is proactive to effectively control operational risk by conducting simulations of various crisis scenarios. An unscheduled drill, for instance, is held each year on allocating funds to the Bank's Interbank Funds Transfer Guarantee Special Account to guard against a balance shortfall outside business hours, a scenario that will adversely affect customers and tarnish our image due to the resultant halt to interbank funds withdrawals and transfers. Separately, the Bank also conducts annual information and business continuity exercises to ascertain that our remote backup information systems and major business operations can run smoothly in the event of any disaster serious enough to disrupt operations of the Bank's headquarters and information building. In the remote backup exercise, the business and operation units are included in the actual business operation exercise to verify that the simulation mechanism can fully operate effectively at critical moments.

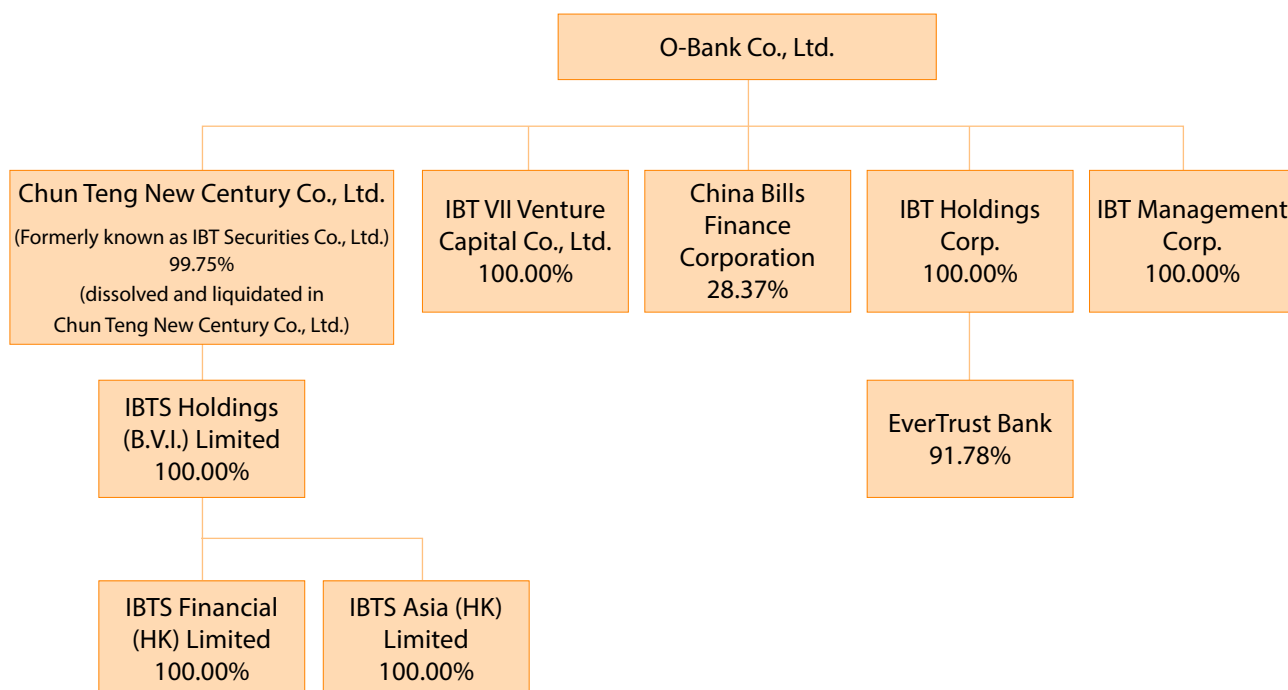
8. Other major items: None.

VIII. Special Disclosure

1. Summary of Affiliated Companies

(1) Organizational Chart

As of December 31, 2022



(2) Backgrounds of Affiliated Companies

As of December 31, 2022 Unit : NT\$thousands /US\$ thousands /HKD\$ thousands /RMB\$ thousands

| Name of Company | Established Date | Address | Paid in Capital | Main Business |
|---|------------------|---|-----------------|---|
| Chun Teng New Century Co., Ltd. (note2) | 1961.12.9 | 6F, No.99, Sec.2, Tiding Blvd., Neihsu Dist., Taipei City 114, Taiwan, R.O.C. | 382,906 | 1. Investment Business 2. Investment Consulting 3. Management Consulting 4. Other businesses not prohibited or restricted by law |
| IBTS Holdings (B.V.I.) Limited | 2003.3.14 | Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands | USD 3,831 | Holding Company |
| IBTS Financial (HK) Limited | 2003.5.26 | Suite 1310, Tower One, Lippo Centre, 89 Queensway, Hong Kong | USD 1,986 | Financing Consulting |
| IBTS Asia (HK) Limited | 2004.4.30 | Suite 1310, Tower One, Lippo Centre, 89 Queensway, Hong Kong | HKD 70,000 | 1. Securities Trading (Type1) 2. Provision of Consulting on Securities Trading (Type4) |
| IBT Management Corporation | 2000.7.31 | 8F, No.99, Sec.2, Tiding Blvd., Neihsu Dist., Taipei City 114, Taiwan, R.O.C. | 134,000 | 1. Investment Advisory Business 2. Business Management Advisory Business 3. Venture Capital Investment and Management Consulting Business |
| IBT VII Venture Capital Co., Ltd. | 2014.8.12 | 6F, No.99, Sec.2, Tiding Blvd., Neihsu Dist., Taipei City 114, Taiwan, R.O.C. | 650,000 | Venture Capital Business |
| China Bills Finance Corporation | 1978.10.19 | 4F, No.99, Sec.2, Tiding Blvd., Neihsu Dist., Taipei City 114, Taiwan, R.O.C. | 13,429,600 | 1. H102011 Bills Finance 2. H301011 Securities Brokerage |
| IBT Holdings Corp. | 2006.5.30 | 13191 Crossroads Pkwy N., Suite 505, City of Industry, CA 91746. | USD 110,209 | Financial Holding Company |

| Name of Company | Established Date | Address | Paid in Capital | Main Business |
|-----------------|------------------|--|-----------------|-----------------|
| EverTrust Bank | 83.9.19 | 13191 Crossroads Pkwy N., Suite 505, City of Industry, CA 91746 | USD 118,402 | Commercial Bank |

Note:1. Exchanging rate on reporting date as of Dec. 31, 2022: USD 30.7227 · HKD3.9397

2. Chun Teng New Century Co., Ltd. (Formerly known as IBT Securities Co., Ltd.) was dissolved and liquidated in November 2016.

(3) Common Shareholders among Controlling and Controlled Entities: Not applicable.

(4) Backgrounds of directors, supervisors and presidents of affiliated companies

As of December 31, 2022

Unit : Shares/%

| Name of Company | Title/Represented Institution | Name or Representative | Share Holding | |
|---|--|------------------------|---------------|--------|
| | | | No.of Shares | Ratio% |
| Chun Teng New Century Co., Ltd. (note1) | Supervisor : Chien, Chih-Ming. | | | |
| IBTS Holdings (B.V.I.) Limited | Directors : Chun Teng New Century Co., Ltd. | Yang, Becky | 3,831,428 | 100.00 |
| | Chun Teng New Century Co., Ltd. | Yen, Erica M.K. | 3,831,428 | 100.00 |
| IBTS Financial (HK) Limited | Directors : IBTS Holdings (B.V.I.) Limited | Yang, Ya Wen | 14,849,382 | 100.00 |
| | IBTS Holdings (B.V.I.) Limited | Yang, Han-Wei | 14,849,382 | 100.00 |
| IBTS Asia (HK) Limited | Directors : IBTS Holdings (B.V.I.) Limited | Hung, Hui Hsiu | 70,000,000 | 100.00 |
| | (B.V.I.) Limited | Yen, Erica M.K. | 70,000,000 | 100.00 |
| | IBTS Holdings (B.V.I.) Limited | Yang, Han-Wei | 70,000,000 | 100.00 |
| | President : Hung, Hui-Hsiu | | 0 | 0.00 |
| IBT Management Corporation | Juristic-person director : O-Bank Co., Ltd. | Yeh, Roy J.Y. | 13,400,000 | 100.00 |
| | O-Bank Co., Ltd. | Tang, Grace W.S. | 13,400,000 | 100.00 |
| | O-Bank Co., Ltd. | Chang, Sean W.H. | 13,400,000 | 100.00 |
| | O-Bank Co., Ltd. | Cheng, Wayne Y.W. | 13,400,000 | 100.00 |
| | Supervisor : O-Bank Co., Ltd. | Chao, Tillie C.L. | 13,400,000 | 100.00 |
| | O-Bank Co., Ltd. | Yeh, Roy J.Y. | 0 | 0.00 |
| | President : Tang, Grace W.S. | Tang, Grace W.S. | | |
| IBT VII Venture Capital Co., Ltd. | Juristic-person director : O-Bank Co., Ltd. | Chang, Sean W.H. | 65,000,000 | 100.00 |
| | O-Bank Co., Ltd. | Cheng, Wayne Y.W. | 65,000,000 | 100.00 |
| | O-Bank Co., Ltd. | Chao, Tillie C.L. | 65,000,000 | 100.00 |
| | O-Bank Co., Ltd. | | 65,000,000 | 100.00 |
| | O-Bank Co., Ltd. | | 65,000,000 | 100.00 |
| | Supervisor : O-Bank Co., Ltd. | | 65,000,000 | 100.00 |
| | O-Bank Co., Ltd. | | | |

| Name of Company | Title/Represented Institution | Name or Representative | Share Holding | |
|---------------------------------|--------------------------------|------------------------|---------------|--------|
| | | | No.of Shares | Ratio% |
| China Bills Finance Corporation | Juristic-person director : | | | |
| | O-Bank Co., Ltd. | Chang, David C.C. | 380,981,600 | 28.37 |
| | O-Bank Co., Ltd. | Wei, Jonathan C.H. | 380,981,600 | 28.37 |
| | O-Bank Co., Ltd. | Siew, Joy C.Y. | 380,981,600 | 28.37 |
| | O-Bank Co., Ltd. | Lo, Mona I-Ru | 380,981,600 | 28.37 |
| | Ming Shan Investment Co., Ltd. | Cheng, Si-Tsung | 1,509,600 | 0.11 |
| | Hezhu Investment Co., Ltd. | Peng, Tzu-Hou | 77,084,000 | 5.74 |
| | Hezhu Investment Co., Ltd. | Huang, Tang-Hsuan | 77,084,000 | 5.74 |
| | Hezhu Investment Co., Ltd. | | 77,084,000 | 5.74 |
| | Independent Directors : | | 0 | 0.00 |
| | Wu, Wayne Wen-Ya | | 0 | 0.00 |
| | Kuo, Chung-Ming | | 0 | 0.00 |
| | Lin, Horng-Dar | | 0 | 0.00 |
| | President : | | | |
| | Wei, Jonathan C.H. | | | |
| IBT Holdings Corp. (note 2) | Directors : | | | |
| | Jesse C.K. Kung | | 0 | 0.00 |
| | Tina Y. Lo | | 0 | 0.00 |
| | Charles Hsieh | | 0 | 0.00 |
| | President : | | | |
| EverTrust Bank (note 3) | Charles Hsieh | | 0 | 0.00 |
| | Directors : | | | |
| | Jesse C.K. Kung | | 0 | 0.00 |
| | Tina Y. Lo | | 0 | 0.00 |
| | Hsieh, Charles | | 0 | 0.00 |
| | Bloom, Steven N. | | 0 | 0.00 |
| | Ho, Joanna | | 0 | 0.00 |
| | Lee, Elton F.Y. | | 0 | 0.00 |
| | Ross, John Thomas | | 0 | 0.00 |
| | Chen, Steven Hsin-Chien | | 0 | 0.00 |
| | Wang & Wang, LLC | Daine Wang Hsu | 960,095 | 8.22 |
| | President : | | 0 | 0.00 |
| | Charles Hsieh | | 0 | 0.00 |
| | President : | | | |
| | Charles Hsieh | | | |

Note:1. Chun Teng New Century Co., Ltd. (Formerly known as IBT Securities Co., Ltd.) was dissolved and liquidated in November 2016.

2. Shareholding of O-BankCo., Ltd. to IBT Holdings Corp. : 10,869,286 shares ; at a holding ratio of 100% .

3. Shareholding of IBT Holdings Corp.to EverTrust Bank : 10,713,699 shares : at a holding ratio of 91.78%.

Unit : NT\$ thousands /US\$ thousands /HKD\$ thousands /RMB\$ thousands

2. Chun Teng New Century Co., Ltd. (Formerly known as IBT Securities Co., Ltd.) was dissolved and liquidated in November 2016.

O-Bank and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” as of and for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Company name: O-BANK

Chairman: Tina Y. C. Lo

Date: March 14, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank

Opinion

We have audited the accompanying consolidated financial statements of O-Bank (the “Bank”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

The descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2022 are as follows:

Allowance for Credit Losses of Loans

The Bank is engaged principally in providing loans to customers. The Bank's management performed loans impairment assessment in accordance with the requirements of International Financial Reporting Standard 9, "Financial Instruments". In addition, the allowance for credit losses of loans was calculated and classified in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" (referred to as "Banking Institutions Regulations Governing the Procedures for Bad Debt").

For details about the accounting policy on the allowance for credit losses, refer to Note 4 to the accompanying consolidated financial statements; for details about the critical accounting judgments, estimations, and assumptions of loan impairment, refer to Note 5 to the accompanying consolidated financial statements; and for details about the allowance for credit losses, refer to Note 14 to the accompanying consolidated financial statements.

The Bank shall assess the classification of credit-granting assets and recognize allowance for credit losses of loans in accordance with the "Banking Institutions Regulations Governing the Procedures for Bad Debt". As the assessment and recognition of loss allowance involve subjective judgments, critical estimations and assumptions of the management, we have included the assessment of allowance for credit losses of loans as a key audit matter.

The main audit procedures we performed in response to certain aspects of the key audit matters described above are as follows:

- We obtained an understanding and performed testing on the internal controls in respect of the Bank's loan impairment assessment.
- We examined that the classifications of loans were in accordance with the "Banking Institutions Regulations Governing the Procedures for Bad Debt". We also recalculated the amount of the allowance for credit losses on loans and checked whether the Bank meets the requirement of the regulation or not.

Assessment of Reserve for Losses on Guarantee Contracts

The reserves set aside for the guarantee liabilities of China Bills Finance Corporation are in accordance with both the International Financial Reporting Standard 9, "Financial Instruments", whereby the expected losses on guarantee obligations generated by financial guarantee contracts are assessed, and the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt" (referred to as the "Bills Finance Companies Regulations for Evaluating Bad Debt"), whereby the reserves for guarantee liabilities are classified and made.

For details about the accounting policy on the reserve for guarantee liabilities, refer to Note 4 to the accompanying consolidated financial statements; for details about the critical accounting judgments, estimations and assumptions of the reserve for guarantee liabilities, refer to Note 5 to the accompanying consolidated financial statements; and for details about the reserve for guarantee liabilities, refer to Note 14 to the accompanying consolidated financial statements.

China Bills Finance Corporation assesses reserve for guarantee contracts involves subjective judgments, critical estimations and assumptions of the management. The classification of credit-granting assets and recognition of the reserve for guarantee contracts in accordance with the “Bills Finance Companies Regulations for Evaluating Bad Debt” influence the amounts of the reserve for guarantee contracts. Thus, we consider the assessment of reserve losses on guarantee contracts as a key audit matter.

The main audit procedures we performed in response to certain aspects of the key audit matter described above are as follows:

- We understood the internal controls about the estimated impairment of reserve for losses on guarantee contracts and we tested the effectiveness of the operation of the controls.
- We reviewed the assessment schedule of reserve for losses on credit-granting assets, which the management of China Bills Finance Corporation used to assess the reserve. We checked the completeness of amount of credit-granting assets in the schedule and rationality of classifications. We recalculated the amounts of reserve for losses on guarantee contracts in the schedule and checked whether the reserve meets the requirements of the “Bills Finance Companies Regulations for Evaluating Bad Debt” or not.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Kuan-Hao Lee and Wang-Sheng Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2023

Notice to Readers

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

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

O-BANK AND SUBSIDIARIES

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

| | 2022 | | 2021 | |
|--|-----------------------|------------|-----------------------|------------|
| | Amount | % | Amount | % |
| ASSETS | | | | |
| CASH AND CASH EQUIVALENTS (Note 6) | \$ 6,414,978 | 1 | \$ 11,779,386 | 2 |
| DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7) | 17,785,790 | 3 | 12,981,310 | 2 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 44) | 144,850,687 | 25 | 151,899,447 | 27 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 44 and 48) | 155,223,551 | 27 | 191,156,680 | 33 |
| INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST (Notes 10, 44 and 48) | 25,665,306 | 5 | - | - |
| BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS (Note 11) | 3,951,999 | 1 | 5,364,108 | 1 |
| RECEIVABLES, NET (Notes 12 and 14) | 3,691,557 | 1 | 20,076,514 | 4 |
| CURRENT TAX ASSETS | 299,379 | - | 324,529 | - |
| DISCOUNTS AND LOANS, NET (Notes 13, 14, 42 and 43) | 204,312,972 | 35 | 172,727,589 | 30 |
| INVESTMENT ACCOUNTED FOR USING EQUITY METHOD, NET (Note 17) | 7,241,771 | 1 | 880,879 | - |
| OTHER FINANCIAL ASSETS (Notes 18 and 44) | 785,669 | - | 875,733 | - |
| PROPERTY AND EQUIPMENT, NET (Notes 19 and 45) | 2,405,135 | 1 | 2,545,050 | 1 |
| RIGHT-OF-USE ASSETS, NET (Note 20) | 420,124 | - | 332,938 | - |
| INTANGIBLE ASSETS, NET (Note 21) | 1,809,664 | - | 1,946,051 | - |
| DEFERRED TAX ASSETS (Note 40) | 1,125,574 | - | 900,743 | - |
| OTHER ASSETS (Notes 20 and 22) | 1,358,976 | - | 1,289,712 | - |
| TOTAL | \$ 577,343,132 | 100 | \$ 575,080,669 | 100 |
| LIABILITIES AND EQUITY | | | | |
| LIABILITIES | | | | |
| Deposits From the Central Bank and other banks (Note 23) | \$ 23,427,644 | 4 | \$ 27,876,301 | 5 |
| Financial liabilities at fair value through profit or loss (Note 8) | 1,008,165 | - | 441,337 | - |
| Bills and bonds sold under repurchase agreements (Note 24) | 180,156,757 | 31 | 187,952,616 | 33 |
| Payables (Note 25) | 3,272,901 | 1 | 2,467,406 | - |
| Current tax liabilities | 112,306 | - | 238,572 | - |
| Deposits and remittances (Notes 26 and 43) | 293,164,986 | 51 | 259,379,425 | 45 |
| Bank debentures payable (Note 27) | 13,600,000 | 3 | 15,000,000 | 3 |
| Other financial liabilities (Note 28) | 5,156,808 | 1 | 20,580,832 | 4 |
| Provisions (Notes 14, 29 and 30) | 1,872,637 | - | 2,076,334 | - |
| Lease liabilities (Note 20) | 432,826 | - | 350,370 | - |
| Deferred tax liabilities (Note 40) | 628,178 | - | 830,510 | - |
| Other liabilities (Note 31) | 500,360 | - | 2,719,579 | - |
| Total liabilities | 523,333,568 | 91 | 519,913,282 | 90 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK | | | | |
| Capital | | | | |
| Common stock | 27,339,923 | 5 | 27,330,063 | 5 |
| Preferred stock | 2,990,140 | - | 3,000,000 | 1 |
| Total capital | 30,330,063 | 5 | 30,330,063 | 6 |
| Capital surplus | 13,652 | - | 6,734 | - |
| Retained earnings | | | | |
| Legal reserve | 4,341,816 | 1 | 3,729,690 | 1 |
| Special reserve | 634,610 | - | 797,783 | - |
| Unappropriated earnings | 5,469,437 | 1 | 2,040,419 | - |
| Total retained earnings | 10,445,863 | 2 | 6,567,892 | 1 |
| Other equity | (3,050,502) | (1) | (485,479) | - |
| Treasury stock | (16,837) | - | (38,304) | - |
| Total equity attributable to owners of the Bank | 37,722,239 | 6 | 36,380,906 | 7 |
| NON-CONTROLLING INTERESTS | 16,287,325 | 3 | 18,786,481 | 3 |
| Total equity (Note 32) | 54,009,564 | 9 | 55,167,387 | 10 |
| TOTAL | \$ 577,343,132 | 100 | \$ 575,080,669 | 100 |

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

O-BANK AND SUBSIDIARIES

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

| | 2022 | | 2021 | | Percentage Increase (Decrease) |
|--|--------------------|-------------|--------------------|-------------|--------------------------------------|
| | Amount | % | Amount | % | % |
| INTEREST REVENUE (Notes 33 and 43) | \$ 9,347,757 | 77 | \$ 6,830,219 | 73 | 37 |
| INTEREST EXPENSE (Notes 33 and 43) | <u>(4,766,262)</u> | <u>(39)</u> | <u>(2,170,292)</u> | <u>(23)</u> | 120 |
| NET INTEREST | <u>4,581,495</u> | <u>38</u> | <u>4,659,927</u> | <u>50</u> | (2) |
| NET REVENUE OTHER THAN INTEREST REVENUE | | | | | |
| Service fee income, net (Notes 34 and 43) | 2,349,341 | 19 | 2,458,570 | 26 | (4) |
| Gains on financial assets or liabilities measured at fair value through profit or loss (Note 36) | 3,899,414 | 32 | 851,498 | 9 | 358 |
| Realized gains on financial assets at fair value through other comprehensive income (Note 37) | 153,972 | 1 | 410,622 | 5 | (63) |
| Foreign exchange gain (loss), net | (2,402,766) | (20) | 619,970 | 7 | (488) |
| Reversal of impairment loss on assets | 7,909 | - | 3,486 | - | 127 |
| Share of profit of associates accounted for using equity method (Notes 17 and 42) | 3,334,489 | 28 | 94,846 | 1 | 3,416 |
| Other net revenue other than interest (Note 43) | <u>196,965</u> | <u>2</u> | <u>215,893</u> | <u>2</u> | (9) |
| Total net revenue other than interest revenue | <u>7,539,324</u> | <u>62</u> | <u>4,654,885</u> | <u>50</u> | 62 |
| NET REVENUE | <u>12,120,819</u> | <u>100</u> | <u>9,314,812</u> | <u>100</u> | 30 |
| BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Note 14) | <u>(608,103)</u> | <u>(5)</u> | <u>(553,924)</u> | <u>(6)</u> | 10 (Continued) |

O-BANK AND SUBSIDIARIES

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

| | <u>2022</u> | | <u>2021</u> | | <u>Percentage Increase (Decrease)</u> |
|---|------------------|-----------|------------------|-----------|---|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> | <u>%</u> |
| OPERATING EXPENSES | | | | | |
| Employee benefits expenses (Notes 37 and 42) | \$ 2,986,679 | 25 | \$ 2,745,513 | 30 | 9 |
| Depreciation and amortization expenses (Note 38) | 623,209 | 5 | 637,957 | 7 | (2) |
| Other general and administrative expenses (Notes 39 and 42) | <u>1,285,602</u> | <u>10</u> | <u>1,138,450</u> | <u>12</u> | 13 |
| Total operating expenses | <u>4,895,490</u> | <u>40</u> | <u>4,521,920</u> | <u>49</u> | 8 |
| PROFIT FROM CONTINUING OPERATIONS BEFORE TAX | 6,617,226 | 55 | 4,238,968 | 45 | 56 |
| INCOME TAX EXPENSE (Note 40) | <u>808,871</u> | <u>7</u> | <u>1,034,348</u> | <u>11</u> | (22) |
| INCOME FROM CONTINUING OPERATIONS | 5,808,355 | 48 | 3,204,620 | 34 | 81 |
| LOSS FROM DISCONTINUED OPERATIONS (Note 15) | <u>-</u> | <u>-</u> | <u>(4,697)</u> | <u>-</u> | 100 |
| NET PROFIT FOR THE YEAR | <u>5,808,355</u> | <u>48</u> | <u>3,199,923</u> | <u>34</u> | 82 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | |
| Components of other comprehensive income (loss) that will not be reclassified to profit or loss: | | | | | |
| Gains (losses) on remeasurements of defined benefit plans (Note 30) | 55,366 | - | (3,166) | - | 1,849 |
| Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income | (929,852) | (8) | 814,893 | 9 | (214) |

(Continued)

O-BANK AND SUBSIDIARIES

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

| | 2022 | | 2021 | | Percentage Increase (Decrease) |
|--|---------------------|-------------|---------------------|-------------|--------------------------------------|
| | Amount | % | Amount | % | % |
| Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using equity method | \$ (19,864) | - | \$ - | - | - |
| Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 40) | <u>(6,693)</u> | <u>-</u> | <u>148</u> | <u>-</u> | (4,622) |
| Components of other comprehensive income (loss) that will not be reclassified to profit or loss, net of tax | <u>(901,043)</u> | <u>(8)</u> | <u>811,875</u> | <u>9</u> | (211) |
| Components of other comprehensive income (loss) that will be reclassified to profit or loss: | | | | | |
| Exchange differences on translation of financial statements of foreign operations | 1,284,555 | 11 | (296,477) | (3) | 533 |
| Losses from investments in debt instruments measured at fair value through other comprehensive income | (5,918,474) | (49) | (1,459,302) | (16) | 306 |
| Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 40) | <u>352,545</u> | <u>3</u> | <u>166,687</u> | <u>2</u> | 112 |
| Components of other comprehensive loss that will be reclassified to profit or loss, net of tax | <u>(4,281,374)</u> | <u>(35)</u> | <u>(1,589,092)</u> | <u>(17)</u> | 169 |
| Other comprehensive loss for the year, net of tax | <u>(5,182,417)</u> | <u>(43)</u> | <u>(777,217)</u> | <u>(8)</u> | 567 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 625,938</u> | <u>5</u> | <u>\$ 2,422,706</u> | <u>26</u> | (74) |
| NET PROFIT ATTRIBUTABLE TO: | | | | | |
| Owners of the Bank | \$ 5,034,471 | 42 | \$ 1,840,842 | 20 | 173 |
| Non-controlling interests | <u>773,884</u> | <u>6</u> | <u>1,359,081</u> | <u>14</u> | (43) |
| | <u>\$ 5,808,355</u> | <u>48</u> | <u>\$ 3,199,923</u> | <u>34</u> | 82 |

(Continued)

O-BANK AND SUBSIDIARIES

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

| | <u>2022</u> | | <u>2021</u> | | <u>Percentage Increase (Decrease)</u> |
|---|--------------------|-------------|---------------------|-----------|---|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> | <u>%</u> |
| TOTAL COMPREHENSIVE INCOME | | | | | |
| ATTRIBUTABLE TO: | | | | | |
| Owners of the Bank | \$ 2,259,593 | 19 | \$ 1,497,197 | 16 | 51 |
| Non-controlling interests | <u>(1,633,655)</u> | <u>(14)</u> | <u>925,509</u> | <u>10</u> | (277) |
| | <u>\$ 625,938</u> | <u>5</u> | <u>\$ 2,422,706</u> | <u>26</u> | (74) |
| EARNINGS PER SHARE (Note 41) | | | | | |
| From continuing and discontinued operations | | | | | |
| Basic | <u>\$1.80</u> | | <u>\$0.63</u> | | |
| Diluted | <u>\$1.62</u> | | <u>\$0.57</u> | | |
| From continuing operations | | | | | |
| Basic | <u>\$1.80</u> | | <u>\$0.63</u> | | |
| Diluted | <u>\$1.62</u> | | <u>\$0.57</u> | | |

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

(Concluded)

O-BANK AND SUBSIDIARIES

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

| | Equity Attributable to Owners of the Bank (Notes 9 and 32) | | | | | | | | | | Non-controlling Interests (Note 32) | Total Equity |
|--|--|--------------------------------|---------------|-----------------|---------------|-----------------|-------------------------|--------------|---|--|-------------------------------------|---------------|
| | Retained Earnings | | | | | Other Equity | | | | | | |
| | Common Stock | Capital Stock Preferred Stocks | Total | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Total | Exchange Differences on the Translation of Statements of Foreign Operations | Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income | | |
| BALANCE AT JANUARY 1, 2021 | \$ 27,330,063 | \$ 3,000,000 | \$ 30,330,063 | \$ 5,966 | \$ 3,697,811 | \$ 1,396,353 | \$ 106,262 | \$ 5,200,426 | \$ (697,554) | \$ 755,298 | \$ 35,555,895 | \$ 54,252,765 |
| Reversal of special reserve | - | - | - | - | - | (598,570) | 598,570 | - | - | - | - | - |
| Appropriation and distribution of 2020 earnings | - | - | - | - | - | - | (31,879) | - | - | - | - | - |
| Legal reserve | - | - | - | - | 31,879 | - | - | - | - | - | - | - |
| Cash dividends of common stock distributed by the Bank | - | - | - | - | - | - | (545,454) | (545,454) | - | - | (545,454) | (545,454) |
| Cash dividends of preferred stock distributed by the Bank | - | - | - | - | - | - | (127,500) | (127,500) | - | - | (127,500) | (127,500) |
| Changes in capital surplus from investments in subsidiaries accounted for using the equity method | - | - | - | 405 | - | - | - | - | - | - | 405 | 405 |
| Unclaimed dividends | - | - | - | 363 | - | - | - | - | - | - | 363 | 1,386 |
| Cash dividends distributed by subsidiary | - | - | - | - | - | - | - | - | - | - | - | (836,921) |
| Net profit for the year ended December 31, 2021 | - | - | - | - | - | - | 1,840,842 | 1,840,842 | - | - | 1,840,842 | 3,199,923 |
| Other comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | - | - | (2,594) | (2,594) | (248,511) | (92,538) | (343,645) | (777,217) |
| Total comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | - | - | 1,838,248 | 1,838,248 | (248,511) | (92,538) | 1,497,197 | 2,427,706 |
| Disposals of investment in equity instruments designated as at fair value through other comprehensive income | - | - | - | - | - | - | 202,172 | 202,172 | - | (202,172) | - | - |
| BALANCE AT DECEMBER 31, 2021 | 27,330,063 | 3,000,000 | 30,330,063 | 6,734 | 3,729,690 | 797,783 | 2,040,419 | 6,367,892 | (946,067) | 460,588 | 36,380,906 | 55,167,387 |
| Reversal of special reserve | - | - | - | - | - | (648,652) | 648,652 | - | - | - | - | - |
| Appropriation and distribution of 2021 earnings | - | - | - | - | - | - | (612,126) | - | - | - | - | - |
| Legal reserve | - | - | - | - | 612,126 | - | - | - | - | - | - | - |
| Special reserve | - | - | - | - | - | 485,479 | (485,479) | - | - | - | - | - |
| Cash dividends of common stock distributed by the Bank | - | - | - | - | - | - | (819,145) | (819,145) | - | - | (819,145) | (819,145) |
| Cash dividends of preferred stock distributed by the Bank | - | - | - | - | - | - | (127,500) | (127,500) | - | - | (127,500) | (127,500) |
| Changes in capital surplus from investments in subsidiaries accounted for using the equity method | - | - | - | 424 | - | - | - | - | - | - | 424 | 424 |
| Disengagement exercised | - | - | - | 10 | - | - | - | - | - | - | 10 | 10 |
| Unclaimed dividends | - | - | - | 616 | - | - | - | - | - | - | 616 | 1,688 |
| Cash dividends distributed by subsidiary | - | - | - | - | - | - | - | - | - | - | - | (865,780) |
| Net profit for the year ended December 31, 2022 | - | - | - | - | - | - | 5,034,471 | 5,034,471 | - | - | 5,034,471 | 5,808,355 |
| Other comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | - | - | 31,159 | 31,159 | 1,111,954 | (3,917,991) | (2,774,828) | (5,182,417) |
| Total comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | - | - | 5,065,630 | 5,065,630 | 1,111,954 | (3,917,991) | 2,259,643 | 628,938 |
| Common shares converted from convertible shares | - | (9,860) | - | - | - | - | - | - | - | - | - | - |
| Capital reduction of subsidiaries for cash received by non-controlling interest | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfer of treasury stock to employees under share-based payment arrangements | - | - | - | 5,868 | - | - | - | - | - | - | 27,335 | 27,335 |
| Disposals of investment in equity instruments designated as at fair value through other comprehensive income | - | - | - | - | - | - | (241,014) | (241,014) | - | 241,014 | - | - |
| BALANCE AT DECEMBER 31, 2022 | 27,339,923 | 2,990,140 | 30,330,063 | 13,652 | 4,341,816 | 634,610 | 5,469,437 | 10,445,863 | 165,882 | (3,216,389) | 37,773,239 | 54,009,564 |

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

O-BANK AND SUBSIDIARIES

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

| | 2022 | 2021 |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit from continuing operations before tax | \$ 6,617,226 | \$ 4,238,968 |
| Loss from discontinued operations before tax | - | (4,697) |
| Adjustments for: | | |
| Depreciation expense | 343,952 | 359,168 |
| Amortization expense | 279,257 | 281,967 |
| Expected credit losses/recognition of provisions | 600,194 | 550,438 |
| Share-based payment arrangements | 8,423 | - |
| Net gain on financial assets or liabilities at fair value through profit or loss | (3,899,414) | (862,473) |
| Interest expense | 4,766,262 | 2,170,292 |
| Interest revenue | (9,347,757) | (6,830,219) |
| Dividend income | (462,266) | (250,765) |
| Share of profit of associates accounted for using equity method | (3,334,489) | (94,846) |
| Loss (gain) on disposal of property and equipment | 4,710 | (231) |
| Loss (gain) on disposal of investments | 308,294 | (159,857) |
| Changes in operating assets and liabilities: | | |
| Due from the Central Bank and call loans to banks | 526,228 | 724,820 |
| Financial assets at fair value through profit or loss | 10,254,007 | 11,007,217 |
| Financial assets at fair value through other comprehensive income | 29,676,220 | (18,548,806) |
| Investment in debt instruments at amortized cost | (25,661,361) | - |
| Bills and bonds purchased under resell agreements | 1,412,109 | (631,226) |
| Receivables | (520,532) | (5,349,722) |
| Discounts and loans | (32,198,962) | 10,517,050 |
| Deposits from the Central Bank and other banks | (4,448,657) | (603,454) |
| Financial liabilities at fair value through profit or loss | 566,828 | (348,961) |
| Bills and bonds sold under repurchase agreements | (7,795,859) | 6,786,790 |
| Payables | (35,274) | (169,006) |
| Deposits and remittances | 33,785,561 | (8,340,247) |
| Provisions | 4,016 | (18,494) |
| Cash generated from (used in) operations | 1,448,716 | (5,576,294) |
| Interest received | 8,775,223 | 6,951,157 |
| Dividends received | 497,786 | 261,363 |
| Interest paid | (4,118,272) | (2,354,341) |
| Income taxes paid | (795,671) | (808,793) |
| Net cash flows generated from (used in) operating activities | 5,807,782 | (1,526,908) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of subsidiaries (Note 42) | (2,540,264) | - |
| Acquisition of property and equipment | (128,890) | (97,062) |
| Proceeds from disposal of property and equipment | 59,600 | 3,102 |
| Increase in refundable deposits | (99,334) | (197,383) |
| Acquisition of intangible assets | (50,212) | (35,324) |

(Continued)

O-BANK AND SUBSIDIARIES

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

| | 2022 | 2021 |
|--|----------------------|----------------------|
| Proceeds from disposal of intangible assets | \$ 34,276 | \$ - |
| Decrease in other financial assets | 90,905 | 536,523 |
| Increase in other assets | <u>(206,762)</u> | <u>(42,131)</u> |
| Net cash flows (used in) generated from investing activities | <u>(2,840,681)</u> | <u>167,725</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in short-term borrowings | 1,234,630 | 546,107 |
| Increase in commercial papers | - | 436,540 |
| Decrease in commercial papers | (2,976,269) | - |
| Proceeds from issuing bank debentures | 1,100,000 | 1,500,000 |
| Repayments of bank debentures | (2,500,000) | (2,900,000) |
| Proceeds from long-term borrowings | 6,113,689 | 6,700,165 |
| Repayments of long-term borrowings | (5,010,824) | (4,627,940) |
| Repayments of the principal portion of lease liabilities | (138,845) | (178,417) |
| Increase in other financial liabilities | 568,543 | - |
| Decrease in other financial liabilities | - | (533,398) |
| Increase in other liabilities | - | 470,024 |
| Decrease in other liabilities | (432,016) | - |
| Dividends paid to owners of the Bank | (946,645) | (672,954) |
| Transfer of treasury stock to employees | 18,912 | - |
| Dividends paid to non-controlling interests | <u>(865,780)</u> | <u>(836,921)</u> |
| Net cash flows used in financing activities | <u>(3,834,605)</u> | <u>(96,794)</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | <u>894,464</u> | <u>(251,471)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 26,960 | (1,707,448) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>15,198,196</u> | <u>16,905,644</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 15,225,156</u> | <u>\$ 15,198,196</u> |

(Continued)

O-BANK AND SUBSIDIARIES

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

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

| | December 31 | |
|--|----------------------|----------------------|
| | 2022 | 2021 |
| Cash and cash equivalents reported in the consolidated balance sheets | \$ 6,414,978 | \$ 11,779,386 |
| Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7 | 8,195,724 | 2,865,016 |
| Other items qualifying for cash and cash equivalents under the definition of IAS 7 | <u>614,454</u> | <u>553,794</u> |
| Cash and cash equivalents at the end of the year | <u>\$ 15,225,156</u> | <u>\$ 15,198,196</u> |

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

(Concluded)

O-BANK AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Industrial Bank of Taiwan started its preparation for incorporation on March 2, 1998, was authorized for incorporation by the Ministry of Finance on July 27, 1999, and began its business operations on September 2, 1999.

To be in coordination with the government's financial liberation policy and to increase the operating efficiency, on August 14, 2015, the Industrial Bank of Taiwan's board of directors approved of the application for a change of registration to a commercial bank and for a change of name to "O-Bank Co., Ltd." ("O-Bank" or the "Bank"). The Financial Supervisory Commission (the "FSC") accepted the application on December 15, 2016 and required the Bank to submit its proposed adjustment plan to comply with the Banking Act of the Republic of China. On January 1, 2017, the Banking Bureau approved and issued the operating license for the Bank to operate a commercial banking business. The Bank's name was changed from "Industrial Bank of Taiwan" to "O-Bank Co., Ltd." on January 1, 2017.

The Bank's operations include the following: (a) accepting various deposits; (b) issuing bank debentures; (c) providing loans, discounts, and acceptance business; (d) providing domestic and foreign exchange and guarantee business; (e) issuing letters of credit at home and abroad; (f) making receipts and payments by agents; (g) investing in and underwriting offering of securities; (h) dealing in bonds; (i) factoring; (j) providing financial advisory services to financing and non-financing business; (k) wealth management business; (l) providing personal insurance and property insurance agent business; (m) dealing with debit card business; (n) providing foreign exchange services for client's imports or exports, overseas remittances, foreign currency deposits, and foreign currency loans and guarantees; (o) overseeing trust business under the Trust Business Law and regulations; and (p) dealing in derivative financial instruments and participating in other operations authorized by the central authorities.

As of December 31, 2022, the Bank has eight main department-level units - Financial Business Department, Financial Market Department, Risk Control Department, Operation Management Department, Science and Technology Financial Department, Legal Affairs and Legal Compliance Department, Strategic Development Department, Audit Department. It also has Operating Segment, Neihu branch, Taoyuan branch, Hsinchu branch, Taichung branch and Kaohsiung branch. In addition, it has an Offshore Banking Unit, Hong Kong branch, and Tianjin representative office.

The Bank's stocks were listed on the Emerging Stock Market of the Taipei Exchange ("TPEX") starting in August 2004. The TWSE approved the Bank's application for listing on November 28, 2016 and transferred the listing from the TPEX to the TWSE on May 5, 2017.

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

As of December 31, 2022 and 2021, the Bank and its subsidiaries (the "Group") had 1,374 and 1,545 employees, respectively.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 14, 2023.

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

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

Initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

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

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

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

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

The Group assessed the application of the above standards would not have any material impact on the Group’s financial position and financial performance. As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|--|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined by IASB |
| Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback” | January 1, 2024 (Note 2) |
| IFRS 17 “Insurance Contracts” | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |

(Continued)

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|---|--|
| Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information” | January 1, 2023 |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2024 |
| Amendments to IAS 1 “Non-current Liabilities with Covenants” | January 1, 2024 |

(Concluded)

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and IFRSs endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values and the net defined benefit liabilities (assets) recognized at the fair value of the assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the banking industry could not be clearly identified, accounts included in the consolidated financial statements of the Group were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Refer to Note 48 for the maturity analysis of liabilities.

Basis of Consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. 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. The total comprehensive income of subsidiaries shall be attributed to the owners of the Bank and to the non-controlling interests, even if the balance becomes negative or loss is incurred.

Refer to Note 16, Table 3 and Table 4 for the list of main business activities and ownership percentages of subsidiaries.

Foreign Currencies

In preparing the Group's consolidated financial statements, transactions in currencies other than the Group's functional currency (i.e. foreign currencies) are recognized at the amount in original currency.

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Bank (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Bank) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Investments in Associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. Significant influence refers to the power to participate in the financial and operating policy decisions of the investee but does not control or joint control such policies.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Bank's share of the equity of associates and joint ventures.

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

When the Group subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

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

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Bank continues to apply the equity method and does not remeasure the retained interest.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's financial statements only to the extent of interests in the associate that are not related to the Bank.

Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a. Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the investment in debt instruments at FVTOCI criteria.

Financial assets are designated as FVTPL in the original recognition. If it can eliminate or significantly reduce the measurement or recognition inconsistency.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 47.

2) Financial assets at amortized cost

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

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, and trade receivables are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- a) Purchased or originated credit impaired financial asset, for which interest revenue is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- b) Financial assets that are not initially credit impaired or not credit impaired when purchased but subsequently become credit impaired, for which the interest revenue is calculated by applying the effective interest rate to the amortized cost of such financial assets.

A financial asset is credit impaired when one or more of the following events have occurred:

- a) Significant financial difficulty of the issuer or the borrower;
- b) Breach of contract, such as a default;
- c) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- d) The disappearance of an active market for that financial asset because of financial difficulties.

3) Investments in debt instruments at FVTOCI

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

- a) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- b) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest revenue calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

4) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is a contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including discounts and loans and receivables), investments in debt instruments that are measured at FVTOCI, lease receivables.

The Group's policy is to always recognize lifetime expected credit losses (ECLs) on trade receivables and lease receivables. For all other financial instruments, the Group will recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group will measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the group):

- 1) Internal or external information show that the debtor is unlikely to pay its creditors.
- 2) When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

Under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” issued by the FSC, the Bank should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as noteworthy, substandard, having highly doubtful collectability and uncollectable, on the basis of the customers’ financial position, a valuation of the respective collateral and the length of time in which the principal repayments or interest payments have become overdue.

The Bank made minimum provisions of 1%, 2%, 10%, 50% and 100% for credit assets deemed to be uncollectable, to have highly doubtful collectability, to be substandard, to be noteworthy and to have sound credit (excluding assets that represent claims against an ROC government agency), respectively.

Furthermore, the Bank should make at least 1.5% provisions each for sound credit assets in Mainland China (pertaining to short-term advance for trade finance) and loans for house purchases, renovations and constructions, respectively.

In addition to valuating impairment loss of receivables and recognizing allowance or bad debts under IFRS 9, China Bills Finance Corporation (CBF) will evaluate impairment loss, under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt” issued by the authorities and the CBF’s provision procedures, and recognize the higher of allowance of and debts between the above regulations expect.

The Group shall determine the unrecoverable claims and write them off after reporting them to the Board for approval.

c. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

Equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

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

Financial liabilities

a. Subsequent measurement

Except for the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

1) Financial liabilities at FVTPL

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

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

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

Financial liabilities at FVTPL, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item. For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss. The fair value is determined in the manner described in Note 47.

2) Financial guarantee contracts

Financial guarantee contracts issued by the Group are subsequently measured at the higher of:

- a) The amount of the loss allowance determined in accordance with IFRS 9; and
- b) The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with IFRS 15.

Besides subsequently measuring financial guarantee contracts at the higher of the abovementioned amounts as IFRS assessment result, assessment is also performed under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” and “Regulation Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt” as regulatory assessment result. The higher adequacy provision between above IFRS and regulatory assessment results is recognized.

Financial guarantee contracts issued by the Group, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit losses; and the amount initially recognized less the cumulative amortization.

b. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, are cancelled or expire. The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

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

Derivatives embedded in hybrid contracts that contain financial asset hosts that are within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

Modification of financial instruments

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the Group elects to apply the practical expedient in which the changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis. When multiple changes are made to a financial asset or a financial liability, the Group first applies the practical expedient to those changes required by interest rate benchmark reform, and then applies the requirements of modification of financial instruments to the other changes that cannot apply the practical expedient.

Non-performing Loans

Under the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans issued by the FSC, loans and other credits (including accrued interests) that remain unpaid as they fall due are transferred to non-performing loans, if the transfer is approved by the Board.

Under the “Regulation Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt” issued by the FSC, receivables and the balances of guaranteed and endorsed credits that are unpaid within six months after maturity are transferred to non-accrual loans.

Non-performing loans transferred from loans are recognized as discounts and loans, and those transferred from other credits are recognized as other financial assets.

Repurchase and Resale Transactions

Bills and bonds purchased under agreements to resell and bills and bonds sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized as interest revenue or interest expenses over the term of each agreement.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Except of freehold land without depreciated, depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the assets' estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

b. Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected to arise from its use or disposal. Gains or losses arising from derecognition of an intangible asset, which is measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Property and Equipment, Right-of-use Assets and Intangible Assets Other than Goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Onerous contracts

Onerous contracts are those in which the Group's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provision.

Revenue Recognition

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Group that are classified as non-performing loans. The interest revenue on those loans and credits is recognized upon collection.

Revenue from brokering is recognized when the earnings process has been completed.

Dividend income from investments is recognized on the shareholders' right to receive payment. The premise is that the economic benefits related to the transaction. They are likely to flow into the Group and the amount of income can be reliably measured it.

Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

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

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. The net defined benefit assets shall not exceed the present value with the refund withdrawal from the plan or the reduction of future withdrawals.

c. Staff preferential deposit

The Bank provides preferential deposit account for employees, which are used to pay fixed preferential deposits for current employees. The effect of the difference between the interest rate of these preferential deposits and the market interest rate is treated as employee benefits.

Share-based Payment Arrangements

The fair value at the grant date of the share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus. The payment is recognized as an expense in full at the grant date if vested immediately.

Taxation

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

a. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

c. Current and deferred tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Cash and Cash Equivalents

The cash and cash equivalent items in the consolidated balance sheet include cash on hand, demand deposits, and short-term and highly liquid investments that can be converted into fixed amount of cash at any time. They have little risk of change in value. For the consolidated statements of cash flows, the cash and cash equivalents account refer to the accounts in the consolidated balance sheets titled cash and cash equivalents, due from the Central Bank and call loans to banks, and call loans to securities firms that meet the definition of cash and cash equivalents in IAS 7 “Statement of Cash Flows” endorsed and issued into effect by the FSC.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Estimated Impairment of Loans and Financial Guarantee Contract

The impairment of loans and financial guarantee contracts is based on assumptions about the risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs of the impairment calculation, based on the Group’s past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|-----------------------------|---------------------|----------------------|
| | 2022 | 2021 |
| Cash on hand and petty cash | \$ 137,007 | \$ 83,873 |
| Checking for clearing | 198,196 | 75,133 |
| Due from banks | <u>6,079,775</u> | <u>11,620,380</u> |
| | <u>\$ 6,414,978</u> | <u>\$ 11,779,386</u> |

The cash and cash equivalents of the consolidated cash flows and the related adjustments of the consolidated balance sheets as of December 31, 2022 and 2021, refer to the consolidated statements of cash flows.

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

| | December 31 | |
|-----------------------------------|----------------------|----------------------|
| | 2022 | 2021 |
| Reserves for deposits - Type A | \$ 1,325,922 | \$ 2,921,318 |
| Reserves for deposits - Type B | 5,907,742 | 5,166,200 |
| Due from Central Bank - Financial | 2,003,091 | 2,001,086 |
| Call loans to banks | 8,502,951 | 2,865,016 |
| Others | <u>46,084</u> | <u>27,690</u> |
| | <u>\$ 17,785,790</u> | <u>\$ 12,981,310</u> |

Under a directive issued by the Central Bank, deposit reserves are determined monthly at prescribed rates on average balances of customers' deposits. Type B deposit reserves are subject to withdrawal restrictions.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | December 31 | |
|--|-----------------------|-----------------------|
| | 2022 | 2021 |
| <u>Financial assets mandatorily classified as at FVTPL</u> | | |
| Hybrid financial assets | | |
| Convertible bonds - domestic (include assets swap contracts) | \$ 8,493,617 | \$ 11,103,311 |
| Structured debt | <u>-</u> | <u>557,116</u> |
| | <u>8,493,617</u> | <u>11,660,427</u> |
| Derivative financial assets | | |
| Currency swap contracts | 764,815 | 211,885 |
| Forward contracts | 163,969 | 40,823 |
| Interest rate swap contracts | 18,252 | 5,528 |
| Currency option contracts - call | 19,851 | 4,630 |
| Future exchange margins | 24,710 | - |
| Promised purchase contracts | <u>26,010</u> | <u>-</u> |
| | <u>1,017,607</u> | <u>262,866</u> |
| Non-derivative financial assets | | |
| Commercial paper contracts | 98,472,477 | 95,940,011 |
| Negotiable certificates of deposit | 35,244,589 | 42,434,758 |
| Stocks and beneficiary certificates | <u>1,622,397</u> | <u>1,601,385</u> |
| | <u>135,339,463</u> | <u>139,976,154</u> |
| | <u>\$ 144,850,687</u> | <u>\$ 151,899,447</u> |

Held-for-trading financial liabilities

| | | |
|----------------------------------|----------------|----------------|
| Derivative financial instruments | | |
| Currency swap contracts | \$ 622,379 | \$ 273,190 |
| Forward contracts | 133,419 | 62,885 |
| Interest rate swap contracts | 18,375 | 9,311 |
| Currency option contracts - put | 14,486 | 4,289 |
| Promised purchase contracts | <u>-</u> | <u>40,404</u> |
| | <u>788,659</u> | <u>390,079</u> |

(Continued)

| | December 31 | |
|--------------------------------------|---------------------|-------------------|
| | 2022 | 2021 |
| Non-derivative financial liabilities | | |
| When-issued government bonds | \$ - | \$ 49,567 |
| Commercial paper contracts | <u>219,506</u> | <u>1,691</u> |
| | <u>219,506</u> | <u>51,258</u> |
| | <u>\$ 1,008,165</u> | <u>\$ 441,337</u> |
| | | (Concluded) |

The Group engages in derivative transactions, including forward contracts, currency swap contracts and currency option contracts, mainly for accommodating customers' needs and managing the exposure positions. As for the engagement in interest rate swap contracts and cross-currency swap contracts, its purpose is to hedge risk of cash flow and risk of market value caused by the change of interest rates or exchange rates. The Group strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a high negative correlation with the changes in the market of the exposures being hedged.

The contract amounts (or notional amounts) of outstanding derivative transactions as of December 31, 2022 and 2021 were as follows:

| | December 31 | |
|------------------------------|--------------------|---------------|
| | 2022 | 2021 |
| Interest rate swap contracts | \$ 11,244,419 | \$ 14,010,914 |
| Currency swap contracts | 114,694,781 | 99,978,371 |
| Forward contracts | 30,015,167 | 10,506,426 |
| Currency option contracts | | |
| Buy | 912,929 | 388,971 |
| Sell | 728,593 | 307,351 |
| Promised purchase contracts | 15,000,000 | 12,900,000 |

As of December 31, 2022 and 2021, financial assets at fair value through profit and loss under agreement to repurchase were in the face amount of \$86,836,200 thousand and \$78,572,100 thousand, respectively.

Refer to Note 44 for information relating to financial assets at fair value through profit or loss pledged as security.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | December 31 | |
|---|--------------------|--------------|
| | 2022 | 2021 |
| Investments in equity instruments at FVTOCI | \$ 1,968,197 | \$ 7,600,894 |
| Investments in debt instruments at FVTOCI | | |
| Government bonds | 20,281,761 | 21,349,542 |
| Bank debentures | 26,254,996 | 34,596,305 |
| Corporate bonds | 76,558,979 | 86,613,703 |
| Overseas government bonds | 2,091,497 | 2,721,421 |
| Mortgage backed securities | 2,565,229 | 2,467,423 |
| | | (Continued) |

| | December 31 | |
|------------------------------------|-----------------------|-----------------------|
| | 2022 | 2021 |
| Commercial paper contracts | \$ 6,249,812 | \$ 6,384,497 |
| Negotiable certificates of deposit | <u>19,253,080</u> | <u>29,422,895</u> |
| | <u>\$ 155,223,551</u> | <u>\$ 191,156,680</u> |
| | | (Concluded) |

a. Investments in equity instruments at FVTOCI

These investments in listed, unlisted and emerging stocks are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

The Group disposed stock classified as at FVTOCI for invested management purpose for the years ended December 31, 2022 and 2021. The fair value of stocks classified as at FVTOCI which had to be disposed of were \$6,740,837 thousand and \$2,118,890 thousand and the accumulated gain or loss related to the sold assets of \$241,014 thousand loss and \$202,172 thousand gain, respectively, were transferred from other equity-unrealized valuation gain or loss on financial assets at FVTOCI to retained earnings.

Dividends income from FVTOCI of \$462,266 thousand and \$250,765 thousand were recognized in profit or loss for the years ended December 31, 2022 and 2021. The dividends related to investments held at the end of 2022 and 2021 were \$137,406 thousand and \$216,430 thousand, respectively.

b. Investments in debt instruments at FVTOCI

- 1) Refer to Note 44 for information relating to investments in debt instruments at FVTOCI pledged as security.
- 2) Refer to Note 48 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.
- 3) Investments in debt instruments at FVTOCI under agreement to repurchase were in the face amount of \$87,026,300 thousand and \$99,219,428 thousand as of on December 31, 2022 and 2021, respectively.

10. INVESTMENTS IN DEBT INSTRUMENTS AS AT AMORTIZED COST

| | December 31, 2022 |
|-------------------------------------|------------------------------|
| Government bonds | \$ 8,453,740 |
| Bank debentures | 2,561,252 |
| Corporate bonds | 4,739,723 |
| Overseas government bonds | 913,609 |
| Negotiable certificates of deposit | <u>9,000,000</u> |
| | 25,668,324 |
| Less: Allowance for impairment loss | <u>(3,018)</u> |
| | <u>\$ 25,665,306</u> |

Refer to Note 44 for information relating to investments in debt instruments at amortized cost pledged as security.

Refer to Note 48 for information relating to the credit risk management and impairment assessment of investments in debt instruments at amortized cost.

Investments in debt instruments at amortized cost under agreement to repurchase was in the face amount of \$1,753,479 thousand, as of December 31, 2022.

11. BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS

As of December 31, 2022 and 2021, bonds and bills in the amounts of \$3,951,998 thousand and \$5,364,108 thousand respectively, had been purchased under resell agreements would subsequently be sold for \$3,954,765 thousand and \$5,365,201 thousand before February 2023 and February 2022, respectively. As of December 31, 2022 and 2021, bonds and bills purchased under resell agreements were sold under repurchase agreements in the face amount of \$3,144,400 thousand and \$5,330,000 thousand, respectively.

12. RECEIVABLES, NET

| | December 31 | |
|--|---------------------|----------------------|
| | 2022 | 2021 |
| Lease payment receivable | \$ - | \$ 17,072,141 |
| Factored receivable | 1,477,269 | 1,568,952 |
| Interest receivable | 1,555,067 | 980,147 |
| Accounts receivable | 226,068 | 1,557,850 |
| Investment settlements receivable | 196,270 | 88,899 |
| Acceptances receivable | 121,272 | 84,266 |
| Settlement accounts receivable - trusteeship | - | 60,580 |
| Others | <u>162,162</u> | <u>145,595</u> |
| | 3,738,108 | 21,558,430 |
| Less: Unrealized interest revenue | - | 976,710 |
| Allowance for credit losses | <u>46,551</u> | <u>505,206</u> |
| Receivables, net | <u>\$ 3,691,557</u> | <u>\$ 20,076,514</u> |

The changes in gross carrying amount on receivables (less unrealized interest revenue) for the years ended December 31, 2022 and 2021 were as follows:

| | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Total |
|--|----------------------|----------------------|---|---------------|
| Balance at January 1, 2022 | \$ 20,194,073 | \$ 135,829 | \$ 251,818 | \$ 20,581,720 |
| Transfers | | | | |
| To 12-month ECLs | 19,595 | (19,547) | (48) | - |
| To lifetime ECLs | (451,121) | 451,121 | - | - |
| To credit-impaired financial assets | (321) | (191,626) | 191,947 | - |
| New financial assets purchased or originated | 19,391,228 | 666,774 | 1,492 | 20,059,494 |

(Continued)

| | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Total |
|--|----------------------|-------------------|---|----------------------|
| Derecognition of financial assets | \$(18,704,708) | \$ (102,245) | \$ (50,679) | \$(18,857,632) |
| Write-offs | - | (3,133) | (126,414) | (129,547) |
| Exchange rate or other changes | <u>(17,424,825)</u> | <u>(260,285)</u> | <u>(230,817)</u> | <u>(17,915,927)</u> |
| Balance at December 31, 2022 | <u>\$ 3,023,921</u> | <u>\$ 676,888</u> | <u>\$ 37,299</u> | <u>\$ 3,738,108</u> |
| Balance at January 1, 2021 | \$ 15,070,846 | \$ 86,938 | \$ 226,280 | \$ 15,384,064 |
| Transfers | | | | |
| To 12-month ECLs | 6,718 | (6,717) | (1) | - |
| To lifetime ECLs | (243,747) | 243,747 | - | - |
| To credit-impaired financial assets | (318) | (170,766) | 171,084 | - |
| New financial assets purchased or originated | 23,168,363 | 35,373 | 2,017 | 23,205,753 |
| Derecognition of financial assets | (17,755,198) | (49,206) | (95,119) | (17,899,523) |
| Write-offs | - | - | (51,147) | (51,147) |
| Exchange rate or other changes | <u>(52,591)</u> | <u>(3,540)</u> | <u>(1,296)</u> | <u>(57,427)</u> |
| Balance at December 31, 2021 | <u>\$ 20,194,073</u> | <u>\$ 135,829</u> | <u>\$ 251,818</u> | <u>\$ 20,581,720</u> |

(Concluded)

Rental equipment is held as collateral for the lease payment receivable. The Group is not allowed to sell or re-pledge the collateral if the lessee has no arrears.

The Group provides an appropriate allowance for doubtful debts for the assessment of receivables. Refer to Note 14 for the details and changes in the allowance for doubtful debts of receivables.

Refer to Note 48 for the impairment loss analysis of receivables.

13. DISCOUNTS AND LOANS, NET

| | December 31 | |
|-----------------------------------|-----------------------|-----------------------|
| | 2022 | 2021 |
| Short-term | \$ 70,438,914 | \$ 61,988,195 |
| Medium-term | 111,528,492 | 87,064,663 |
| Long-term | 24,756,153 | 25,363,949 |
| Export bill negotiated | - | 91,416 |
| Guaranteed overdraft | 105,522 | 138,453 |
| Overdue loans | <u>668,187</u> | <u>649,859</u> |
| | 207,497,268 | 175,296,535 |
| Less: Allowance for credit losses | <u>3,184,296</u> | <u>2,568,946</u> |
| | <u>\$ 204,312,972</u> | <u>\$ 172,727,589</u> |

The changes in gross carrying amount on discounts and loans for the years ended December 31, 2022 and 2021 were as follows:

| | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Total |
|--|-----------------------|----------------------|---|-----------------------|
| Balance at January 1, 2022 | \$ 161,284,858 | \$ 12,775,541 | \$ 1,236,136 | \$ 175,296,535 |
| Transfers | | | | |
| To 12-month ECLs | 478,268 | (433,204) | (45,064) | - |
| To lifetime ECLs | (2,580,395) | 2,580,395 | - | - |
| To credit-impaired financial assets | (62,692) | (78,158) | 140,850 | - |
| New financial assets purchased or originated | 122,894,215 | 12,039,761 | 431,430 | 135,365,406 |
| Derecognition of financial assets | (95,939,686) | (9,364,707) | (250,401) | (105,554,794) |
| Write-offs | - | - | (107,784) | (107,784) |
| Exchange rate or other changes | <u>2,567,724</u> | <u>(81,420)</u> | <u>11,601</u> | <u>2,497,905</u> |
| Balance at December 31, 2022 | <u>\$ 188,642,292</u> | <u>\$ 17,438,208</u> | <u>\$ 1,416,768</u> | <u>\$ 207,497,268</u> |
| Balance at January 1, 2021 | \$ 167,034,025 | \$ 17,442,689 | \$ 1,696,982 | \$ 186,173,696 |
| Transfers | | | | |
| To 12-month ECLs | 2,178,996 | (2,175,684) | (3,312) | - |
| To lifetime ECLs | (1,837,260) | 1,837,260 | - | - |
| To credit-impaired financial assets | (124,116) | (10,627) | 134,743 | - |
| New financial assets purchased or originated | 88,801,008 | 8,335,568 | 386,480 | 97,523,056 |
| Derecognition of financial assets | (93,977,152) | (12,281,830) | (620,015) | (106,878,997) |
| Write-offs | - | - | (350,610) | (350,610) |
| Exchange rate or other changes | <u>(790,643)</u> | <u>(371,835)</u> | <u>(8,132)</u> | <u>(1,170,610)</u> |
| Balance at December 31, 2021 | <u>\$ 161,284,858</u> | <u>\$ 12,775,541</u> | <u>\$ 1,236,136</u> | <u>\$ 175,296,535</u> |

The balance of the overdue loans of the Group as of December 31, 2022 and 2021 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to \$13,843 thousand and \$21,641 thousand for the years ended December 31, 2022 and 2021, respectively. For the years ended December 31, 2022 and 2021, the Group wrote off credits only upon completing the required legal procedures.

Refer to Note 44 for information relating to discounts and loan assets pledged as security.

The Group provides an appropriate allowance for doubtful debts based on the assessment of discounts and loans. Refer to Note 14 for the details and changes in the allowance for doubtful debts of discounts and loans.

Refer to Note 48 for the impairment loss analysis of discounts and loans.

14. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The change in allowance for credit loss and provisions for the years ended December 31, 2022 and 2021 were as follows:

| Allowance for Receivables | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Accumulated Amount under IFRS 9 | Difference Between IFRS 9 and Local Requirements | Total |
|--|-------------------|------------------|--|---------------------------------------|---|---------------------|
| Balance at January 1, 2022 | \$ 270,996 | \$ 28,036 | \$ 190,494 | \$ 489,526 | \$ 15,680 | \$ 505,206 |
| Transfers | | | | | | |
| To 12-month ECLs | 976 | (976) | - | - | - | - |
| To lifetime ECLs | (9,536) | 9,536 | - | - | - | - |
| To credit-impaired financial assets | (197) | (62,509) | 62,706 | - | - | - |
| New financial assets purchased or originated | 246,606 | 1,034 | 495 | 248,135 | - | 248,135 |
| Derecognition of financial assets | (244,700) | (23,763) | (31,494) | (299,957) | - | (299,957) |
| Change in model or risk parameters | 269 | 112,806 | 90,933 | 204,008 | - | 204,008 |
| Difference between IFRS 9 and local requirements | - | - | - | - | 1,377 | 1,377 |
| Write-offs | - | (3,133) | (126,414) | (129,547) | - | (129,547) |
| Withdrawal after write-offs | - | - | 5,762 | 5,762 | - | 5,762 |
| Exchange rate or other changes | (261,192) | (59,926) | (167,423) | (488,541) | 108 | (488,433) |
| Balance at December 31, 2022 | <u>\$ 3,222</u> | <u>\$ 1,105</u> | <u>\$ 25,059</u> | <u>\$ 29,386</u> | <u>\$ 17,165</u> | <u>\$ 46,551</u> |
| Allowance for Discounts and Loans | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Accumulated Amount under IFRS 9 | Difference Between IFRS 9 and Local Requirements | Total |
| Balance at January 1, 2022 | \$ 382,077 | \$ 108,320 | \$ 238,363 | \$ 728,760 | \$ 1,840,186 | \$ 2,568,946 |
| Transfers | | | | | | |
| To 12-month ECLs | 13,687 | (13,660) | (27) | - | - | - |
| To lifetime ECLs | (20,826) | 20,826 | - | - | - | - |
| To credit-impaired financial assets | (35,235) | (1,342) | 36,577 | - | - | - |
| New financial assets purchased or originated | 288,894 | 23,191 | 105,279 | 417,364 | - | 417,364 |
| Derecognition of financial assets | (217,132) | (46,515) | (70,763) | (334,410) | - | (334,410) |
| Change in model or risk parameters | 44,343 | (4,022) | 77,494 | 117,815 | - | 117,815 |
| Difference between IFRS 9 and local requirements | - | - | - | - | 412,809 | 412,809 |
| Write-offs | - | - | (107,784) | (107,784) | - | (107,784) |
| Withdrawal after write-offs | - | - | 18,468 | 18,468 | - | 18,468 |
| Exchange rate or other changes | 11,243 | 3,751 | 374 | 15,368 | 75,720 | 91,088 |
| Balance at December 31, 2022 | <u>\$ 467,051</u> | <u>\$ 90,549</u> | <u>\$ 297,981</u> | <u>\$ 855,581</u> | <u>\$ 2,328,715</u> | <u>\$ 3,184,296</u> |
| Reserve for Losses on Guarantees Contracts and Financing Commitments | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Accumulated Amount under IFRS 9 | Difference Between IFRS 9 and Local Requirements | Total |
| Balance at January 1, 2022 | \$ 121,611 | \$ 15,461 | \$ - | \$ 137,072 | \$ 1,705,435 | \$ 1,842,507 |
| Transfers | | | | | | |
| To 12-month ECLs | 2,414 | (2,414) | - | - | - | - |
| New financial assets purchased or originated | (360) | 360 | - | - | - | - |
| Derecognition of financial assets | 70,116 | 3,914 | - | 74,030 | - | 74,030 |
| Change in model or risk parameters | (77,003) | (7,946) | - | (84,949) | - | (84,949) |
| Difference between IFRS 9 and local requirements | (14,414) | (881) | - | (15,295) | - | (15,295) |
| Withdrawal after write-offs | - | - | - | - | (132,825) | (132,825) |
| Exchange rate or other changes | - | - | - | - | 22,783 | 22,783 |
| | 1,395 | 34 | - | 1,429 | 339 | 1,768 |
| Balance at December 31, 2022 | <u>\$ 103,759</u> | <u>\$ 8,528</u> | <u>\$ -</u> | <u>\$ 112,287</u> | <u>\$ 1,595,732</u> | <u>\$ 1,708,019</u> |

| Allowance for Receivables | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Accumulated Amount under IFRS 9 | Difference Between IFRS 9 and Local Requirements | Total |
|---|----------------------|----------------------|---|--|---|-------------------|
| Balance at January 1, 2021 | \$ 220,734 | \$ 25,785 | \$ 175,691 | \$ 422,210 | \$ 8,995 | \$ 431,205 |
| Transfers | | | | | | |
| To 12-month ECLs | 15 | (15) | - | - | - | - |
| To lifetime ECLs | (7,240) | 7,240 | - | - | - | - |
| To credit-impaired financial assets | (181) | (63,234) | 63,415 | - | - | - |
| New financial assets purchased or originated | 60,806 | 18,739 | 270 | 79,815 | - | 79,815 |
| Derecognition of financial assets | (2,540) | (70) | (79,571) | (82,181) | - | (82,181) |
| Change in model or risk parameters | 203 | 39,698 | 53,523 | 93,424 | - | 93,424 |
| Difference between IFRS 9 and local requirements | - | - | - | - | 6,734 | 6,734 |
| Write-offs | - | - | (51,147) | (51,147) | - | (51,147) |
| Withdrawal after write-offs | - | - | 29,681 | 29,681 | - | 29,681 |
| Exchange rate or other changes | (801) | (107) | (1,368) | (2,276) | (49) | (2,325) |
| Balance at December 31, 2021 | <u>\$ 270,996</u> | <u>\$ 28,036</u> | <u>\$ 190,494</u> | <u>\$ 489,526</u> | <u>\$ 15,680</u> | <u>\$ 505,206</u> |

| Allowance for Discounts and Loans | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Accumulated Amount under IFRS 9 | Difference Between IFRS 9 and Local Requirements | Total |
|---|----------------------|----------------------|---|--|---|---------------------|
| Balance at January 1, 2021 | \$ 530,975 | \$ 194,967 | \$ 352,887 | \$ 1,078,829 | \$ 1,383,894 | \$ 2,462,723 |
| Transfers | | | | | | |
| To 12-month ECLs | 60,664 | (60,662) | (2) | - | - | - |
| To lifetime ECLs | (11,553) | 11,553 | - | - | - | - |
| To credit-impaired financial assets | (61,599) | (5,281) | 66,880 | - | - | - |
| New financial assets purchased or originated | 164,073 | 22,718 | 67,406 | 254,197 | - | 254,197 |
| Derecognition of financial assets | (273,884) | (53,561) | (218,053) | (545,498) | - | (545,498) |
| Change in model or risk parameters | (22,162) | 301 | 303,470 | 281,609 | - | 281,609 |
| Difference between IFRS 9 and local requirements | - | - | - | - | 476,026 | 476,026 |
| Write-offs | - | - | (350,610) | (350,610) | - | (350,610) |
| Withdrawal after write-offs | - | - | 16,424 | 16,424 | - | 16,424 |
| Exchange rate or other changes | (4,437) | (1,715) | (39) | (6,191) | (19,734) | (25,925) |
| Balance at December 31, 2021 | <u>\$ 382,077</u> | <u>\$ 108,320</u> | <u>\$ 238,363</u> | <u>\$ 728,760</u> | <u>\$ 1,840,186</u> | <u>\$ 2,568,946</u> |

| Reserve for Losses on Guarantees Contracts and Financing Commitments | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Accumulated Amount under IFRS 9 | Difference Between IFRS 9 and Local Requirements | Total |
|---|----------------------|----------------------|---|--|---|---------------------|
| Balance at January 1, 2021 | \$ 131,948 | \$ 21,026 | \$ - | \$ 152,974 | \$ 1,686,303 | \$ 1,839,277 |
| Transfers | | | | | | |
| To 12-month ECLs | 2,833 | (2,833) | - | - | - | - |
| New financial assets purchased or originated | 94,994 | 5,976 | - | 100,970 | - | 100,970 |
| Derecognition of financial assets | (100,365) | (5,770) | - | (106,135) | - | (106,135) |
| Change in model or risk parameters | (7,431) | (2,799) | - | (10,230) | - | (10,230) |
| Difference between IFRS 9 and local requirements | - | - | - | - | 5,193 | 5,193 |
| Withdrawal after write-offs | - | - | - | - | 13,936 | 13,936 |
| Exchange rate or other changes | (368) | (139) | - | (507) | 3 | (504) |
| Balance at December 31, 2021 | <u>\$ 121,611</u> | <u>\$ 15,461</u> | <u>\$ -</u> | <u>\$ 137,072</u> | <u>\$ 1,705,435</u> | <u>\$ 1,842,507</u> |

15. DISCONTINUED OPERATIONS

Chun Teng New Century Co., Ltd. (the formerly known as IBTS) decided to transfer the operating rights and property of brokerage of securities to SinoPac Securities Corp. Ltd., which was approved by the stockholders in the temporary stockholders' meeting on May 25, 2016. The total price of the transfer was \$390,000 thousand, and the business transfer date was set as on September 26, 2016.

The subsidiary ended the securities business on September 23, 2016, which was dissolved and liquidated on November 11, 2016. The dissolution had been approved by the board of directors' in their meeting on October 17, 2016.

From September 30, 2016, the self-operating and new financial assets business of the operating department of the subsidiary has ended and conformed to the discontinued operations definition of IFRS 5. Hence, the operating department mentioned above has been regarded as discontinued operations in the consolidated financial report.

On March 29, 2022, the liquidators of the subsidiary resolved to distribute the remaining property amounting to \$159,544 thousand for the third time, and the Bank has received the liquidation proceeds in proportion to its shareholding ratio and transferred the remaining balance of the book value balance of the subsidiary to receivables.

The details and cash flows information of discontinued operations are exhibited below:

| | For the Year Ended December 31, 2021 |
|---|---|
| Interest revenue | \$ 167 |
| Interest expenses | <u>-</u> |
| Net interest | <u>167</u> |
| Net revenue other than interest | |
| Gain on financial assets and liabilities measured at fair value through profit or loss | 10,975 |
| Foreign exchange gain, net | - |
| Other net revenue (loss) other than interest | <u>141</u> |
| Total net revenue other than interest | <u>11,116</u> |
| Net revenue | <u>11,283</u> |
| Operating expenses | |
| Employee benefits expenses | 7,951 |
| Depreciation and amortization expense | 3,178 |
| Others general and administrative expenses | <u>5,121</u> |
| Total operating expenses | <u>16,250</u> |
| Income tax expense | <u>-</u> |
| Loss from discontinued operations before elimination | (4,967) |
| Elimination of transactions with related parties | <u>270</u> |
| Loss from discontinued operations | <u>\$ (4,697)</u> |
| Loss from discontinued operations attributable to: | |
| Owners of the Bank | \$ (4,685) |
| Non-controlling interests | <u>(12)</u> |
| | <u>\$ (4,697)</u> |
| Net cash flows used in operating activities | \$ (274) |
| Net cash flows generated from investing activities | 55 |
| Net cash flows used in financing activities | (2,790) |
| Effects of exchange rate changes on cash and cash equivalents | <u>5,983</u> |
| Net cash inflow (outflow) | <u>\$ 2,974</u> |

16. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements:

| Investor | Investee | Main Business | Percentage of Ownership (%) | | Remark | Audited by CPA |
|--|--|---|-----------------------------|--------|---|----------------|
| | | | 2022 | 2021 | | |
| The Bank | China Bills Finance Co. (CBF) | Bonds underwriting, dealing and brokerage of securities | 28.37 | 28.37 | Founded in 1978 | Yes |
| | IBT Holding Corp. (IBTH) | Holding company | 100.00 | 100.00 | Founded in 2006 in California | Yes |
| | IBT Leasing | Leasing | - | 100.00 | Founded in 2011 (Please refer to Note 17) | Yes |
| | IBTM | Investment consulting | 100.00 | 100.00 | Founded in 2000 | Yes |
| | Chun Teng New Century Co., Ltd. (formerly known as IBTS) | Investment (former securities firm) | 99.75 | 99.75 | Founded in 1961 (Note 1) | Yes |
| IBT Leasing | IBT VII Venture Capital Co., Ltd. | Venture capital | 100.00 | 100.00 | Founded in 2014 (Note 2) | Yes |
| | IBT International Leasing Corp. | Leasing | - | 100.00 | Founded in 2011 in mainland China (Note 3) | Yes |
| Chun Teng New Century Co., Ltd. (formerly known as IBTS) | IBTS Holding B.V.I. Limited (IBTSH) | Holding company | 100.00 | 100.00 | Founded in 2003 in the British Virgin Islands | Yes |
| IBTSH | IBTS Financial (HK) Limited | Investment | 100.00 | 100.00 | Founded in 2003 in Hong Kong | Yes |
| IBTH | IBTS Asia (HK) Limited | Securities and investment | 100.00 | 100.00 | Founded in 2004 in Hong Kong | Yes |
| | EverTrust Bank | Banking | 91.78 | 91.78 | Founded in 1994 in California | Yes |

Note 1: Dissolved on November 11, 2016.

Note 2: The Bank's board of directors resolved on July 21, 2022 to reduce the capital by shares of its subsidiary, IBT LEASING CO., LTD. ("IBT Leasing"), and as a subsidiary of IBT Leasing, all of the shares of IBT VII Venture Capital Co., Ltd. will be offset and returned to the Bank, calculated on the basis of the total number of shares issued after IBT Leasing's profit-to-capital increase base date. The capital reduction ratio is 20.98%, and the capital reduction amount is \$710,614 thousand. After the capital reduction, IBT Leasing's paid-in capital is 2,677,290 thousand yuan. The record date for the capital reduction was October 19, 2022.

Note 3: All shares are held commonly with IBT VII Venture Capital Co., Ltd. before April 2022; and after the consolidation on December 1, 2022 (please refer to Note 17), all shares are held by Jih Sun IBT International Leasing Co.

| Name of Subsidiary | Principal Place of Business | Proportion of Ownership and Voting Rights Held by Non-controlling Interests | |
|--------------------|-----------------------------|---|--------|
| | | 2022 | 2021 |
| CBF | Taipei | 71.63% | 71.63% |

The summarized financial information below represents amounts before intragroup eliminations:

| | December 31 | |
|----------------------------------|----------------------|----------------------|
| | 2022 | 2021 |
| <u>CBF</u> | | |
| Equity attributable to: | | |
| Owners of CBF | \$ 6,234,894 | \$ 7,250,266 |
| Non-controlling interests of CBF | <u>15,743,106</u> | <u>18,306,919</u> |
| | <u>\$ 21,978,000</u> | <u>\$ 25,557,185</u> |

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Net revenue | \$ <u>1,645,023</u> | \$ <u>2,847,301</u> |
| Net profit from continuing operations | \$ 1,040,282 | \$ 1,857,666 |
| Other comprehensive income (loss) for the year | <u>(3,412,299)</u> | <u>(582,975)</u> |
| Total comprehensive income for the year | \$ <u>(2,372,017)</u> | \$ <u>1,274,691</u> |
| Profit attributable to: | | |
| Owners of CBF | \$ 295,115 | \$ 526,998 |
| Non-controlling interests of CBF | <u>745,167</u> | <u>1,330,668</u> |
| | \$ <u>1,040,282</u> | \$ <u>1,857,666</u> |
| Total comprehensive income attributable to: | | |
| Owners of CBF | \$ (672,913) | \$ 361,615 |
| Non-controlling interests of CBF | <u>(1,699,104)</u> | <u>913,076</u> |
| | \$ <u>(2,372,017)</u> | \$ <u>1,274,691</u> |
| Net cash inflow (outflow) from: | | |
| Operating activities | \$ 3,322,693 | \$ (1,536,468) |
| Investing activities | (6,678) | 41,743 |
| Financing activities | <u>(3,313,055)</u> | <u>1,784,603</u> |
| Net cash inflow | \$ <u>2,960</u> | \$ <u>289,878</u> |
| Dividends paid to non-controlling interests of CBF | \$ <u>865,780</u> | \$ <u>836,921</u> |

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Investments in Associates

| | December 31 | |
|--|---------------------|-------------------|
| | 2022 | 2021 |
| Associates - Jih Sun IBT International Leasing Co. | \$ 6,230,729 | \$ - |
| Associates - Beijing Sunshine Consumer Finance Co., Ltd. | <u>1,011,042</u> | <u>880,879</u> |
| | \$ <u>7,241,771</u> | \$ <u>880,879</u> |

The Bank was jointly invested in Beijing Sunshine Consumer Finance Co., Ltd. with China Everbright Bank and China CYT Holdings Co. The Bank's investment amounted to RMB200,000 thousand with the shareholding ratio of 20%, and Beijing Sunshine Consumer Finance Co., Ltd. has begun operation since August 17, 2020.

On July 21, 2022, the Bank's board of directors resolved to merge IBT Leasing with Jih Sun International Leasing & Finance Co., Ltd. (referred to as "Jih Sun Leasing"). In this merger, Jih Sun Leasing is the surviving company and is renamed Jih Sun IBT International Leasing Co., Ltd. The share exchange ratio is one IBT Leasing ordinary share for 0.5834 Jih Sun Leasing shares, with Jih Sun Leasing anticipating issuing 156,193 thousand shares to the Bank. Merged conversion amounted to NT\$6,198,618 thousand. The record date of the merger is December 1, 2022. After the merger, the Bank will hold 44.48% shares of the surviving company and has no control over it. Refer to Note 42 for information relating to disposal of IBT Leasing.

Refer to Table 3 "Name, locations and other information of investees on which the Bank exercises significant influence" and Table 4 "Information on Investments in Mainland China" for the nature of activities, principal place of business and country of incorporation of the associate.

The financial information of the Bank's affiliates is as follows:

Jih Sun IBT International Leasing Co.

| | December 31, 2022 |
|---|---|
| Total assets | <u>\$ 76,183,569</u> |
| Total liabilities | <u>\$ 66,645,612</u> |
| | For the Year Ended December 31, 2022 |
| Net profit for the year | <u>\$ 609,305</u> |
| Total other comprehensive income for the year | <u>\$ 630,781</u> |

Beijing Sunshine Consumer Finance Co., Ltd.

| | December 31 | |
|---|---------------------------------------|----------------------|
| | 2022 | 2021 |
| Total assets | <u>\$ 55,118,326</u> | <u>\$ 51,554,378</u> |
| Total liabilities | <u>\$ 50,049,146</u> | <u>\$ 47,149,983</u> |
| | For the Year Ended December 31 | |
| | 2022 | 2021 |
| Net profit for the year | <u>\$ 598,891</u> | <u>\$ 474,228</u> |
| Total other comprehensive income for the year | <u>\$ 598,891</u> | <u>\$ 474,228</u> |

18. OTHER FINANCIAL ASSETS

| | December 31 | |
|---|-------------------|-------------------|
| | 2022 | 2021 |
| Time deposits with original maturities more than 3 months | \$ 76,807 | \$ 9,414 |
| Pledged time deposits | - | 232,100 |
| Compensation account for payment | - | 36,310 |
| Call loans to securities corporation limited | 614,454 | 553,794 |
| Repurchase agreement margins | 94,408 | 19,885 |
| Others | - | 24,230 |
| | <u>\$ 785,669</u> | <u>\$ 875,733</u> |

19. PROPERTY AND EQUIPMENT

| | December 31 | |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| <u>Carrying amounts of each class of</u> | | |
| Land | \$ 781,970 | \$ 781,970 |
| Buildings | 1,193,110 | 1,239,222 |
| Machinery and computer equipment | 252,007 | 304,007 |
| Transportation equipment | 25,146 | 24,886 |
| Office and other equipment | 37,471 | 49,632 |
| Lease improvement | 85,501 | 125,143 |
| Construction in progress and prepayments for equipment | <u>29,930</u> | <u>20,190</u> |
| | <u>\$ 2,405,135</u> | <u>\$ 2,545,050</u> |

The movements of property and equipment for the years ended December 31, 2022 and 2021 are summarized as follows:

| | Land | Buildings | Machinery and Computer Equipment | Transportation Equipment | Office and Other Equipment | Lease Improvement | Construction in Progress and Prepayments for Equipment | Total |
|---|-------------------|---------------------|--|-----------------------------|----------------------------------|----------------------|--|---------------------|
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ 781,970 | \$ 1,906,173 | \$ 856,234 | \$ 76,998 | \$ 283,582 | \$ 407,191 | \$ 20,190 | \$ 4,332,338 |
| Additions | - | 283 | 36,297 | 16,765 | 10,590 | 20,579 | 44,376 | 128,890 |
| Disposals and scrapped | - | - | (84,016) | (26,487) | (18,318) | (70,211) | (7,445) | (206,477) |
| Reclassification | - | - | (6,112) | 50 | 3,283 | 11,910 | (27,191) | (18,060) |
| Effect of foreign currency exchange differences | - | - | 1,707 | 840 | 5,385 | 15,242 | - | 23,174 |
| Balance at December 31, 2022 | <u>\$ 781,970</u> | <u>\$ 1,906,456</u> | <u>\$ 804,110</u> | <u>\$ 68,166</u> | <u>\$ 284,522</u> | <u>\$ 384,711</u> | <u>\$ 29,930</u> | <u>\$ 4,259,865</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ - | \$ 666,951 | \$ 552,227 | \$ 52,112 | \$ 233,950 | \$ 282,048 | \$ - | \$ 1,787,288 |
| Disposals and scrapped | - | - | (66,189) | (18,998) | (12,970) | (44,010) | - | (142,167) |
| Depreciation expense | - | 46,395 | 71,009 | 9,394 | 21,860 | 50,286 | - | 198,944 |
| Other | - | - | (6,367) | - | (415) | - | - | (6,782) |
| Effect of foreign currency exchange differences | - | - | 1,423 | 512 | 4,626 | 10,886 | - | 17,447 |
| Balance at December 31, 2022 | <u>\$ -</u> | <u>\$ 713,346</u> | <u>\$ 552,103</u> | <u>\$ 43,020</u> | <u>\$ 247,051</u> | <u>\$ 299,210</u> | <u>\$ -</u> | <u>\$ 1,854,730</u> |
| <u>Carrying amounts</u> | | | | | | | | |
| Balance at December 31, 2022 | <u>\$ 781,970</u> | <u>\$ 1,193,110</u> | <u>\$ 252,007</u> | <u>\$ 25,146</u> | <u>\$ 37,471</u> | <u>\$ 85,501</u> | <u>\$ 29,930</u> | <u>\$ 2,405,135</u> |

(Continued)

| | Land | Buildings | Machinery and Computer Equipment | Transportation Equipment | Office and Other Equipment | Lease Improvement | Construction in Progress and Prepayments for Equipment | Total |
|--|-------------------|---------------------|--|-----------------------------|----------------------------------|----------------------|--|---------------------|
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2021 | \$ 781,970 | \$ 1,905,429 | \$ 842,003 | \$ 80,683 | \$ 282,030 | \$ 393,822 | \$ 21,209 | \$ 4,307,146 |
| Additions | - | 744 | 35,674 | 5,860 | 7,684 | 16,365 | 30,735 | 97,062 |
| Disposals and scrapped | - | - | (32,332) | (9,305) | (5,151) | (827) | - | (47,615) |
| Reclassification | - | - | 11,823 | 60 | 584 | 2,289 | (31,608) | (16,852) |
| Effect of foreign currency exchange differences | - | - | (934) | (300) | (1,565) | (4,458) | (146) | (7,403) |
| Balance at December 31, 2021 | <u>\$ 781,970</u> | <u>\$ 1,906,173</u> | <u>\$ 856,234</u> | <u>\$ 76,998</u> | <u>\$ 283,582</u> | <u>\$ 407,191</u> | <u>\$ 20,190</u> | <u>\$ 4,332,338</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | | | |
| Balance at January 1, 2021 | \$ - | \$ 620,571 | \$ 515,993 | \$ 49,109 | \$ 216,796 | \$ 232,110 | \$ - | \$ 1,634,579 |
| Disposals and scrapped | - | - | (31,790) | (7,162) | (4,966) | (826) | - | (44,744) |
| Depreciation expense | - | 46,380 | 69,177 | 10,302 | 22,928 | 53,627 | - | 202,414 |
| Reclassification | - | - | (429) | - | 429 | - | - | - |
| Effect of foreign currency exchange differences | - | - | (724) | (137) | (1,237) | (2,863) | - | (4,961) |
| Balance at December 31, 2021 | <u>\$ -</u> | <u>\$ 666,951</u> | <u>\$ 552,227</u> | <u>\$ 52,112</u> | <u>\$ 233,950</u> | <u>\$ 282,048</u> | <u>\$ -</u> | <u>\$ 1,787,288</u> |
| <u>Carrying amounts</u> | | | | | | | | |
| Balance at December 31, 2021 | <u>\$ 781,970</u> | <u>\$ 1,239,222</u> | <u>\$ 304,007</u> | <u>\$ 24,886</u> | <u>\$ 49,632</u> | <u>\$ 125,143</u> | <u>\$ 20,190</u> | <u>\$ 2,545,050</u> |

(Concluded)

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|----------------------------------|------------|
| Buildings | 5-55 years |
| Machinery and computer equipment | 3-25 years |
| Transportation equipment | 3-5 years |
| Office and other equipment | 3-15 years |
| Lease improvement | 5-8 years |

20. LEASE ARRANGEMENTS

a. Right-of-use assets

| | <u>December 31</u> | |
|--------------------------|--------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Carrying amounts</u> | | |
| Buildings | \$ 416,289 | \$ 314,304 |
| Machinery | 588 | - |
| Transportation equipment | 1,457 | 16,967 |
| Office equipment | <u>1,790</u> | <u>1,667</u> |
| | <u>\$ 420,124</u> | <u>\$ 332,938</u> |

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Additions to right-of-use assets | \$ 234,118 | \$ 66,793 |
| Depreciation charge for right-of-use assets | | |
| Buildings | \$ 131,665 | \$ 144,909 |
| Machinery | 294 | - |
| Transportation equipment | 11,998 | 10,667 |
| Office equipment | <u>1,051</u> | <u>1,178</u> |
| | <u>\$ 145,008</u> | <u>\$ 156,754</u> |

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2022 and 2021.

b. Lease liabilities

| | December 31 | |
|------------------|--------------------|-------------|
| | 2022 | 2021 |
| Carrying amounts | \$ 432,826 | \$ 350,370 |

Range of discount rate for lease liabilities was as follows:

| | December 31 | |
|--------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Buildings | 0.67%-5.13% | 0.44%-5.70% |
| Machinery | 1.36% | - |
| Transportation equipment | 2.05%-2.17% | 2.04%-6.00% |
| Office equipment | 0.63%-4.42% | 0.65%-2.76% |

c. Material lease-in activities

Due to the rental of buildings, the Group had entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of March 2033. As of December 31, 2022 and 2021, refundable deposits paid under operating lease amounted to \$24,849 thousand and \$35,026 thousand, respectively.

d. Other lease information

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Expenses relating to short-term leases | \$ 29,616 | \$ 20,037 |
| Expenses relating to low-value asset leases | \$ 6,643 | \$ 2,654 |
| Total cash outflow for leases | <u>\$ (175,104)</u> | <u>\$ (201,108)</u> |

21. INTANGIBLE ASSETS

| | December 31 | |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| <u>Carrying amounts of each class of</u> | | |
| Computer software | \$ 643,769 | \$ 894,295 |
| Goodwill | <u>1,165,895</u> | <u>1,051,756</u> |
| | <u>\$ 1,809,664</u> | <u>\$ 1,946,051</u> |

The changes in of intangible assets for the years ended December 31, 2022 and 2021 are summarized as follows:

| | Computer Software | Goodwill | Others | Total |
|--|------------------------------|---------------------|-----------------|---------------------|
| <u>Cost</u> | | | | |
| Balance at January 1, 2022 | \$ 2,427,072 | \$ 1,051,756 | \$ 6,760 | \$ 3,485,588 |
| Additions | 50,212 | - | - | 50,212 |
| Disposals | (85,748) | - | - | (85,748) |
| Reclassification | 11,207 | - | - | 11,207 |
| Effect of foreign currency exchange differences | <u>7,532</u> | <u>114,139</u> | <u>740</u> | <u>122,411</u> |
| Balance at December 31, 2022 | <u>\$ 2,410,275</u> | <u>\$ 1,165,895</u> | <u>\$ 7,500</u> | <u>\$ 3,583,670</u> |
| <u>Accumulated amortization and impairment</u> | | | | |
| Balance at January 1, 2022 | \$ 1,532,777 | \$ - | \$ 6,760 | \$ 1,539,537 |
| Amortization | 279,257 | - | - | 279,257 |
| Disposals | (51,472) | - | - | (51,472) |
| Reclassification | - | - | - | - |
| Effect of foreign currency exchange differences | <u>5,944</u> | <u>-</u> | <u>740</u> | <u>6,684</u> |
| Balance at December 31, 2022 | <u>\$ 1,766,506</u> | <u>\$ -</u> | <u>\$ 7,500</u> | <u>\$ 1,774,006</u> |
| <u>Carrying amounts</u> | | | | |
| Balance at December 31, 2022 | <u>\$ 643,769</u> | <u>\$ 1,165,895</u> | <u>\$ -</u> | <u>\$ 1,809,664</u> |

(Continued)

| | Computer Software | Goodwill | Others | Total |
|--|------------------------------|---------------------|-----------------|------------------------------------|
| <u>Cost</u> | | | | |
| Balance at January 1, 2021 | \$ 2,376,821 | \$ 1,082,563 | \$ 6,960 | \$ 3,466,344 |
| Additions | 35,324 | - | - | 35,324 |
| Disposals | (221) | - | - | (221) |
| Reclassification | 17,501 | - | - | 17,501 |
| Effect of foreign currency exchange differences | <u>(2,353)</u> | <u>(30,807)</u> | <u>(200)</u> | <u>(33,360)</u> |
| Balance at December 31, 2021 | <u>\$ 2,427,072</u> | <u>\$ 1,051,756</u> | <u>\$ 6,760</u> | <u>\$ 3,485,588</u> |
| <u>Accumulated amortization and impairment</u> | | | | |
| Balance at January 1, 2021 | \$ 1,252,140 | \$ - | \$ 6,960 | \$ 1,259,100 |
| Amortization | 281,967 | - | - | 281,967 |
| Disposals | (221) | - | - | (221) |
| Reclassification | 649 | - | - | 649 |
| Effect of foreign currency exchange differences | <u>(1,758)</u> | <u>-</u> | <u>(200)</u> | <u>(1,958)</u> |
| Balance at December 31, 2021 | <u>\$ 1,532,777</u> | <u>\$ -</u> | <u>\$ 6,760</u> | <u>\$ 1,539,537</u> |
| <u>Carrying amounts</u> | | | | |
| Balance at December 31, 2021 | <u>\$ 894,295</u> | <u>\$ 1,051,756</u> | <u>\$ -</u> | <u>\$ 1,946,051</u> (Concluded) |

The goodwill was recognized from IBT Holding Corp.'s purchase of 100% of the stocks of Ever Trust Bank on March 30, 2007. The investment cost exceeded the fair value of net identifiable assets.

When the Group executes the goodwill impairment test, Ever Trust Bank was used as a cash-generating unit, and the recoverable amount is assessed by the value in use of the cash-generating unit. The key assumptions base the expected future cash flows on the actual profit conditions of the cash-generating units. On the assumption of sustainable operations, the Group discounts the net cash flows from those of the operations of the cash-generating units in the next five years in order to calculate the value in use. Under the estimation of the Group, there is no occurrence of impairment.

The computer software and other intangible assets are amortized on a straight-line basis of 3 and 15 years, respectively.

22. OTHER ASSETS

| | December 31 | |
|-------------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| Refundable deposits | \$ 759,006 | \$ 659,672 |
| Life insurance cash surrender value | 339,879 | 319,399 |
| Prepayments | 72,679 | 109,618 |
| Others | <u>187,412</u> | <u>201,023</u> |
| | <u>\$ 1,358,976</u> | <u>\$ 1,289,712</u> |

23. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

| | December 31 | |
|---------------------------------------|----------------------|----------------------|
| | 2022 | 2021 |
| Call loans from banks | \$ 15,355,374 | \$ 25,107,334 |
| Deposits from Chunghwa Post Co., Ltd. | 5,000,000 | - |
| Call loans from the Central Bank | <u>3,072,270</u> | <u>2,768,967</u> |
| | <u>\$ 23,427,644</u> | <u>\$ 27,876,301</u> |

24. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENTS

| | December 31 | |
|------------------------------------|-------------------------|-----------------------|
| | 2022 | 2021 |
| Bills | \$ 85,784,753 | \$ 78,017,892 |
| Government bonds | 15,869,712 | 21,680,879 |
| Corporate bonds | 59,111,195 | 66,112,201 |
| Bank debentures | 18,841,944 | 21,607,056 |
| Beneficiary securities | <u>549,153</u> | <u>534,588</u> |
| | <u>\$ 180,156,757</u> | <u>\$ 187,952,616</u> |
| Date of agreements to repurchase | Before December 2023 | Before August 2022 |
| Amount of agreements to repurchase | \$ 180,489,847 | \$ 188,018,898 |

25. PAYABLES

| | December 31 | |
|---|---------------------|---------------------|
| | 2022 | 2021 |
| Investment settlements payable | \$ 153,613 | \$ 150,764 |
| Settlement accounts payable - trusteeship | - | 60,579 |
| Acceptances | 121,272 | 84,266 |
| Accounts payable | 48,380 | 132,720 |
| Accrued interest | 993,372 | 353,405 |
| Accrued expenses | 1,347,725 | 1,296,025 |
| Collections payable | 109,902 | 81,188 |
| Factored payables | 179,931 | 114,189 |
| Checks for clearing | 198,196 | 75,133 |
| Others | <u>120,510</u> | <u>119,137</u> |
| | <u>\$ 3,272,901</u> | <u>\$ 2,467,406</u> |

26. DEPOSITS AND REMITTANCES

| | December 31 | |
|--------------------|-----------------------|-----------------------|
| | 2022 | 2021 |
| Deposits | | |
| Checking | \$ 5,717,211 | \$ 7,578,807 |
| Demand | 43,666,389 | 69,422,918 |
| Time | 226,765,043 | 163,221,744 |
| Savings deposits | 16,996,792 | 19,016,234 |
| Export remittances | <u>19,551</u> | <u>139,722</u> |
| | <u>\$ 293,164,986</u> | <u>\$ 259,379,425</u> |

27. BANK DEBENTURES PAYABLE

| | December 31 | |
|---|-------------|--------------|
| | 2022 | 2021 |
| Subordinate bonds forth issued in 2014; fixed 2.20% interest rate; maturity: May 5, 2022; interest paid annually and repayment of the principal at maturity | \$ - | \$ 1,500,000 |
| Subordinate bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repayment of the principal at maturity | - | 1,000,000 |
| Subordinate bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repayment of the principal at maturity | 1,500,000 | 1,500,000 |
| Subordinate bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repayment of the principal at maturity | 1,500,000 | 1,500,000 |
| Subordinate bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repayment of the principal at maturity | 2,000,000 | 2,000,000 |
| | | (Continued) |

| | December 31 | |
|---|----------------------|-------------------------------------|
| | 2022 | 2021 |
| Subordinate bonds type A second issued in 2017; fixed 4.00% interest rate; no maturity, interest paid annually | \$ 750,000 | \$ 750,000 |
| Subordinate bonds type B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repayment of the principal at maturity | 1,000,000 | 1,000,000 |
| Subordinate bonds type A first issued in 2018; fixed 4.00% interest rate; no maturity, interest paid annually | 700,000 | 700,000 |
| Subordinate bonds type B first issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repayment of the principal at maturity | 1,050,000 | 1,050,000 |
| Subordinate bonds first issued in 2019; fixed 1.50% interest rate; maturity: June 6, 2026; interest paid annually and repayment of the principal at maturity | 2,500,000 | 2,500,000 |
| Subordinate bonds first issued in 2021; fixed 0.90% interest rate; maturity: June 25, 2028; interest paid annually and repayment of the principal at maturity | 1,000,000 | 1,000,000 |
| Bonds second issued in 2021; fixed 0.65% interest rate; maturity: December 22, 2024; interest paid annually and repay the principal at maturity | 500,000 | 500,000 |
| Subordinate bonds first issued in 2022; fixed 2.30% interest rate; maturity: September 27, 2029; interest paid annually and repayment of the principal at maturity | <u>1,100,000</u> | <u>-</u> |
| | <u>\$ 13,600,000</u> | <u>\$ 15,000,000</u> (Concluded) |

28. OTHER FINANCIAL LIABILITIES

| | December 31 | |
|---|---------------------|----------------------|
| | 2022 | 2021 |
| Bank borrowings | \$ 52,000 | \$ 12,569,012 |
| Commercial papers payable | 2,221,655 | 5,697,210 |
| Principal of structured products | 962,184 | 44,900 |
| Funds obtained from the government - intended for specific types of loans | 1,908,040 | 2,269,710 |
| Repurchase agreement margins | <u>12,929</u> | <u>-</u> |
| | <u>\$ 5,156,808</u> | <u>\$ 20,580,832</u> |

a. Bank borrowings

| | December 31 | |
|-----------------------|--------------------|-------------------------------------|
| | 2022 | 2021 |
| Short-term borrowings | \$ 52,000 | \$ 5,517,631 |
| Long-term borrowings | <u>-</u> | <u>7,051,381</u> |
| | <u>\$ 52,000</u> | <u>\$ 12,569,012</u> (Continued) |

| | December 31 | |
|------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Interest rate interval | | |
| New Taiwan dollars | 2.14% | 1.00%-1.30% |
| U.S. dollars | - | 1.51%-1.80% |
| Renminbi | - | 4.05%-4.85% |
| | | (Concluded) |

b. Commercial papers payable

| | December 31 | |
|----------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| Commercial papers payable | \$ 2,223,000 | \$ 5,700,000 |
| Less: Unamortized discount | <u>(1,345)</u> | <u>(2,790)</u> |
| | <u>\$ 2,221,655</u> | <u>\$ 5,697,210</u> |
| Interest rate interval | 1.50%-2.09% | 0.30%-1.14% |

c. Funds obtained from the government - intended for specific types of loans

| | December 31 | |
|---|---------------------|---------------------|
| | 2022 | 2021 |
| Funds obtained from the government - intended for specific types of loans | <u>\$ 1,908,040</u> | <u>\$ 2,269,710</u> |

The Lending Fund is a development fund established by the Executive Yuan to promote the development of the financial market economy. The Bank applied for the quota and appointed Export-Import Bank of the Republic of China, China Trust Commercial Bank, and Taiwan Enterprise Bank to act as the managing bank wherein the loan quota is available for use.

29. PROVISIONS

| | December 31 | |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| Provisions for employee benefits | \$ 164,618 | \$ 233,827 |
| Provisions for losses on guarantees contracts | 1,615,298 | 1,750,786 |
| Provisions for losses on financing commitments | <u>92,721</u> | <u>91,721</u> |
| | <u>\$ 1,872,637</u> | <u>\$ 2,076,334</u> |

Refer to Note 14 for the details and changes in the provision for losses on guarantees contracts and financing commitments.

30. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

The pension system under the “Labor Pensions Ordinance” applicable to the Bank and its subsidiaries is the required retirement plan stipulated by the government, except that of Ever Trust Bank which is not more than 10% of the annual salary of the respective employees. A pension of 6% of an employee’s monthly salary is paid to the Labor Insurance Bureau under each individual’s account.

The amount to be paid in accordance with the percentage specified in the proposed plan for the years ended December 31, 2022 and 2021 was recognized in the consolidated statements of comprehensive income in the total amounts of \$76,175 thousand and \$69,573 thousand, respectively.

Defined Benefit Plan

The defined benefit plans adopted by the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Bank contribution amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor; the Bank has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group’s defined benefit plans were as follows:

| | December 31 | |
|---|--------------------|-------------------|
| | 2022 | 2021 |
| Present value of defined benefit obligation | \$ 477,559 | \$ 541,439 |
| Fair value of plan assets | <u>(312,941)</u> | <u>(307,612)</u> |
| Net defined benefit liabilities | <u>\$ 164,618</u> | <u>\$ 233,827</u> |

Movement in net defined benefit liabilities were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities |
|-------------------------------|--|--|--|
| Balance at January 1, 2021 | <u>\$ 566,114</u> | <u>\$ (303,379)</u> | <u>\$ 262,735</u> |
| Service cost | | | |
| Current service cost | 7,567 | - | 7,567 |
| Net interest expense (income) | <u>2,086</u> | <u>(1,517)</u> | <u>569</u> |
| Recognized in profit or loss | <u>9,653</u> | <u>(1,517)</u> | <u>8,136</u> |
| | | | (Continued) |

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities |
|---|--|--|--|
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | \$ - | \$ (3,754) | \$ (3,754) |
| Changes in demographic assumptions | 9,799 | - | 9,799 |
| Changes in financial assumptions | (2,570) | - | (2,570) |
| Experience adjustments | (458) | - | (458) |
| Other | - | 149 | 149 |
| Recognized in other comprehensive income | <u>6,771</u> | <u>(3,605)</u> | <u>3,166</u> |
| Employer contributions | - | (18,569) | (18,569) |
| Benefits paid | (19,458) | 19,458 | - |
| Business paid | (5,127) | - | (5,127) |
| Other | <u>(16,514)</u> | <u>-</u> | <u>(16,514)</u> |
| Balance at December 31, 2021 | <u>\$ 541,439</u> | <u>\$ (307,612)</u> | <u>\$ 233,827</u> |
| Balance at January 1, 2022 | <u>\$ 541,439</u> | <u>\$ (307,612)</u> | <u>\$ 233,827</u> |
| Service cost | | | |
| Current service cost | 8,088 | - | 8,088 |
| Net interest expense (income) | <u>2,309</u> | <u>(1,777)</u> | <u>532</u> |
| Recognized in profit or loss | <u>10,397</u> | <u>(1,777)</u> | <u>8,620</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (22,976) | (22,976) |
| Changes in financial assumptions | (28,680) | - | (28,680) |
| Experience adjustments | <u>(3,710)</u> | <u>-</u> | <u>(3,710)</u> |
| Recognized in other comprehensive income | <u>(32,390)</u> | <u>(22,976)</u> | <u>(55,366)</u> |
| Employer contributions | - | (12,824) | (12,824) |
| Benefits paid | (32,248) | 32,248 | - |
| Other | <u>(9,639)</u> | <u>-</u> | <u>(9,639)</u> |
| Balance at December 31, 2022 | <u>\$ 477,559</u> | <u>\$ (312,941)</u> | <u>\$ 164,618</u> |

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

- Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

| | December 31 | |
|-------------------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Discount rate(s) | 1.38% | 0.50%-0.63% |
| Expected rate(s) of salary increase | 2.50% | 2.50% |

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

| | December 31 | |
|-------------------------------------|--------------------|-------------------|
| | 2022 | 2021 |
| Discount rate(s) | | |
| 0.25% increase | <u>\$ (7,165)</u> | <u>\$ (8,916)</u> |
| 0.25% decrease | <u>\$ 7,385</u> | <u>\$ 9,207</u> |
| Expected rate(s) of salary increase | | |
| 0.25% increase | <u>\$ 7,167</u> | <u>\$ 8,877</u> |
| 0.25% decrease | <u>\$ (6,991)</u> | <u>\$ (8,643)</u> |

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

| | December 31 | |
|---|--------------------|------------------|
| | 2022 | 2021 |
| Expected contributions to the plans for the next year | <u>\$ 13,051</u> | <u>\$ 18,929</u> |
| Average duration of the defined benefit obligation | 7.9-8.5 years | 8.7-9.0 years |

31. OTHER LIABILITIES

| | December 31 | |
|---|--------------------|---------------------|
| | 2022 | 2021 |
| Guarantee deposits received | \$ 179,781 | \$ 2,242,552 |
| Advance revenue | 53,746 | 59,158 |
| Payable for custody | 27,482 | 33,048 |
| Receipts in suspense and pending settlement | 116,753 | 266,004 |
| Deferred revenue | 114,343 | 109,030 |
| Others | <u>8,255</u> | <u>9,787</u> |
| | <u>\$ 500,360</u> | <u>\$ 2,719,579</u> |

32. EQUITY

a. Capital stock

| | December 31 | |
|---|----------------------|----------------------|
| | 2022 | 2021 |
| Number of stock authorized (in thousands) | <u>3,500,000</u> | <u>3,500,000</u> |
| Amount of capital stock authorized | <u>\$ 35,000,000</u> | <u>\$ 35,000,000</u> |
| Number of stocks issued and fully paid (in thousands) | | |
| Common stock | <u>2,733,992</u> | <u>2,733,006</u> |
| Preferred stock | <u>299,014</u> | <u>300,000</u> |
| Amount of stocks issued | <u>\$ 30,330,063</u> | <u>\$ 30,330,063</u> |

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

On June 27, 2018, the Bank's board of directors resolved to issue 300,000 thousand Series A preferred stock, with a par value of \$10. The subscription date was November 29, 2018, and finished the registration on December 21, 2018. The rights and obligations of Series A preferred stockholders are as follows:

- 1) The interest rate of Series A preferred stock shall be based on the 5-year Interest Rate Swap (IRS) rate on the pricing date and the interest shall be calculated on the issue price per share; the interest rate is initially set at 0.94375% plus 3.30625% (total 4.25%) per annum. The interest Rate Swap issued price per share. Interest rate per annum will be reset on the day after the 5.5-year anniversary of the issue date and the day after each subsequent period of 5.5 years thereafter. Dividends for the Series A preferred stock shall be declared once every year in cash. After the stockholders' approval of the Bank's financial statements at its annual stockholders' meeting, the board of directors may set a record date for the distribution of dividends declared from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual issued days of the given year.
- 2) The Bank has sole discretion on dividend issuance of Series A preferred stock including, but not limited to, its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for preferred stock dividends, or preferred stock dividend declaration would render the Bank of International Settlement (BIS) ratio below the level required by the law or relevant authorities, or due other necessary consideration. The Series A preferred stockholders shall not have any objection towards the Bank's cancellation of preferred stock dividend declaration. Undeclared or under declared dividends are not cumulative and are not paid in subsequent years with profit.
- 3) Unless the authorities take over the Bank, order the Bank to suspend, terminate or liquidate its business in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks", Series A preferred stockholders shall have the same priority as the common stockholders in the event of liquidation, both second to tier 2 capital instrument holder, depositor, and common creditor, but will be capped at the value of issuance.
- 4) Series A preferred stockholders have no voting rights at the annual stockholders' meeting and cannot elect directors. However, the preferred stockholders should have voting rights at the preferred stockholders' meeting and also at the stockholders' meeting when it involves the rights and obligations of the preferred stockholders, and the aforesaid stockholders are eligible for director candidacy. Series A preferred stockholders have voting rights at Series A stockholders' meeting.

- 5) The preferred stock issued by the Bank shall not be converted within one year from the date of issuance. Starting from the day after the expiration of one year, stockholders of convertible preferred stock may apply for the conversion of part or all of the preferred stock held, from preferred stock to common stock during the conversion period (conversion ratio 1:1). After the convertible preferred stocks are converted into common stock, their rights and obligations are the same as the common stock. The issuance of annual dividends for the convertible preferred stock is based on the ratio of the actual number of issued days in the current year to the number of days within the whole year. However, stockholders who converted their preferred stock into common stock before the date of distribution of dividends (interests) in each year shall not participate in the distribution in that year but may participate in the distribution of common stock surplus and additional paid in capital.
- 6) After five and a half years from the issue date, the Bank may, subject to the competent authority's approval, redeem a portion or all of the outstanding shares of preferred stock any time at the issue price. The rights and obligations associated with any remaining outstanding shares of preferred stock shall continue as specified in the agreement. If the Bank's board of directors approves the distribution of dividends in the year the Bank redeems the outstanding shares of preferred stock - A, the dividends payable shall be calculated at the ratio of the number of days outstanding from beginning of year to the redemption date to total days in a fiscal year.
- 7) When the Bank issues new shares for cash, Series A preferred stockholders have the same subscription rights as the common stockholders.

As of December 31, 2022, 986 thousand of preferred Series A shares has been converted into common stock.

b. Capital surplus

| | December 31 | |
|---|--------------------|-----------------|
| | 2022 | 2021 |
| May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note) | | |
| Treasury share transactions | <u>\$ 9,061</u> | <u>\$ 3,193</u> |
| Must be used to offset a deficit | | |
| Exercised disgorgement | 10 | - |
| Unclaimed dividends | <u>1,957</u> | <u>1,341</u> |
| | <u>1,967</u> | <u>1,341</u> |
| May not be used for any purpose | | |
| Share of changes in capital surplus of subsidiaries, associates or joint ventures | <u>2,624</u> | <u>2,200</u> |
| | <u>\$ 13,652</u> | <u>\$ 6,734</u> |

Note: Such capital surplus may be used to offset a deficit; in addition, when the Bank has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital stock (limited to a certain percentage of the Bank's capital surplus and once a year).

c. Special reserves

| | December 31 | |
|--|--------------------|-------------------|
| | 2022 | 2021 |
| Trading loss and default loss reserve | \$ 133,955 | \$ 133,955 |
| Employee transfer or placement expenditure related to financial technology development | 15,176 | 15,902 |
| Other equity deductions special reserves | 485,479 | - |
| According to the Bank's policy | <u>-</u> | <u>647,926</u> |
| | <u>\$ 634,610</u> | <u>\$ 797,783</u> |

The Bank reclassified reserve for trading loss and default losses as of December 31, 2010 to a special reserve account, which is part of equity, in accordance with Order No. 10010000440 issued by the FSC.

In addition, according to Rule No. 10510001510 issued by the FSC on May 25, 2016, a public bank shall appropriate to special reserve an amount in the range of 0.5% to 1% of net profit after tax from 2016 to 2018; from 2017, the same amount of employee transfer or placement expenditure arising from financial technology development shall be reversed from the balance of the special reserve. The above order was repealed by the FSC Rule No. 10802714560 on May 15, 2019, which stipulates that in 2019, a public bank shall no longer continue to provide a special reserve for the purpose of protecting the interests of domestic bank practitioners in the development of financial technology. The Bank is allowed to reverse the special reserve appropriated in 2016 to 2018 at the amounts of the following expenses.

- 1) Expenses for staff transfer or placement, including the related expenses for assisting employees to transfer between departments or groups, and the payment of retirement and severance benefits to employees that are superior to labor-related laws and regulations.
- 2) Expenses for financial technology or banking business development, i.e., expenditure for education and training to enhance or develop employee functions.

Under related regulations, the Bank should appropriate or reverse to a special reserve according to the net debit balance of other equity. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

d. Retained earnings and dividends policy

- 1) The Bank's dividend policy approved by the stockholders' meeting of the Bank on June 17, 2022 is as follows:

Under the dividends policy as set forth in the amended Articles, where the Bank made 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 until the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a 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 board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders.

In the event of a shortfall in "other previously accumulated net deductions from shareholders' equity" when the Bank sets aside a portion of distributable earnings for special reserve, it shall first set aside an equal amount of special reserve from undistributed earnings from the previous period. If any shortfall remains, the Bank shall make an allocation from the undistributed earnings of the current period that also take account of net profit plus other items of the current period.

In principle, common stock dividends shall not be less than 20% of the available for distribution retained earnings minus the amount for preferred stock dividends. Cash dividend shall not be less than 20% of the total dividend for the current year. When the amount of legal reserve has not reached the Bank's total capital, the amount of cash dividends cannot exceed 15% of the Bank's paid-in capital.

The Bank shall consider its future capital budget plan, financial needs for various businesses, and financial structure in the adoption of a stable and balanced dividend policy. The board of directors may, according to the actual needs, propose adjustments to the dividend distribution, and submit the proposal for approval in the stockholders' meeting.

2) The dividend policy before June 17, 2022 is as follows:

Under the dividends policy as set forth in the amended Articles, where the Bank made 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 until the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a 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 board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders.

In principle, common stock dividends shall not be less than 20% of the available for distribution retained earnings minus the amount for preferred stock dividends. Cash dividend shall not be less than 20% of the total dividend for the current year. When the amount of legal reserve has not reached the Bank's total capital, the amount of cash dividends cannot exceed 15% of the Bank's paid-in capital.

The Bank shall consider its future capital budget plan, financial needs for various businesses, and financial structure in the adoption of a stable and balanced dividend policy. The board of directors may, according to the actual needs, propose adjustments to the dividend distribution, and submit the proposal for approval in the stockholders' meeting. For the policies on distribution of compensation of employees and remuneration of directors, please refer to Note 37.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals 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. In addition, the Banking Law limits the appropriation of cash dividends to 15% of the Bank's paid-in capital.

The appropriations of earnings for 2021 and 2020 have been proposed by the Bank's board of directors and approved in the stockholders' meetings on June 17, 2022 and July 20, 2021, respectively. The appropriations and dividends per share were as follows:

| | 2021 | 2020 |
|---|--------------------------------------|--------------------------------------|
| | Appropriation of Earnings | Appropriation of Earnings |
| Legal reserve | \$ 612,126 | \$ 31,879 |
| Special reserve appropriated (reversed) | (163,173) | (598,570) |
| Cash dividends - common stock | 819,145 | 545,454 |
| Preferred stock dividends | 127,500 | 127,500 |

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ (946,067) | \$ (697,554) |
| Exchange differences arising on translating the financial statements of foreign operations | 1,235,070 | (280,110) |
| Income tax related to gains or losses arising on translating the financial statements of foreign operations | <u>(123,116)</u> | <u>31,597</u> |
| Balance at December 31 | <u>\$ 165,887</u> | <u>\$ (946,067)</u> |

2) Unrealized valuation gains (losses) on financial assets at FVOCI

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ 460,588 | \$ 755,298 |
| Recognized during the period | | |
| Unrealized loss - debt instruments | (3,234,967) | (801,597) |
| Unrealized gain (loss) - equity instruments | (878,191) | 660,949 |
| Tax effects | 199,694 | 45,834 |
| Loss allowance of debt instruments | <u>(4,527)</u> | <u>2,276</u> |
| Other comprehensive income recognized in the period | <u>(3,917,991)</u> | <u>(92,538)</u> |
| Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal | <u>241,014</u> | <u>(202,172)</u> |
| Balance at December 31 | <u>\$ (3,216,389)</u> | <u>\$ 460,588</u> |

f. Non-controlling interests

| | For the Year Ended December 31 | |
|---|---------------------------------------|----------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ 18,786,481 | \$ 18,696,870 |
| Attribute to non-controlling interests | | |
| Shares of profit for the year | 773,884 | 1,359,081 |
| Capital surplus | 1,072 | 1,023 |
| Exchange differences arising on translation of foreign entities | 53,324 | (13,738) |
| Unrealized valuation gains and losses on FVTOCI | | |
| Debt instruments | (2,678,980) | (659,981) |
| Equity instruments | (73,189) | 153,944 |
| Tax effects | 272,127 | 86,627 |
| Actuarial profit and loss of defined benefit plans | 19,179 | (424) |
| Capital reduction of subsidiaries for cash received by non-controlling interest | (793) | - |
| Cash dividends distributed by subsidiary | <u>(865,780)</u> | <u>(836,921)</u> |
| Balance at December 31 | <u>\$ 16,287,325</u> | <u>\$ 18,786,481</u> |

g. Treasury stock

| | Unit: In Thousands of Shares | |
|---------------------------------|---------------------------------------|--------------|
| | For the Year Ended December 31 | |
| | 2022 | 2021 |
| Number of shares at January 1 | 5,737 | 5,737 |
| Increase during the year | <u>(3,215)</u> | <u>-</u> |
| Number of shares at December 31 | <u>2,522</u> | <u>5,737</u> |

On March 19, 2020, the Bank's board of directors proposed to acquire treasury stocks transfer to employees. The acquiring period is from March 20, 2020 to May 19, 2020. As of May 19, 2020, the Bank had acquired 5,737 thousand shares of treasury stocks for \$38,304 thousand. The Bank had transferred 3,215 thousand shares to employees at the price of \$5.9 per share in February 2022. As a result, treasury shares decreased by \$21,467 thousand.

Under the Securities and Exchange Act, the Bank shall neither pledge treasury shares nor exercise stockholders' rights on these shares, such as the rights to receive dividends or to vote.

33. NET INTEREST

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| <u>Interest revenue</u> | | |
| Discounts and loans | \$ 5,657,787 | \$ 3,906,226 |
| Investments in securities | 2,098,279 | 1,647,880 |
| Installment sales and leases | 1,175,802 | 1,123,081 |
| Due from the Central Bank and call loans to banks | 231,985 | 42,766 |
| Others | <u>183,904</u> | <u>110,266</u> |
| | <u>9,347,757</u> | <u>6,830,219</u> |
| <u>Interest expense</u> | | |
| Deposits | 2,553,367 | 1,022,516 |
| Deposits from the Central Bank and other banks | 311,396 | 56,628 |
| Bank debentures | 272,574 | 303,664 |
| Bills and bonds sold under repurchase agreements | 1,167,635 | 429,084 |
| Others | <u>461,290</u> | <u>358,400</u> |
| | <u>4,766,262</u> | <u>2,170,292</u> |
| | <u>\$ 4,581,495</u> | <u>\$ 4,659,927</u> |

34. SERVICE FEE INCOME, NET

| | For the Year Ended December 31 | |
|----------------------------|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Service fee income | | |
| Guarantee business | \$ 991,594 | \$ 1,137,545 |
| Loan business | 375,866 | 264,743 |
| Underwrite business | 465,949 | 515,301 |
| Trust business | 56,042 | 52,295 |
| Lease business | 351,496 | 332,113 |
| Credit examining business | 119,155 | 113,041 |
| Import and export business | 20,749 | 14,518 |
| Factoring business | 20,023 | 21,962 |
| Insurance agent business | 30,535 | 39,420 |
| Others | <u>75,995</u> | <u>99,704</u> |
| | 2,507,404 | 2,590,642 |
| Service charge | | |
| Others | <u>158,063</u> | <u>132,072</u> |
| | <u>\$ 2,349,341</u> | <u>\$ 2,458,570</u> |

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

| | For the Year Ended December 31 | |
|-------------------------------------|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Realized gains or losses | | |
| Bills | \$ (63,007) | \$ 130,350 |
| Stocks and beneficiary certificates | (41,202) | 398,192 |
| Bonds | 64,236 | 85,834 |
| Derivatives | <u>2,898,072</u> | <u>(753,856)</u> |
| | 2,858,099 | (139,480) |
| Gains (losses) on valuation | | |
| Bills | (276,140) | (21,488) |
| Stocks and beneficiary certificates | 36,567 | 13,500 |
| Bonds | (85,480) | 27,628 |
| Derivatives | <u>283,375</u> | <u>342,550</u> |
| | (41,678) | 362,190 |
| Interest revenue | <u>1,082,993</u> | <u>628,788</u> |
| | <u>\$ 3,899,414</u> | <u>\$ 851,498</u> |

36. REALIZED GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Realized income - debt instruments | \$ (308,294) | \$ 159,857 |
| Dividend revenue | <u>462,266</u> | <u>250,765</u> |
| | <u>\$ 153,972</u> | <u>\$ 410,622</u> |

37. EMPLOYEE BENEFITS EXPENSES

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Short-term employee benefits | | |
| Salaries and wages | \$ 2,452,751 | \$ 2,246,789 |
| Labor insurance and national health insurance | 152,772 | 154,255 |
| Others | 296,651 | 266,385 |
| Post-employment benefits | | |
| Pension expenses | 84,478 | 77,395 |
| Pension benefits | <u>27</u> | <u>689</u> |
| | <u>\$ 2,986,679</u> | <u>\$ 2,745,513</u> |

The Bank accrued compensation of employees and remuneration of directors at the rates of 1%-2.5% and no higher than 2.5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors.

The amounts and accrual rates of employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021 were as follows:

Accrual rate

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|-------------|
| | 2022 | 2021 |
| Compensation of employees | 1.00% | 1.25% |
| Remuneration of directors | 1.25% | 2.50% |

Amount

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|------------------|
| | 2022 | 2021 |
| Compensation of employees | <u>\$ 53,625</u> | <u>\$ 26,170</u> |
| Remuneration of directors | <u>\$ 67,031</u> | <u>\$ 52,339</u> |

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

The compensation of employees and remuneration of directors for 2021 and 2020, which were approved by the Bank's board of director on March 16, 2022 and March 22, 2021, respectively, were as follows:

| | For the Year Ended December 31 | | | |
|---------------------------|---------------------------------------|--------------|-------------|--------------|
| | 2021 | | 2020 | |
| | Cash | Stock | Cash | Stock |
| Compensation of employees | \$ 26,170 | \$ - | \$ 16,056 | \$ - |
| Remuneration of directors | 52,339 | - | 32,111 | - |

There are no differences between the 2021 and 2020 actual amounts of compensation of employees and remuneration of directors paid and the 2021 and 2020 amount recognized in the annual consolidated financial statements.

The Board had been proposed compensation of employees and remuneration of directors for the year ended December 31, 2022 on March 14, 2023, were as follows:

| | For the Year Ended December 31, 2022 |
|----------------------------------|---|
| Compensation of employees - cash | <u>\$ 53,625</u> |
| Remuneration of directors | <u>\$ 67,031</u> |

Information for the employee' compensation and remuneration of directors proposed by the Board is available at the Market Observation Post System website of the Taiwan Stock Exchange.

38. DEPRECIATION AND AMORTIZATION EXPENSES

| | For the Year Ended December 31 | |
|------------------------|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Property and equipment | \$ 198,944 | \$ 201,932 |
| Right-of-use assets | 145,008 | 154,058 |
| Intangible assets | <u>279,257</u> | <u>281,967</u> |
| | <u>\$ 623,209</u> | <u>\$ 637,957</u> |

39. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Taxation | \$ 270,595 | \$ 223,347 |
| Rental fees | 21,339 | 14,248 |
| Management fees | 40,975 | 40,146 |
| Computer operating and consulting fees | 342,033 | 304,538 |
| Entertainment fees | 36,475 | 34,934 |
| Professional services fees | 122,582 | 107,322 |
| Advertisement fees | 57,613 | 55,143 |
| Postage fees | 78,053 | 79,359 |
| Others | <u>315,937</u> | <u>279,413</u> |
| | <u>\$ 1,285,602</u> | <u>\$ 1,138,450</u> |

40. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Current tax | | |
| In respect of the current year | \$ 932,622 | \$ 857,233 |
| Income tax on unappropriated earnings | 13,385 | 681 |
| Adjustment of prior years | <u>(21,896)</u> | <u>(17,524)</u> |
| | 924,111 | 840,390 |
| Deferred tax | | |
| In respect of the current year | <u>(115,240)</u> | <u>193,958</u> |
| Income tax expense recognized in profit or loss | <u>\$ 808,871</u> | <u>\$ 1,034,348</u> |

A reconciliation of accounting profit and income tax expense for the years ended December 31, 2022 and 2021 were as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Profit before tax from continuing operations | <u>\$ 6,617,226</u> | <u>\$ 4,238,968</u> |
| Income tax expense calculated at the statutory rate | \$ 1,753,826 | \$ 1,332,227 |
| Realized gain on investment in equity instruments measured at fair value through other comprehensive income | (33,044) | 61,816 |
| Nondeductible expenses and tax-exempt income in determining taxable income | (910,041) | (408,277) |
| Tax credits for Foreign Income Source Tax Act | (163,968) | - |
| Unrecognized unused loss carryforwards | (82,977) | (14,275) |
| Unrecognized deductible temporary differences | 89,600 | (57,066) |
| Additional income tax under the Alternative Minimum Tax Act | 18 | 32,671 |
| Income tax on unappropriated earnings | 13,385 | 681 |
| Overseas income taxes | 163,968 | 104,095 |
| Adjustments for prior years' tax | <u>(21,896)</u> | <u>(17,524)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 808,871</u> | <u>\$ 1,034,348</u> |

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2022 | 2021 |
| <u>Deferred tax</u> | | |
| Translation of foreign operations | \$ (119,277) | \$ 34,227 |
| Remeasurement of defined benefit plans | (6,693) | 148 |
| Unrealized gains or losses on financial assets at FVTOCI | <u>471,822</u> | <u>132,460</u> |
| Income tax recognized in other comprehensive income | <u>\$ 345,852</u> | <u>\$ 166,835</u> |

c. Deferred tax assets and liabilities

For the year ended December 31, 2022

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Compre- hensive Income | Other | Closing Balance |
|---|----------------------------|---|---|---------------------|----------------------------|
| <u>Deferred tax assets</u> | | | | | |
| Temporary differences | | | | | |
| FVTPL financial instruments | \$ 59,700 | \$ 17,926 | \$ - | \$ 13,005 | \$ 90,631 |
| Property and equipment | 14,238 | (3,609) | - | 770 | 11,399 |
| Exchange differences on translating the financial statements of foreign operations | 141,621 | - | (95,898) | (39,162) | 6,561 |
| Defined benefit plans | 40,656 | (6,800) | (6,693) | 3,171 | 30,334 |
| Allowance for bad debts | 472,771 | 98,945 | - | (119,704) | 452,012 |
| Provisions | 51,068 | 35,370 | - | - | 86,438 |
| Impairment of assets | 460 | (497) | - | 37 | - |
| Other | 23,530 | (5,549) | 428,800 | 1,418 | 448,199 |
| Unused loss carryforwards | <u>96,699</u> | <u>(96,699)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 900,743</u> | <u>\$ 39,087</u> | <u>\$ 326,209</u> | <u>\$ (140,465)</u> | <u>\$1,125,574</u> |
| <u>Deferred tax liabilities</u> | | | | | |
| Temporary differences | | | | | |
| Share of profit of associates and joint ventures accounted for using equity method | \$ 787,574 | \$ (79,918) | \$ - | \$ (102,765) | \$ 604,891 |
| Exchange differences on translating the financial statements of foreign operations | - | - | 23,379 | - | 23,379 |
| Other | <u>42,936</u> | <u>(6)</u> | <u>(43,022)</u> | <u>-</u> | <u>(92)</u> |
| | <u>\$ 830,510</u> | <u>\$ (79,924)</u> | <u>\$ (19,643)</u> | <u>\$ (102,765)</u> | <u>\$ 628,178</u> |

For the year ended December 31, 2021

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Compre- hensive Income | Other | Closing Balance |
|---|----------------------------|---|---|-------------------|----------------------------|
| <u>Deferred tax assets</u> | | | | | |
| Temporary differences | | | | | |
| FVTPL financial instruments | \$ 79,383 | \$ (19,547) | \$ - | \$ (136) | \$ 59,700 |
| Property and equipment | 11,544 | 3,043 | - | (349) | 14,238 |
| Exchange differences on translating the financial statements of foreign operations | 107,396 | - | 34,226 | - | 141,622 |
| Defined benefit plans | 47,991 | (6,522) | 148 | (961) | 40,656 |
| Allowance for bad debts | 479,203 | (2,747) | - | (2,983) | 473,473 |
| Provisions | 58,468 | (7,400) | - | - | 51,068 |
| Impairment of assets | 5,286 | (4,804) | - | (22) | 460 |
| Other | 18,043 | (6,686) | 12,998 | (825) | 23,530 |
| Unused loss carryforwards | <u>88,573</u> | <u>7,423</u> | <u>-</u> | <u>-</u> | <u>95,996</u> |
| | <u>\$ 895,887</u> | <u>\$ (37,240)</u> | <u>\$ 47,372</u> | <u>\$ (5,276)</u> | <u>\$ 900,743</u> |

Deferred tax liabilities

| | | | | | |
|--|-------------------|-------------------|---------------------|-------------|-------------------|
| Temporary differences | | | | | |
| Share of profit of associates and joint ventures accounted for using equity method | \$ 618,067 | \$ 169,507 | \$ - | \$ - | \$ 787,574 |
| Other | <u>175,188</u> | <u>(12,789)</u> | <u>(119,463)</u> | <u>-</u> | <u>42,936</u> |
| | <u>\$ 793,255</u> | <u>\$ 156,718</u> | <u>\$ (119,463)</u> | <u>\$ -</u> | <u>\$ 830,510</u> |

d. Assessment of the income tax returns

The income tax returns of the Bank through 2019 have been assessed by the tax authorities. The income tax returns of the Bank's subsidiaries IBTM and IBT VII Venture Capital Co., Ltd. through 2020 have been assessed. Except for 2018, the income tax returns of CBF through 2019 have been assessed by the tax authorities.

41. EARNINGS PER SHARE

Unit: NT\$ Per Share

| | For the Year Ended December 31 | |
|----------------------------------|---------------------------------------|----------------|
| | 2022 | 2021 |
| Basic earnings per share | | |
| From continuing operations | \$ 1.80 | \$ 0.63 |
| From discontinued operations | <u>-</u> | <u>-</u> |
| Total basic earnings per share | <u>\$ 1.80</u> | <u>\$ 0.63</u> |
| Diluted earnings per share | | |
| From continuing operations | \$ 1.62 | \$ 0.57 |
| From discontinued operations | <u>-</u> | <u>-</u> |
| Total diluted earnings per share | <u>\$ 1.62</u> | <u>\$ 0.57</u> |

Earnings used in calculating earnings per share and weighted average number of common stocks are as follows:

Net Profit for the Year

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Profit for the period attributable to owners of the Bank | \$ 5,034,471 | \$ 1,840,842 |
| Less: Declared preferred stock dividend | <u>127,500</u> | <u>127,500</u> |
| Earnings used in the computation of basic earnings per share | 4,906,971 | 1,713,342 |
| Less: Loss for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations | <u>-</u> | <u>(4,685)</u> |
| Earnings used in the computation of basic and diluted earnings per share from continuing operations | <u>\$ 4,906,971</u> | <u>\$ 1,718,027</u> |

Stock (In Thousand Shares)

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2022 | 2021 |
| Weighted average number of common stocks in computation of basic earnings per share | <u>2,730,822</u> | <u>2,727,269</u> |
| Effect of potentially dilutive common stocks: | | |
| Compensation of employees | 6,982 | 3,782 |
| Convertible preferred stock | <u>299,265</u> | <u>300,000</u> |
| | <u>306,247</u> | <u>303,782</u> |
| Weighted average number of common stocks in the computation of diluted earnings per share | <u>3,037,069</u> | <u>3,031,051</u> |

If the Bank offered to settle compensation paid to employees in cash or stocks, then the Bank will assume the entire amount of the compensation will be settled in stocks and the dilutive effect of the resulting potential stocks will be included in the weighted average number of stocks outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential stocks will be included in the computation of diluted earnings per share until the number of stocks to be distributed to employees is resolved in the following year.

42. DISPOSAL OF SUBSIDIARIES

On July 21, 2022, the Bank's board of directors resolved to merge IBT Leasing with Jih Sun International Leasing & Finance Co., Ltd. In this merger, Jih Sun Leasing is the surviving company and is renamed Jih Sun IBT International Leasing Co., Ltd. As of December 1, 2022, the record date of the merger, the Bank lost control of its subsidiary.

a. Analysis of assets and liabilities on the date control was lost

| | IBT Leasing and Its Subsidiaries |
|---|---|
| Assets | |
| Cash and cash equivalents | \$ 2,540,264 |
| Financial assets at fair value through profit or loss | 75,819 |
| Financial assets at fair value through other comprehensive income | 192,036 |
| Receivables, net | 17,290,604 |
| Property and equipment, net | 55,406 |
| Other financial assets | 59,819 |
| Deferred tax assets | 152,372 |
| Other assets | 181,426 |
| Liabilities | |
| Other financial liabilities | (15,459,505) |
| Payables | (387,676) |
| Guarantee deposits | (1,686,872) |
| Deferred tax liabilities | (102,764) |
| Other liabilities | <u>(100,321)</u> |
| Net assets disposed of | <u>\$ 2,810,608</u> |

b. Gain on disposal of subsidiaries

| | IBT Leasing and Its Subsidiaries |
|--|---|
| Consideration for the merger | \$ 6,198,618 |
| Net assets disposed of | 2,810,608 |
| Reclassification of accumulated exchange difference from equity to profit or loss due to the loss of control | <u>173,891</u> |
| Gain on disposal | <u>\$ 3,214,119</u> |

- c. Net cash inflow on disposal of subsidiaries

**IBT Leasing
and Its
Subsidiaries**

Change in cash and cash equivalents \$ (2,540,264)

43. RELATED PARTY TRANSACTIONS

The transactions, account balances, income and loss of the Bank and its subsidiaries (which are the related parties of the Bank) are all eliminated upon consolidation, so they are not disclosed in this note. Except for other transactions disclosed in other notes, the transactions between the Group and other related parties are as follows:

- a. The related parties and their relationships with the Group are summarized as follows:

| <u>Related Party</u> | <u>Relationship with the Bank</u> |
|---|--|
| IBT II Venture Capital Co., Ltd. (IBT II Venture) (dissolved on March 31, 2017) (company in liquidation) | Associates |
| Beijing Sunshine Consumer Finance Co., Ltd. | Associates |
| Jih Sun IBT International Leasing Co. (Jih Sun IBT) | Associates |
| Yi Chang Investment Co., Ltd. | The Bank's legal director |
| Ming Shan Investment Co., Ltd. | The Bank's legal director |
| Taixuan Investment Co., Ltd. | Other related party |
| TCC Chemical Corporation (TCC) | Other related party |
| Others | The Group's management and their other related party |

- b. The significant transactions and balances with the related parties are summarized as follows:

- 1) Deposits (part of deposits and remittances)

| | Ending Balance | Interest Expense | Rate (%) |
|---|-----------------------|-------------------------|-----------------|
| <u>For the year ended December 31, 2022</u> | | | |
| Associates | \$ 32,061 | \$ 41 | 0.00-1.05 |
| Others | <u>9,274,633</u> | <u>91,361</u> | 0.00-6.93 |
| | <u>\$ 9,306,694</u> | <u>\$ 91,402</u> | |
| <u>For the year ended December 31, 2021</u> | | | |
| Associates | \$ 261 | \$ - | 0.03-0.04 |
| Others | <u>10,555,219</u> | <u>53,679</u> | 0.00-6.29 |
| | <u>\$ 10,555,480</u> | <u>\$ 53,679</u> | |

2) Loan

| | | Maximum Balance | Ending Balance | Interest Income | Rate (%) | | |
|---|-------------------------|------------------------------|-------------------|--------------------|-----------------------------|----------------------------|---|
| For the year ended December 31, 2022 | | | | | | | |
| Associates | | \$ 241,272 | \$ 241,272 | \$ 2,547 | 2.259-5.014 | | |
| Others | | <u>672,000</u> | <u>672,000</u> | <u>6,578</u> | 1.954-2.293 | | |
| | | <u>\$ 913,272</u> | <u>\$ 913,272</u> | <u>\$ 9,125</u> | | | |
| For the year ended December 31, 2021 | | | | | | | |
| Others | | <u>\$ 430,000</u> | <u>\$ 430,000</u> | <u>\$ 5,068</u> | 1.179 | | |
| December 31, 2022 | | | | | | | |
| Category | Name | Maximum Balance (Note) | Ending Balance | Normal Loans | Non- performing Loans | Collateral | Difference of Terms of the Trans- actions with Unrelated Parties |
| Other loans | Jih Sun IBT | <u>\$ 241,272</u> | <u>\$ 241,272</u> | <u>\$ 241,272</u> | <u>\$ -</u> | Real estate and check | None |
| Other loans | TCC | <u>\$ 430,000</u> | <u>\$ 430,000</u> | <u>\$ 430,000</u> | <u>\$ -</u> | Real estate | None |
| Other loans | Ming Shan Investment | <u>\$ 55,000</u> | <u>\$ 55,000</u> | <u>\$ 55,000</u> | <u>\$ -</u> | Certificates of deposit | None |
| Other loans | Yi Chang Investment | <u>\$ 67,000</u> | <u>\$ 67,000</u> | <u>\$ 67,000</u> | <u>\$ -</u> | Certificates of deposit | None |
| Other loans | Taixuan Investment | <u>\$ 120,000</u> | <u>\$ 120,000</u> | <u>\$ 120,000</u> | <u>\$ -</u> | Certificates of deposit | None |
| December 31, 2021 | | | | | | | |
| Category | Name | Maximum Balance (Note) | Ending Balance | Normal Loans | Non- performing Loans | Collateral | Difference of Terms of the Trans- actions with Unrelated Parties |
| Other loans | TCC | <u>\$ 430,000</u> | <u>\$ 430,000</u> | <u>\$ 430,000</u> | <u>\$ -</u> | Real estate | None |

Note: The maximum balance of daily totals for each category of loan.

3) Service fee income (part of service fee income, net)

| | For the Year Ended December 31 | |
|--------|---------------------------------------|--------------|
| | 2022 | 2021 |
| Others | <u>\$ 5</u> | <u>\$ 14</u> |

Service fee income is earned by providing authentication, custody and fund purchase services.

4) Other expenses (part of other general and administrative expense)

| | For the Year Ended December 31 | |
|--------|---------------------------------------|-----------------|
| | 2022 | 2021 |
| Others | \$ <u>5,600</u> | \$ <u>5,650</u> |

Other expenses are donations.

5) Rental income and others (part of other net revenue other than interest)

| | For the Year Ended December 31 | |
|--------|---------------------------------------|---------------|
| | 2022 | 2021 |
| Others | \$ <u>479</u> | \$ <u>552</u> |

Rental income received by the department is revenue from leasing contract of providing part of the office and equipment and management service contract.

6) Notes and bonds transaction - Cumulative transaction amount

| | For the Year Ended December 31, 2022 | | | |
|----------------------|---|--------------|--|--|
| Related Party | Purchases | Sales | Sales Under Repurchase Agreements | Purchases Under Resell Agreements |
| Others | \$ <u>48,754</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> |

c. Remuneration of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2022 and 2021 were as follows:

| | For the Year Ended December 31 | |
|------------------------------|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Short-term employee benefits | \$ 391,262 | \$ 386,402 |
| Post-employment benefits | 6,021 | 14,454 |
| Stock-based payments | <u>6,360</u> | <u>-</u> |
| | \$ <u>403,643</u> | \$ <u>400,856</u> |

The remuneration of directors and other key management personnel is reviewed by the remuneration committee and determined by the Bank's board of director or chairman.

The terms of the transactions with related parties are similar to those for third parties, except for the preferential interest rates given to employees for savings and loans. These rates should be within certain limits.

Under the Banking Law Article 32 and 33, except for consumer loans and government loans, credits extended by the Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

44. PLEDGED ASSETS

| | December 31 | |
|--|----------------------|----------------------|
| | 2022 | 2021 |
| Financial assets at FVTPL | \$ 6,404,835 | \$ 3,900,978 |
| Financial assets at FVTOCI | 2,672,541 | 15,076,563 |
| Investment in debt instruments at amortized cost | 8,483,463 | - |
| Receivables | - | 629,434 |
| Discounts and loans | 7,032,245 | 7,780,357 |
| Pledged time deposits | - | 232,100 |
| Compensation account for payment | - | 36,310 |
| | <u>\$ 24,593,084</u> | <u>\$ 27,655,742</u> |

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (parts of other financial assets) and negotiable certificates of deposits (part of financial assets at FVTPL and financial assets at FVTOCI) as collateral for day-term overdrafts. The pledged amount is adjustable based on the respective overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. The above financial assets were debt and equity investments and were mainly provided as collateral for exchange clearing, interest rate swap contracts, trust compensation, and for EverTrust Bank to issue certificates of deposit in the United States. Besides, the above loans were provided as collateral for EverTrust Bank to apply for credit limits with Federal Home Loan Bank of San Francisco. Pledged time deposits and compensation account for payment (both were parts of other financial assets) have been provided as collaterals or short-term loans.

Under the requirement of credit given by other banks, subsidiaries provided checks issued by their customers as collaterals.

45. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those mentioned in other notes, as of December 31, 2022 and 2021, the Group had commitments as follows:

| | December 31 | |
|---|-------------|-----------|
| | 2022 | 2021 |
| Office decorating and contracts of computer software | | |
| Amount of contracts | \$ 60,613 | \$ 41,599 |
| Payments for construction in progress and prepayments for equipment | 29,930 | 20,190 |

46. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

| | December 31 | |
|--|----------------------|----------------------|
| | 2022 | 2021 |
| Trust assets | | |
| Petty cash | \$ 100 | \$ 100 |
| Bank deposits | 2,100,051 | 1,820,544 |
| Financial assets | 4,009,473 | 4,236,190 |
| Receivables | 64 | 27 |
| Prepayments | 9,409 | 1,222 |
| Real estate | 6,947,042 | 6,121,444 |
| Structured products | 62,781 | 45,854 |
| Other assets | <u>368</u> | <u>42</u> |
| Total trust assets | <u>\$ 13,129,288</u> | <u>\$ 12,225,423</u> |
| Trust liabilities and capital | | |
| Payables | \$ 2,754 | \$ 1,787 |
| Unearned receipts | 1,268 | 1,180 |
| Taxes payable | 4,150 | 4,203 |
| Guarantee deposits received | 27,608 | 39,020 |
| Other liabilities | 984 | 981 |
| Trust capital | 12,903,294 | 12,024,438 |
| Provisions and accumulated profit and loss | <u>189,230</u> | <u>153,814</u> |
| Total trust liabilities and capital | <u>\$ 13,129,288</u> | <u>\$ 12,225,423</u> |

Income Statements of Trust Accounts

| | For the Year Ended December 31 | |
|--------------------|--------------------------------|------------------|
| | 2022 | 2021 |
| Trust revenue | | |
| Interest revenue | \$ 9,078 | \$ 1,106 |
| Rent revenue | 116,862 | 109,739 |
| Other revenue | <u>1,929</u> | <u>3,280</u> |
| | <u>127,869</u> | <u>114,125</u> |
| Trust expenses | | |
| Management fees | (3,598) | (3,880) |
| Service charge | (10,245) | (13,480) |
| Tax | (14,131) | (14,114) |
| Other expenses | (12,808) | (12,672) |
| Income tax expense | <u>(709)</u> | <u>(25)</u> |
| | <u>(41,491)</u> | <u>(44,171)</u> |
| | <u>\$ 86,378</u> | <u>\$ 69,954</u> |

Note: The above income accounts of the trust business were not included in the Group's income statement.

Trust Property List

| | December 31 | |
|---------------------|----------------------|----------------------|
| | 2022 | 2021 |
| Petty cash | \$ 100 | \$ 100 |
| Bank deposits | 2,100,051 | 1,820,544 |
| Stocks | 257,680 | 228,378 |
| Funds | 2,824,681 | 3,468,761 |
| Bonds | 927,112 | 539,051 |
| Land | 6,134,471 | 5,302,344 |
| Buildings | 812,571 | 819,100 |
| Receivables | 64 | 27 |
| Prepayments | 9,409 | 1,222 |
| Structured products | 62,781 | 45,854 |
| Other | 368 | 42 |
| | <u>\$ 13,129,288</u> | <u>\$ 12,225,423</u> |

47. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

1) Financial instruments significant difference between carrying amount and fair value

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values cannot be reliably measured.

| | December 31 | | | |
|---|------------------------|-------------------|------------------------|-------------------|
| | 2022 | | 2021 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| <u>Financial assets</u> | | | | |
| Investments in debt instruments at amortized cost | \$ 25,665,306 | \$ 25,561,220 | \$ - | \$ - |
| <u>Financial liabilities</u> | | | | |
| Bank debentures payable | 13,600,000 | 13,770,715 | 15,000,000 | 15,150,259 |

2) The fair value hierarchy

| Financial Instrument Items at Fair Value | December 31, 2022 | | | |
|---|-------------------|--------------|---------------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| <u>Financial assets</u> | | | | |
| Investments in debt instruments at amortized cost | \$ 25,561,220 | \$ 5,510,591 | \$ 20,050,629 | \$ - |

Financial liabilities

| | | | | |
|-------------------------|------------|---|------------|---|
| Bank debentures payable | 13,770,715 | - | 13,770,715 | - |
|-------------------------|------------|---|------------|---|

| Financial Instrument Items at Fair Value | December 31, 2021 | | | |
|---|-------------------|---------|---------|---------|
| | Total | Level 1 | Level 2 | Level 3 |

Financial liabilities

| | | | | |
|-------------------------|---------------|------|---------------|------|
| Bank debentures payable | \$ 15,150,259 | \$ - | \$ 15,150,259 | \$ - |
|-------------------------|---------------|------|---------------|------|

Refer to quoted market prices for fair value if there are public quotations on bank debentures payable with active market. If quoted market prices are not available, the fair value is determined by using a valuation technique or counterparty quotation.

b. Fair value information - financial instruments measured at fair value on a recurring basis

- 1) The fair value hierarchy of the financial instruments as of December 31, 2022 and 2021 were as follows:

| Item | December 31, 2022 | | | |
|---|-------------------|------------|-------------|------------|
| | Total | Level 1 | Level 2 | Level 3 |
| <u>Non-derivative financial instruments</u> | | | | |
| Assets | | | | |
| Financial assets at FVTPL | | | | |
| Stocks and beneficial certificates | \$ 1,622,397 | \$ 438,582 | \$ 991,071 | \$ 192,744 |
| Bills | 98,472,477 | - | 98,472,477 | - |
| Hybrid financial assets | 8,493,617 | 227,462 | 757,778 | 7,508,377 |
| Negotiable certificates of deposit | 35,244,589 | - | 35,244,589 | - |
| Financial assets at FVTOCI | | | | |
| Equity instruments | 1,968,197 | 977,353 | 147,570 | 843,274 |
| Bills | 6,249,812 | - | 6,249,812 | - |
| Debt instruments | 127,752,462 | 16,015,145 | 111,737,317 | - |
| Negotiable certificates of deposit | 19,253,080 | - | 19,253,080 | - |
| Liabilities | | | | |
| Financial liabilities at FVTPL | 219,506 | - | 219,506 | - |
| <u>Derivative financial instruments</u> | | | | |
| Assets | | | | |
| Financial assets at FVTPL | 1,017,607 | 24,710 | 992,897 | - |
| Liabilities | | | | |
| Financial liabilities at FVTPL | 788,659 | - | 788,659 | - |

| Item | December 31, 2021 | | | |
|---|-------------------|------------|-------------|------------|
| | Total | Level 1 | Level 2 | Level 3 |
| <u>Non-derivative financial instruments</u> | | | | |
| Assets | | | | |
| Financial assets at FVTPL | | | | |
| Stocks and beneficial certificates | \$ 1,601,385 | \$ 879,772 | \$ 527,946 | \$ 193,667 |
| Bills | 95,940,011 | - | 95,940,011 | - |
| Hybrid financial assets | 11,660,427 | 435,348 | 1,245,732 | 9,979,347 |
| Negotiable certificates of deposit | 42,434,758 | - | 42,434,758 | - |
| Financial assets at FVTOCI | | | | |
| Equity instruments | 7,600,894 | 6,646,416 | 118,575 | 835,903 |
| Bills | 6,384,497 | - | 6,384,497 | - |
| Debt instruments | 147,748,394 | 19,466,751 | 128,281,643 | - |
| Negotiable certificates of deposit | 29,422,895 | - | 29,422,895 | - |
| Liabilities | | | | |
| Financial liabilities at FVTPL | 51,258 | - | 51,258 | - |
| <u>Derivative financial instruments</u> | | | | |
| Assets | | | | |
| Financial assets at FVTPL | 262,866 | - | 262,866 | - |
| Liabilities | | | | |
| Financial liabilities at FVTPL | 390,079 | - | 390,079 | - |

2) Valuation techniques and assumptions applied for the purpose of measuring the fair values

In a fair deal, the transaction is fully understood and there is willingness to achieve by the two sides in exchange of assets or settle of liabilities, fair value is the amount settled. Financial instruments at fair value through profit or loss and available-for-sale financial assets refer to quoted market prices for fair value. If quoted market prices are not available, then fair value is determined by using a valuation technique.

a) Marking-to-market

This measurement should be used first. Following are the factors that should be considered when using marking-to-market:

- i. Ensure the consistency and completeness of market data.
- ii. The source of market data should be transparent, easy to access, and should come from independent resources.
- iii. Listed securities with high liquidity and representative closing prices should be valued at closing prices.
- iv. Unlisted securities which lack tradable closing prices should use quoted middle prices from independent brokers and follow the guidelines required by regulatory authorities.

b) Marking-to-model

The marking-to-model is used if marking-to-market is infeasible. This valuation methodology is based upon the market parameters to derive the value of the positions and incorporate estimates, as well as assumptions consistent with acquirable information generally used by other market participants to price financial instruments.

Fair values of forward contracts used by the Group are estimated based on the forward rates provided by Reuters. Fair values of interest rate swap and cross-currency swap contracts are based on counterparties' quotation, using the Murex+ information system to capture market data from Reuters for calculating the fair value assessment of individual contracts. Option trading instruments use option pricing model commonly used in the market (ex: Black-Scholes model) to calculate the fair value.

- i. Level 1 - quoted prices in active markets for identical assets or liabilities. Active markets are markets with all of the following conditions: (i) the products traded in the market are homogeneous, (ii) willing parties are available anytime in the market, and (iii) price information is available to the public.
- ii. Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).
- iii. Level 3 - inputs not based on observable market data (unobservable inputs. i.e., option pricing model of historical volatility, due to historical volatility could not represent the overall market participants' volatility expectations of the future).

3) Reconciliation of the financial instruments classified in Level 3

For the year ended December 31, 2022

| Financial Assets | Financial Assets at Fair Value Through Profit or Loss | | Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments | Total |
|---|---|--------------------|--|---------------|
| | Hybrid Financial Assets | Equity Instruments | | |
| Beginning balance | \$ 9,979,347 | \$ 193,667 | \$ 835,903 | \$ 11,008,917 |
| Recognition in profit or loss - financial assets at fair value through profit or loss | (78,869) | (52,260) | - | (131,129) |
| Recognition in other comprehensive income - financial assets at fair value through other comprehensive income | - | - | 148,939 | 148,939 |
| Purchases | 2,450,800 | 226,341 | 6,000 | 2,683,141 |
| Disposals | (4,842,901) | - | (147,568) | (4,990,469) |
| Transferred into Level 1 (Note) | - | (175,004) | - | (175,004) |
| Ending balance | \$ 7,508,377 | \$ 192,744 | \$ 843,274 | \$ 8,544,395 |

For the year ended December 31, 2021

| Financial Assets | Financial Assets at Fair Value Through Profit or Loss | | Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments | Total |
|---|---|--------------------|--|---------------|
| | Hybrid Financial Assets | Equity Instruments | | |
| Beginning balance | \$ 9,096,650 | \$ 132,458 | \$ 824,524 | \$ 10,053,632 |
| Recognition in profit or loss - financial assets at fair value through profit or loss | (28,903) | 18,095 | - | (10,808) |
| Recognition in other comprehensive income - financial assets at fair value through other comprehensive income | - | - | 48,092 | 48,092 |
| Purchases | 16,714,300 | 43,949 | 12,000 | 16,770,249 |
| Disposals | (15,802,700) | (203) | (48,713) | (15,851,616) |
| Other | - | (632) | - | (632) |
| Ending balance | \$ 9,979,347 | \$ 193,667 | \$ 835,903 | \$ 11,008,917 |

The assets held at the balance sheet date, which were included in the profit and loss and the unrealized gains and losses for the years ended December 31, 2022 and 2021, were consisted of \$69,305 thousand in loss and \$2,871 thousand in profit, respectively.

The Group had no significant transfers in Level 3 for the years ended December 31, 2022 and 2021.

Note: The stock transferred into Level 1 since the quoted price in active markets is available.

4) Transfers between Level 1 and Level 2

For the year ended December 31, 2022, certain debt instrument investments were transferred from Level 2 to Level 1, which resulted from the change in the determination of fair value from the use of valuation model with market parameters to the adoption of quoted prices in active markets. The Group had no significant transfers between Level 1 and Level 2 for the year ended December 31, 2022.

5) Sensitivity to using reasonable alternative in assumption against Level 3 fair value

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different evaluation results. For the fair value measurements of structured bonds which fall under Level 3 of the fair value hierarchy, they are evaluated according to counterparty quotes; for bonds and convertible bonds for asset swaps which have no quoted market prices, they are evaluated using the future cash flows discounted model. Were there to be a 10% or 1 basis point change in either direction of the quotes from respective counterparties or in discount rates and all other conditions remained the same, the effects on the income and other comprehensive income for the years ended December 31, 2022 and 2021 would be as follows:

For the year ended December 31, 2022

| Item | Movement: Upward/ Downward | Effect on Profit and Loss | | Effect on Other Comprehensive Income | |
|--------------------|----------------------------------|---------------------------|-------------|--------------------------------------|-------------|
| | | Favorable | Unfavorable | Favorable | Unfavorable |
| Convertible bond | 1BP | \$ 972 | \$ (972) | \$ - | \$ - |
| Equity instruments | 10% | 19,274 | (19,274) | 92,047 | (92,047) |

For the year ended December 31, 2021

| Item | Movement: Upward/ Downward | Effect on Profit and Loss | | Effect on Other Comprehensive Income | |
|--------------------|----------------------------------|---------------------------|-------------|--------------------------------------|-------------|
| | | Favorable | Unfavorable | Favorable | Unfavorable |
| Convertible bond | 1BP | \$ 1,830 | \$ (1,830) | \$ - | \$ - |
| Equity instruments | 10% | 19,367 | (19,367) | 92,220 | (92,220) |

c. Transfer of financial assets

Transferred financial assets not derecognized

Most of the transferred financial assets of the Group that were not fully derecognized were securities sold under repurchase agreements. Under the terms of these transfers, the right to the cash flows of the transferred financial assets would be transferred to other entities, and the associated liabilities of the Group's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. Since the Group is restricted from using, selling, or pledging the transferred financial assets within the transaction period, and is still exposed to interest rate risks and credit risks on these assets, the transferred financial assets were not fully derecognized.

December 31, 2022

| Category of Financial Assets | Carrying Amount of Transferred Financial Assets | Carrying Amount of Associated Financial Liabilities |
|--|--|--|
| Financial assets at fair value through gain or loss | | |
| Bills sold under repurchase agreements | \$ 85,700,809 | \$ 85,784,753 |
| Bonds sold under repurchase agreements | 869,873 | 929,161 |
| Financial assets at FVTOCI | | |
| Bonds sold under repurchase agreements | 84,650,560 | 88,825,894 |
| Instruments in debt instruments measured at amortized cost | | |
| Bonds sold under repurchase agreements | 1,699,045 | 1,520,674 |
| Securities purchase under resell agreements | | |
| Bonds sold under repurchase agreements | 3,146,398 | 3,096,275 |

December 31, 2021

| Category of Financial Assets | Carrying Amount of Transferred Financial Assets | Carrying Amount of Associated Financial Liabilities |
|---|--|--|
| Financial assets at fair value through gain or loss | | |
| Bills sold under repurchase agreements | \$ 77,979,560 | \$ 78,017,892 |
| Bonds sold under repurchase agreements | 502,343 | 534,588 |
| Financial assets at FVTOCI | | |
| Bonds sold under repurchase agreements | 100,946,933 | 103,773,535 |
| Securities purchase under resell agreements | | |
| Bonds sold under repurchase agreements | 5,334,108 | 5,626,601 |

d. Offsetting financial assets and financial liabilities

Certain transactions of the Bank and its subsidiaries are covered by enforceable master netting agreements or similar agreements, or under similar repurchase agreements may not meet all offsetting criteria under IFRSs. However, in these transactions, financial liabilities are allowed to be offset against financial assets when any of the counterparties specifies to settle at net amounts. If no counterparty specifies to settle at net amounts, the transactions will be settled at gross amounts instead. One of the counterparties can decide to settle at net amounts if the other party of the transaction defaults.

The tables below present the quantitative information of financial assets and financial liabilities on the balance sheets that had been offset or are covered by enforceable master netting arrangements or similar agreements.

December 31, 2022

| Financial Assets | Gross Amounts of Recognized Financial Assets | Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet | Net Amounts of Financial Assets Presented in the Balance Sheet | Related Amounts Not Offset in the Balance Sheet | | Net Amount |
|-------------------------|---|--|---|--|--------------------------------|-------------------|
| | | | | Financial Instruments (Note) | Cash Collateral Pledged | |
| Derivatives | \$ 991,597 | \$ - | \$ 991,597 | \$ (435,392) | \$ (162,204) | \$ 394,001 |

| Financial Liabilities | Gross Amounts of Recognized Financial Liabilities | Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet | Net Amounts of Financial Liabilities Presented in the Balance Sheet | Related Amounts Not Offset in the Balance Sheet | | Net Amount |
|-----------------------|---|--|---|---|-------------------------|---------------------|
| | | | | Financial Instruments (Note) | Cash Collateral Pledged | |
| Derivatives | \$ 788,659 | \$ - | \$ 788,659 | \$ (435,392) | \$ (17,175) | \$ 336,092 |
| Repurchase agreements | <u>180,156,757</u> | <u>-</u> | <u>180,156,757</u> | <u>(175,476,820)</u> | <u>-</u> | <u>4,679,937</u> |
| | <u>\$ 180,945,416</u> | <u>\$ -</u> | <u>\$ 180,945,416</u> | <u>\$ (175,912,212)</u> | <u>\$ (17,175)</u> | <u>\$ 5,016,029</u> |

December 31, 2021

| Financial Assets | Gross Amounts of Recognized Financial Assets | Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet | Net Amounts of Financial Assets Presented in the Balance Sheet | Related Amounts Not Offset in the Balance Sheet | | Net Amount |
|------------------|--|---|--|---|-------------------------|-------------------|
| | | | | Financial Instruments (Note) | Cash Collateral Pledged | |
| Derivatives | <u>\$ 262,866</u> | <u>\$ -</u> | <u>\$ 262,866</u> | <u>\$ (56,086)</u> | <u>\$ (71,922)</u> | <u>\$ 134,858</u> |

| Financial Liabilities | Gross Amounts of Recognized Financial Liabilities | Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet | Net Amounts of Financial Liabilities Presented in the Balance Sheet | Related Amounts Not Offset in the Balance Sheet | | Net Amount |
|-----------------------|---|--|---|---|-------------------------|---------------------|
| | | | | Financial Instruments (Note) | Cash Collateral Pledged | |
| Derivatives | \$ 349,675 | \$ - | \$ 349,675 | \$ (56,086) | \$ (3,260) | \$ 290,329 |
| Repurchase agreements | <u>187,952,616</u> | <u>-</u> | <u>187,952,616</u> | <u>(184,711,607)</u> | <u>-</u> | <u>3,241,009</u> |
| | <u>\$ 188,302,291</u> | <u>\$ -</u> | <u>\$ 188,302,291</u> | <u>\$ (184,767,693)</u> | <u>\$ (3,260)</u> | <u>\$ 3,531,338</u> |

Note: Included non-cash financial collaterals.

48. FINANCIAL RISK MANAGEMENT

a. Overview

For the potential expected and unexpected risk, the Group establishes a comprehensive risk management system to distribute resource effectively and enhance competitiveness by ensuring that all operating risks are controlled to an acceptable extent. The Group continues to engage actively in the capital adequacy ratio with in the accordance to the regulator's requirements and monitors to meet the international requirement of the Basel Commission.

b. Risk management framework

Ultimate responsibility for setting the Bank's risk appetite rests with the board of director. The Auditing Department, Audit Committee and Compensation Committee report to the board of director. Risk Management Committee, which is under the Chairman, deliberate the bank risk management mechanism and the risk management proposals of the board of directors, supervising the risk management of each risk and review the implementation effect. Assets and Liabilities Committee and Loan Evaluation Subcommittee, which are under the President, hold the meetings for discussing and considering risk management proposals regularly. The Risk Management Department is responsible for establishing a total scheme of risk management and monitoring the execution of such management scheme.

China Bills Finance Corporation's (CBF) board of directors has the ultimate responsibility for risk framework decision making and oversees the implementation of risk management. Business risk management which is headed by the President is comprised of Financial Assets and Liabilities Management Committee, Business Committee and the Investment Commission for the joint implementation of market risk, credit risk, operational risk control, and other set of business and oversight of the audit office, and the business risk control management unit case. To effectively manage the overall risk and risks associated with integration of information, CBF has defined risk assessment methods and has summarized risk positions for the risk management group responsible for implementing the risk management operations.

c. Credit risk

1) Sources and definition of credit risk

Credit risk is the potential loss due to the failure of counterparty to meet its obligations to pay the Group in accordance with agreed terms. The source of credit risks includes the subjects in the balance sheet and off-balance sheet items.

2) Strategy/objectives/policies and procedures

a) Credit risk management strategy: The Bank implements the relevant provisions of the principles of credit risk management requirement and establish the Bank's credit risk management mechanism to ensure that credit risk control is within effective but affordable range, and maintain adequate capital, and execute sound management of the Bank credit risk, and achieve operational and management objectives.

b) Credit risk management objectives: Through appropriate risk management strategies, policies and procedures, the Bank's credit risk management is carried out in accordance with the principle of risk diversification to minimize potential financial losses and optimize risk and rewards.

Sound risk management systems and control processes, strengthened information integration, analysis and early warning validation, bring out credit management and monitoring functions to ensure compliance with laws, regulations and group standards so as to maintain high credit standards and asset quality.

c) Credit risk management policy: In order to establish the Bank's risk management system and ensure the development and sound operations of the Bank, and serve as the basis of business risk management and compliance, the Bank stipulated its "Risk Management Policy" in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" issued by the FSC. The Bank maintains an adequate amount of capital within the Bank's acceptable range of credit risk to achieve the objectives of credit risk strategy and create maximum risk-adjusted returns.

d) Credit risk management process:

i. Risk identification

Credit risk management process begins with the identification of existing and potential risks, including all the transactions in banking book and trading book, balance sheet and off-balance sheet transactions. With financial innovation, as new credit businesses become increasingly complex; business executives in order do existing and new credit businesses, should be fully aware of the complexity involved in the business of re-order business and other cases or transactions to be able to identify any possibility of having an event of default.

ii. Risk measurement

i) The Bank manages asset portfolios by the risk rating scale.

The risk rating scale qualifies the default possibilities of debtors and operation difficulty possibilities of investees in the next year. Risk ratings must actually be scaled when the individual credit and investment accounts are approved. The continual change of the market gives rise to the change in credit or investment household. Therefore, risk ratings must be reevaluated and updated often to adjust the risk rating scale when it is verified.

ii) Portfolio management:

- It is used to ensure the risk of loan is within the tolerable scope.
- “Concentrative risks” are concentration-limited, avoiding the risks to be overly centralized to sufficiently diversify the risk.
- It achieves the optimal profits.

iii. Risk communication

i) Internal reporting: Risk management position shall establish appropriate credit risk reporting mechanism for regular statistical reporting and the preparation of a variety of business risk management reports which contain correct, consistent, and real-time credit risk reporting information to ensure any exceptions can be acted on immediately, and as a reference for decision-making. The above communication may include asset quality, portfolio rating classification status, and all kinds of exception reports.

ii) External disclosure: To comply with the requirements for capital adequacy supervisory review and market discipline principles, the business director of credit risk level should prepare reports in the format specified by the competent authority showing contents, methods and frequency to provide information on the credit risk of the Bank’s quantitative, qualitative indicators to illustrate the self-assessment and credit risk management system and disclose information about capital and other capital adequacy matters.

iv. Risk monitoring

i) The Bank shall establish monitoring system to assess the changes in credit risk of borrower or counterparty or issuer (e.g., bonds issuer and guarantor of issuers of equity related products, derivatives counterparties’ credit rating information and credit information), to serve timely detection of problems on assets or transactions, and take immediate action to cope with the possible breach.

ii) Besides monitoring the individual credit risk, the Bank also deal with credit portfolio monitoring and management.

iii) Establish stringent credit processes, credit standards and loan management; the project includes the credit factors that should be considered for new credit and credit transfer period, commitment to the periodic review of credit, maintenance of credit records and the proportion of various types of loans in the credit portfolio.

iv) Establish quota management system to avoid excessive concentration of credit risk to nationality, industry types, same group, same relations, etc.

- v) Establish collateral management system to ensure that collaterals can be effectively managed.

3) Credit risk management and framework

- a) Board of Directors: Responsible for authorizing and reviewing the credit risk management strategies and approving the credit risk management framework. The strategy reflects the level of risk that the Bank can tolerate and the level of profitability that the Bank expects to achieve under various credit risks.
- b) Audit Committee: Responsible for the stipulation and amendment on issues relating to the internal control framework, effectiveness of the internal control framework, acquisition or disposal of assets or derivatives, monitoring of directors' self-interest issues, appointment or dismissal of the CPA and internal auditors, and other important issues ruled by the FSC.
- c) Risk Management Committee: Responsible for the risk management policies, various risk management regulations, annual risk appetites, limits, risk management proposals for the board of directors' approval and various risk management mechanisms, supervise and review credit, market, operations, liquidity, information security, AML, personal data protection, climate changes, emergencies and other risk management, improve the Bank's risk management mechanism to ensure the effective implementation of the Bank's risk management procedures.
- d) Assets and Liabilities Committee: Holds asset/liability management meetings to inspect asset/liability management, liquidity risk, interest rate sensitivity risk management, market risk, BIS management, and is in charge of making decisions on policies.
- e) Loan Evaluation Subcommittee: Reviews the loan cases rendered by the corporate credit management department and retail credit management department. After passing the provisions, the cases are still required to be submitted to the relevant management for review.
- f) Loan Assets Quality Evaluation Meeting: In charge of formulating policies and strategies for identifying the possibilities of loss on credit assets. The Bank evaluates the adequacy of the allowance for credit assets.
- g) Risk Management Department: Independent risk management unit which is in charge of risk management and responsible for the related operations of credit risks. It ensures the Bank follows the BASEL regulations, and is also responsible for the preparation of risk management reports presented to the appropriate management, and plans to establish monitoring tools for credit risk measurement.
- h) Corporate Credit Management Department: Supervises the establishment of corporate finance risk identification, measurement, monitoring and management, preparation of regulatory review of credit grading, devising and enhancement of deed lists, deed for credit and guarantee amount control, proper release and other release matters.
- i) Retail Credit Management Department: Manages personal financial risk, identifies, measures, monitors the allowance for bad debts, and prepares for bad debts presentation, loss assessment and post-loan management.

4) The scope and characteristics of credit risk reports and measurement system

For the credit risks implicated in all products and business activities, new products and business, the Bank regularly monitors the credit risk management and is authorized by the board of directors or appropriate committee.

Credit risk measurement and control procedures include credit review, rating scoring, credit control, post-loan management and collection operations. The risk management units regularly provide analysis reports of various types of credit risk and asset quality in addition to the above operational procedures for management indicators. In addition, the Bank also actively controls and periodically reports the monitoring results to the board of directors to grasp the risk situations faced by the state, the group, the industry, the same related parties and the related enterprise risks.

In order to understand the risk appetite and its changes in the financial environment and the impact on capital adequacy, the Bank handles its credit according to the “Regulation on Stress Test Operation for Banks” and “Bank Credit Risk Stress Test Guidelines” issued by the FSC, as an important basis for credit risk management, and continues to adjust the direction of business development, credit policy and credit evaluation procedures.

5) Mitigation of risks or hedging of credit risk and monitoring the risk avoidance

The Bank primarily applies the following risk mitigation tools to reduce extent of credit risk exposures: (1) by requiring the counterparty or third parties to provide collateral, (2) the balance sheet netting: Credit is backed by the counterparty’s bank deposits (on-balance sheet netting), (3) third party guarantees.

Credit risk mitigation tools can reduce or transfer credit risk, but may give rise to other residual risks, including: Legal risk, operational risk, liquidity risk and market risk. The Bank adopted stringent procedures necessary to control these risks, such as policy formulation, development of operating procedures to conduct credit checks and evaluation, system implementation, contract control and so on.

The Bank has developed collateral management policies and operating procedures, and conducted recognition of all collateral data. The Bank uses a computing platform for mitigation of complex risk and completes the required collateral to offset data field collection and analysis, and links credit systems and collateral management system information to build up capital provision.

6) Maximum exposure to credit risk

The maximum credit risk exposure amount of financial assets is the book value of the specific asset on the balance sheet date. The analysis of the maximum credit exposure amount (excluding the fair value of collateral) of each off-balance sheet financial instrument held by the Bank and its subsidiaries is as follows:

| Off-balance Sheet Item | Maximum Exposure Amount | |
|---|-------------------------|-------------------|
| | December 31, 2022 | December 31, 2021 |
| Financial guarantees and irrevocable documentary letter of credit | | |
| Contract amounts | \$ 116,144,464 | \$ 149,267,289 |
| Maximum exposure amounts | 116,144,464 | 149,267,289 |
| Loan commitments | 62,895,729 | 47,740,121 |

7) Concentrations of credit risk exposure

Concentration of credit risk exist when the counterparty includes only one specific person or include many people who engage in similar business which are similar in economic characteristics. The Group does not concentrate on single customer or counterparty in trading but have similar counterparty, industry and geographic region on the loan business (including loan commitments and guarantees and commercial bond issuing commitments).

On December 31, 2022 and 2021, the Group's significant concentrations of credit risk were summarized as follows (only the top three are shown below):

a) By industry

| Credit Risk Profile by Industry Sector | December 31, 2022 | | December 31, 2021 | |
|---|-------------------|----|-------------------|----|
| | Amount | % | Amount | % |
| Financial intermediary | \$ 85,682,579 | 28 | \$ 78,675,612 | 27 |
| Real estate | 58,474,313 | 19 | 57,361,927 | 20 |
| Manufacturing | 54,424,241 | 18 | 58,775,129 | 20 |

b) By counterparty

| Credit Risk Profile by Industry Sector | December 31, 2022 | | December 31, 2021 | |
|---|-------------------|----|-------------------|----|
| | Amount | % | Amount | % |
| Private sector | \$ 168,018,883 | 81 | \$ 139,529,652 | 80 |
| Natural person | 39,478,385 | 19 | 35,766,883 | 20 |

c) By geographical area

| Credit Risk Profile by Industry Sector | December 31, 2022 | | December 31, 2021 | |
|---|-------------------|----|-------------------|----|
| | Amount | % | Amount | % |
| Domestic | \$ 129,677,253 | 62 | \$ 116,051,668 | 66 |
| Other Asia area | 36,705,337 | 18 | 27,972,835 | 16 |
| America | 35,659,183 | 17 | 27,471,135 | 16 |

8) Credit quality and impairment assessment of financial assets

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to other banks, financial asset at fair value through profit or loss, bills and bonds purchased under resell agreements, refundable deposits, operating deposits and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

On each reporting date, the Group assesses the change in the default risk of financial assets and considers reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, including the overdue status of credit assets from clients, actual repayment situations, credit investigation results, announcements of dishonored checks and negotiations of the debts from other financial institutions, or information that the debtor has reorganized or is likely to reorganize, to determine whether the credit risk has increased significantly.

The Group adopts the 12-month ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has not increased significantly since initial recognition and adopts the lifetime ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or which are credit-impaired.

The Group considers both the 12-month and lifetime probability of default ("PD") of the borrower together with the loss given default ("LGD"), multiplied by the exposure at default ("EAD"), and considers the impact of the time value of money in order to calculate the 12-month ECLs and lifetime ECLs, respectively.

The PD refers to the borrower's probability to default, and the LGD refers to losses caused by such default. The Group applies the PD and LGD for the impairment assessment of the credit business according to each group entity's historical information (such as credit loss experience) from internal statistical data and adjusts such historical data based on the current observable and forward-looking macroeconomic information. It then calculates the respective impairment by applying the progressive one factor model.

Considering the impact of COVID-19 to the overall economy, the Bank has adjusted the weights of the assessment factors to reflect the estimated influence of the economic indicator changes on the default rate.

The Group estimates the balance of each account based on the method of amortization and considers the possible survival rate in order to calculate the EAD. In addition, the Group estimates the 12-month ECLs and lifetime ECLs of loan commitments based on the guidelines issued by the Bank's Association and Basel Accords. The Group calculates the EAD of expected credit losses by considering the portion of the loan commitments expected to be used within 12 months after the reporting date as compared with the expected lifetime of the loan commitments.

The Group uses the same definitions for default and credit impairment of financial assets. If one or more of the conditions are met, for instance, the financial assets are overdue for more than 90 days or the credit investigation appears to be abnormal, then the Group determines that the financial assets have defaulted and are credit-impaired.

Credit assets are classified into five categories. In addition to the first category of credit assets, which are normal credit assets classified as sound assets, the remaining credit assets are classified as unsound assets and assessed according to the respective collateral and the length of time in which the respective payments become overdue. Such unsound credit assets are then categorized within the second category if they should only be noted; within the third category if they have substandard expected recovery; within the fourth category if their collectability is highly doubtful; and within the fifth category if they are considered uncollectable. The Group also sets up policies for the management of provisions for doubtful credit assets and the collection and settlement of overdue debts in order to deal with collection problems.

b) Credit risk management for investments in debt instruments

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Bank and its subsidiaries' exposure and the external credit ratings are continuously monitored. The Bank and its subsidiaries review changes in bond yields and other public information and make an assessment as to whether there has been a significant increase in credit risk since the last period to the current reporting date.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecasts to estimate 12-month or lifetime expected credit losses.

The Group's current credit risk grading mechanism is as follows:

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

The Group's gross carrying amounts of debt instrument investments by credit category were as follows:

| Category | December 31 | |
|-----------------|--------------------|----------------|
| | 2022 | 2021 |
| Performing | \$ 184,108,502 | \$ 182,232,250 |
| Doubtful | 400,000 | 1,000,010 |
| In default | - | - |

The allowance for impairment loss of investments in debt instruments at FVTOCI and amortized cost for the years ended December 31, 2022 and 2021, grouped by credit rating, is reconciled as follows:

| | Credit Rating | | |
|--|---|--|------------------|
| | Performing (12-month ECLs) | Doubtful (Lifetime ECLs - Not Credit- impaired) | Total |
| Balance at January 1, 2022 | \$ 42,456 | \$ 5,218 | \$ 47,674 |
| New financial assets purchased or originated | 11,625 | - | 11,625 |
| Derecognition of financial assets | (11,094) | (2,284) | (13,378) |
| Change in model or risk parameters | (5,946) | (1,453) | (7,399) |
| Exchange rates or others | <u>1,865</u> | <u>-</u> | <u>1,865</u> |
| Balance at December 31, 2022 | <u>\$ 38,906</u> | <u>\$ 1,481</u> | <u>\$ 40,387</u> |

| | Credit Rating | | |
|--|---|--|------------------|
| | Performing (12-month ECLs) | Doubtful (Lifetime ECLs - Not Credit- impaired) | Total |
| Balance at January 1, 2021 | \$ 42,548 | \$ 8,821 | \$ 51,369 |
| New financial assets purchased or originated | 16,548 | - | 16,548 |
| Derecognition of financial assets | (13,925) | - | (13,925) |
| Change in model or risk parameters | (2,161) | (3,603) | (5,764) |
| Exchange rates or others | <u>(554)</u> | <u>-</u> | <u>(554)</u> |
| Balance at December 31, 2021 | <u>\$ 42,456</u> | <u>\$ 5,218</u> | <u>\$ 47,674</u> |

In addition to the above, the credit quality analysis of the remaining financial assets of the Bank and its subsidiaries is as follows:

a) Credit analysis for receivables and discounts and loans

December 31, 2022

| | Stage 1 12-month ECLs | Stage 2 Lifetime ECLs | Stage 3 Lifetime ECLs | Difference of Impairment Loss Under Regulations | Total |
|---|----------------------------------|----------------------------------|----------------------------------|--|---------------------|
| Receivables | \$ 3,023,921 | \$ 676,888 | \$ 37,299 | \$ - | \$ 3,738,108 |
| Allowance for credit losses | (3,222) | (1,105) | (25,059) | - | (29,386) |
| Difference of impairment loss under regulations | <u>-</u> | <u>-</u> | <u>-</u> | <u>(17,165)</u> | <u>(17,165)</u> |
| Net total | <u>\$ 3,020,699</u> | <u>\$ 675,783</u> | <u>\$ 12,240</u> | <u>\$ (17,165)</u> | <u>\$ 3,691,557</u> |

| | Stage 1 12-month ECLs | Stage 2 Lifetime ECLs | Stage 3 Lifetime ECLs | Difference of Impairment Loss Under Regulations | Total |
|---|----------------------------------|----------------------------------|----------------------------------|--|-----------------------|
| Discounts and loans | \$ 188,642,292 | \$ 17,438,208 | \$ 1,416,768 | \$ - | \$ 207,497,268 |
| Allowance for credit losses | (467,051) | (90,549) | (297,981) | - | (855,581) |
| Difference of impairment loss under regulations | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,328,715)</u> | <u>(2,328,715)</u> |
| Net total | <u>\$ 188,175,241</u> | <u>\$ 17,347,659</u> | <u>\$ 1,118,787</u> | <u>\$ (2,328,715)</u> | <u>\$ 204,312,972</u> |

December 31, 2021

| | Stage 1 12-month ECLs | Stage 2 Lifetime ECLs | Stage 3 Lifetime ECLs | Difference of Impairment Loss Under Regulations | Total |
|---|----------------------------------|----------------------------------|----------------------------------|--|----------------------|
| Receivables | \$ 20,194,073 | \$ 135,829 | \$ 251,818 | \$ - | \$ 20,581,720 |
| Allowance for credit losses | (270,996) | (28,036) | (190,494) | - | (489,526) |
| Difference of impairment loss under regulations | <u>-</u> | <u>-</u> | <u>-</u> | <u>(15,680)</u> | <u>(15,680)</u> |
| Net total | <u>\$ 19,923,077</u> | <u>\$ 107,793</u> | <u>\$ 61,324</u> | <u>\$ (15,680)</u> | <u>\$ 20,076,514</u> |

| | Stage 1 12-month ECLs | Stage 2 Lifetime ECLs | Stage 3 Lifetime ECLs | Difference of Impairment Loss Under Regulations | Total |
|---|--------------------------|--------------------------|--------------------------|--|-----------------------|
| Discounts and loans | \$ 161,284,858 | \$ 12,775,541 | \$ 1,236,136 | \$ - | \$ 175,296,535 |
| Allowance for credit losses | (382,077) | (108,320) | (238,363) | - | (728,760) |
| Difference of impairment loss under regulations | - | - | - | (1,840,186) | (1,840,186) |
| Net total | <u>\$ 160,902,781</u> | <u>\$ 12,667,221</u> | <u>\$ 997,773</u> | <u>\$ (1,840,186)</u> | <u>\$ 172,727,589</u> |

b) Credit analysis for marketable securities

December 31, 2022

| | At FVTOCI Debt Instruments | At Amortized Cost - Debt Instruments | Total |
|-------------------------------|----------------------------------|--|-----------------------|
| Gross carrying amount | \$ 158,840,178 | \$ 25,668,324 | \$ 184,508,502 |
| Allowance for impairment loss | <u>(37,369)</u> | <u>(3,018)</u> | <u>(40,387)</u> |
| Amortized cost | 158,802,809 | <u>\$ 25,665,306</u> | 184,468,115 |
| Fair value adjustment | <u>(5,547,455)</u> | | <u>(5,547,455)</u> |
| | <u>\$ 153,255,354</u> | | <u>\$ 178,920,660</u> |

December 31, 2021

| | At FVTOCI - Debt Instruments |
|-------------------------------|------------------------------------|
| Gross carrying amount | \$ 183,232,260 |
| Allowance for impairment loss | <u>(47,674)</u> |
| Amortized cost | 183,184,586 |
| Fair value adjustment | <u>371,200</u> |
| | <u>\$ 183,555,786</u> |

9) Aging analysis for overdue but not yet impaired financial assets

Delays in processing payments by borrowers and other administrative reasons could result in financial assets which are overdue but not yet impaired.

As of December 31, 2022 and 2021, the Group had no financial assets which were overdue but not impaired.

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity is the Group's capacity to realize assets, obtain financing or funds to meet obligations at maturity, including deposits and off-balance sheet guarantees.

Liquidity risk is the risk that the Group's fund is unable to meet its payment obligation and to operate normally.

2) Management strategy and principles of liquidity risk

- a) Liquidity risk management process should be able to adequately identify, measure effectively, monitor continuously, and properly control of the Group's liquidity risk, to ensure that banks both in normal operating environments or under pressure, have sufficient funds to cope assets or settle liabilities when due.
- b) Manage current assets to ensure that the Group have enough instantly-realized assets to deal with currency risks.
- c) Capital management should include regular review of the asset and liability structure, and proper configuration of assets and liabilities, and should take into account the realization of assets and the stability of financing sources to plan combinations of funding sources to ensure that the Group's liquidity.
- d) To establish an appropriate information system to measure, monitor and report liquidity risk.
- e) The setting of the measurement systems or models should include important factors which affect the currency risks of the Bank fund (including the introduction of new products or services) for managing current risks to help the Bank to evaluate and monitor the fund currency risks in the regular condition and under pressure.
- f) To use early warning tools and continuously monitor and report liquidity risk profile, and set liquidity risk limits, with due consideration of business strategy, operational characteristics and risk preference factors.
- g) In addition to the monitoring of the capital requirements, under normal business conditions, the Group should regularly conduct stress tests to evaluate the assumptions in the liquidity position and ensure that banks have sufficient liquidity to withstand stress scenarios; assessment should be made to view liquidity risk management indicators and reasonableness of limits.
- h) Develop appropriate action plans to respond to possible occurrence of liquidity crisis, and regularly review such plans to ensure that the action plans are in line with the Bank's operating environment and conditions, and can continue to play its role effectively.

As of December 31, 2022 and 2021, the liquidity reserve ratio was 46.54% and 46.81%, respectively.

3) The analysis of cash outflow of non-derivative financial liabilities held was prepared according to the remaining periods from reporting date to contractual maturity date. The maturity analysis of non-derivative financial liabilities was as follows:

| December 31, 2022 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | More Than 1 Year | Total |
|--|-----------------------|-----------------------|-------------------------|-----------------------|----------------------|-----------------------|
| Deposits from the Central Bank and other banks | \$ 17,690,434 | \$ 737,213 | \$ - | \$ 3,000,000 | \$ 1,999,997 | \$ 23,427,644 |
| Financial liabilities at fair value through profit or loss | - | - | 362 | 2,714 | 216,430 | 219,506 |
| Bills and bonds sold under repurchase agreements | 132,445,936 | 44,832,681 | 2,076,989 | 1,134,241 | - | 180,489,847 |
| Payables | 1,224,709 | 369,422 | 369,031 | 1,116,792 | 46,432 | 3,126,386 |
| Deposits and remittances | 70,347,184 | 89,677,646 | 43,220,832 | 34,446,149 | 55,473,175 | 293,164,986 |
| Bank debentures payable | - | - | 2,250,000 | 700,000 | 10,650,000 | 13,600,000 |
| Other financial liabilities | 2,181,071 | 252,184 | 38,766 | 218,743 | 2,466,044 | 5,156,808 |
| Lease liabilities | 10,422 | 22,905 | 32,121 | 61,153 | 348,173 | 474,774 |
| | <u>\$ 223,899,756</u> | <u>\$ 135,892,051</u> | <u>\$ 47,988,101</u> | <u>\$ 40,679,792</u> | <u>\$ 71,200,251</u> | <u>\$ 519,659,951</u> |

| December 31, 2021 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | More Than 1 Year | Total |
|--|-----------------------|-----------------------|-------------------------|-----------------------|----------------------|-----------------------|
| Deposits from the Central Bank and other banks | \$ 27,322,508 | \$ 553,793 | \$ - | \$ - | \$ - | \$ 27,876,301 |
| Financial liabilities at fair value through profit or loss | - | 49,567 | - | - | 1,691 | 51,258 |
| Bills and bonds sold under repurchase agreements | 145,883,179 | 39,298,675 | 2,721,818 | 115,226 | - | 188,018,898 |
| Payables | 1,093,095 | 55,976 | 309,460 | 906,858 | 65,974 | 2,431,363 |
| Deposits and remittances | 45,081,502 | 75,571,865 | 45,197,884 | 47,580,591 | 45,947,583 | 259,379,425 |
| Bank debentures payable | - | - | 1,500,000 | 1,000,000 | 12,500,000 | 15,000,000 |
| Other financial liabilities | 4,259,658 | 4,718,033 | 1,667,612 | 2,438,087 | 7,497,442 | 20,580,832 |
| Lease liabilities | 12,373 | 28,137 | 40,484 | 60,039 | 229,508 | 370,541 |
| | <u>\$ 223,652,315</u> | <u>\$ 120,276,046</u> | <u>\$ 51,437,258</u> | <u>\$ 52,100,801</u> | <u>\$ 66,242,198</u> | <u>\$ 513,708,618</u> |

- 4) The Group assessed based contractual maturities at the balance sheet to understand all the basic elements of derivative financial instruments. The maturity analysis of derivative financial liabilities was as follows:

| December 31, 2022 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | More Than 1 Year | Total |
|------------------------------|----------------------|-------------------|-------------------------|-----------------------|---------------------|-------------------|
| Deliverable | | | | | | |
| Forward contracts | \$ 126,037 | \$ 7,231 | \$ - | \$ 151 | \$ - | \$ 133,419 |
| Currency swap contracts | 217,763 | 296,908 | 50,188 | 57,520 | - | 622,379 |
| Others | 7,119 | 1,499 | 1,927 | 3,941 | - | 14,486 |
| | <u>350,919</u> | <u>305,638</u> | <u>52,115</u> | <u>61,612</u> | <u>-</u> | <u>770,284</u> |
| Non-deliverable | | | | | | |
| Interest rate swap contracts | - | 80 | - | 110 | 18,185 | 18,375 |
| | <u>\$ 350,919</u> | <u>\$ 305,718</u> | <u>\$ 52,115</u> | <u>\$ 61,722</u> | <u>\$ 18,185</u> | <u>\$ 788,659</u> |
| December 31, 2021 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | More Than 1 Year | Total |
| Deliverable | | | | | | |
| Forward contracts | \$ 29,786 | \$ 12,570 | \$ 9,446 | \$ 11,083 | \$ - | \$ 62,885 |
| Currency swap contracts | 88,795 | 66,584 | 76,687 | 41,124 | - | 273,190 |
| Others | 2,951 | 61 | 1,277 | 1,266 | 39,138 | 44,693 |
| | <u>121,532</u> | <u>79,215</u> | <u>87,410</u> | <u>53,473</u> | <u>39,138</u> | <u>380,768</u> |
| Non-deliverable | | | | | | |
| Interest rate swap contracts | 365 | - | 882 | 1,537 | 6,527 | 9,311 |
| | <u>\$ 121,897</u> | <u>\$ 79,215</u> | <u>\$ 88,292</u> | <u>\$ 55,010</u> | <u>\$ 45,665</u> | <u>\$ 390,079</u> |

- 5) The maturity analysis of off-balance sheet items shows the remaining balance from the balance sheet date to the maturity date. For the sent financial guarantee contracts, the maximum amounts are possibly asked for settlement in the earliest period. The amounts in the table below were on cash flow basis; therefore, some disclosed amounts will not match with the consolidated balance sheet.

| December 31, 2022 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | More Than 1 Year | Total |
|--------------------------|----------------------|----------------------|-------------------------|-----------------------|---------------------|-----------------------|
| Unused letters of credit | \$ 355,703 | \$ 630,828 | \$ 137,152 | \$ - | \$ - | \$ 1,123,683 |
| Other guarantees | 28,965,598 | 82,761,800 | 1,892,706 | 532,989 | 867,688 | 115,020,781 |
| Loan commitments | 5,868,171 | 11,736,343 | 17,604,515 | 27,686,700 | - | 62,895,729 |
| | <u>\$ 35,189,472</u> | <u>\$ 95,128,971</u> | <u>\$ 19,634,373</u> | <u>\$ 28,219,689</u> | <u>\$ 867,688</u> | <u>\$ 179,040,193</u> |
| December 31, 2021 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | More Than 1 Year | Total |
| Unused letters of credit | \$ 613,264 | \$ 1,341,312 | \$ 245,066 | \$ 40,189 | \$ - | \$ 2,239,831 |
| Other guarantees | 49,164,358 | 80,786,091 | 13,675,750 | 3,182,797 | 218,462 | 147,027,458 |
| Loan commitments | 4,034,995 | 8,069,990 | 12,104,985 | 23,530,151 | - | 47,740,121 |
| | <u>\$ 53,812,617</u> | <u>\$ 90,197,393</u> | <u>\$ 26,025,801</u> | <u>\$ 26,753,137</u> | <u>\$ 218,462</u> | <u>\$ 197,007,410</u> |

e. Market risk

1) Source and definition of market risk

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices, commodity prices etc.) which may cause financial instruments classified in trading book a potential loss on or off the balance sheet.

2) Market risk management strategy and process

The Bank manages the market risk with active, careful attitude.

The Bank makes the profit mainly from doing trading business through knowing how market risk factors fluctuate. (e.g., market price, exchange rate, and interest rate). More violent the market risk factors fluctuate, the bigger the opportunity for profit or loss. When preparing the Annual Trading Budget Report of the trading business, the Bank will refer to the overall economic and industrial analysis of the Bank itself and also the other similar business. After discussions by the president, the trading department and the market risk management department, it is submitted to the Assets and Liabilities Committee and the board of directors with the plan of stop-loss quotas and product parts quotas to avoid setting up the goal in an impracticable way that leads the dealer to take more risk on operating.

The Bank sets up definite management rules and risk management indicators for different trading business and its risk attribute, and stipulates exposure amount, submission of expiration, authorizing management and ways of disposure. Implement certainly and ensure the trading department to abide by the discipline to control the market risk exposure extent in a safe range.

3) Market risk management organization and framework

- a) The Board of Directors: It is the top market risk supervising organization. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank, approved by the board of directors, are the top stipulation in market risk management.
- b) Assets and Liabilities Committee: In charge of stipulating market risk management policy and monitoring the operating of market risk management. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the market risk management policy and the next year proposal of product parts quotas and annual stop-loss of the trading business expected to be submitted to Board.
- c) Risk Management Department: In charge of market risk management. According to the Bank's regulation, the department is in charge of every operation related to market risk management, including planning of market risk limit, statistics, reporting and monitoring.

4) Market risk report and evaluation system

The Bank setup the risk index, exposure amount and authority levels by products' type (e.g. equity, interest rate, currency exchange rate).

The Bank setup the limit amount of trading and loss, and other index including VaR, MAT limit, 20-Day average liquidity and FS sensitivity limit to enhance the risk control system.

The Bank calculates the risk exposure amount of the trade department and traders based on authorized amount, and submits risk report, monitors the limits and executes the following measures.

The Bank sets up the index of stop loss to control the risk of transaction including bonds, Forex, securities and derivative by building the risk evaluation module, and monitor the loss caused by the fluctuation of stock market, exchange rate and interest rates.

5) Value at Risk

The Bank adopts Value at Risk to evaluate trading book products such as rate financial instruments, TWD interest products and market risks of trading assets IPO stocks. When market factors happen negative changes, Value at Risk reveals the potential losses of holding financial instruments during a certain period and in a confidence interval. The bank adopts Monte Carlo method to estimate Value at Risk, the confidence interval is 99%, the sample interval of rate and stock products is the past year, the sample interval of interest products is the past three years, simulation times is 5,000 times, simulation path is GBM.

The following table illustrates the Value at Risk of the Bank, this risk value is based on confidence interval, estimated in one day potential losses and assumed unfavorable interest and rate changes can cover all possible fluctuation in one day. Based on this assumption, the Value at Risk of financial assets and liabilities in the table have one in hundred days possibility more than the amount in the table due to the fluctuation of interest, rate and stock prices. Annual average value, maximum value and minimum value are calculated based on daily Value at Risk. The total market risk value of the bank is less than the sum of the fair value risk value, rate risk value and price risk value of interest changes.

O-Bank

| | December 31 | | | | | |
|--|-------------|-----------|--------|----------|----------|--------|
| | 2022 | | | 2021 | | |
| | Average | High | Low | Average | High | Low |
| Currency exchange rate risk | \$ 2,692 | \$ 12,790 | \$ 284 | \$ 1,684 | \$ 5,086 | \$ 365 |
| Fair value risk resulting from interest rate | 2,038 | 5,147 | 444 | 2,490 | 4,162 | 1,056 |
| Fair value resulting from stock price | 8,060 | 22,962 | - | 14,991 | 31,270 | 4,874 |

6) Effect of interest rate benchmark reform

The Group is exposed to USD LIBOR and HKD HIBOR which are subject to interest rate benchmark reform. The exposures arise on non-derivative financial assets. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. HONIA (Hong Kong Dollar Overnight Index Average) is expected to replace HKD HIBOR. There are key differences among these benchmarks. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. To transition existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

The Group established USD LIBOR and HKD HIBOR transition project plans for each benchmark. These transition projects are considering changes to risk management policies, internal processes, IT systems and valuation models, as well as managing any related tax and accounting implications. As at December 31, 2022, the Bank has identified all the information systems and internal processes that need to be updated, and planned the update schedule. The Bank has completed the identification of the affected contracts, and expects to gradually switch to alternative interest rate indicators before the end of June, 2023, and pay close attention to the regulations of the competent authority, market development, and processing methods among other banks.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of HKD HIBOR and USD LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

The following table contains details of all of the financial instruments held by the Group at December 31, 2022 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

| | Book Value Not Transitioned to Alternative Benchmark Rates | Transition Progress |
|---|---|--|
| <u>USD LIBOR financial assets</u> | | |
| Financial assets at fair value through other comprehensive income | \$ 1,505,554 | The Group will pay close attention to the regulations of the competent authority, market development, and processing methods among other banks, and will cooperate with the issuer and counterparty to negotiate the contract revision. It is expected that the contract revision will be sold or completed in the first half of 2023. |
| Discounts and loans | <u>768,068</u> | It is expected to gradually switch to alternative interest rate indicators and pay close attention to the regulations of the competent authority, market development, and processing methods among other banks. |
| | <u>\$ 2,273,622</u> | |

7) Foreign currency rate risk information

The information of significant foreign financial assets and liabilities is as follows:

Unit: Foreign Currencies (Thousands)/NT\$(Thousands)

| December 31, 2022 | | | |
|---|---------------------------|----------------------|---------------------------|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| Monetary item | | | |
| USD | \$ 2,913,414 | 30.7227 | \$ 89,507,925 |
| JPY | 3,591,733 | 0.2328 | 836,119 |
| HKD | 8,425,235 | 3.9397 | 33,192,899 |
| EUR | 25,304 | 32.7355 | 828,328 |
| AUD | 254,334 | 20.8626 | 5,306,071 |
| RMB | 671,878 | 4.4175/4.4086 | 2,962,069 |
| Investments accounted for using the equity method | | | |
| RMB | 228,871 | 4.4175 | 1,011,042 |
| <u>Financial liabilities</u> | | | |
| Monetary item | | | |
| USD | 4,212,842 | 30.7227 | 129,429,880 |
| JPY | 4,997,441 | 0.2328 | 1,163,354 |
| HKD | 4,203,751 | 3.9397 | 16,561,516 |
| EUR | 9,213 | 32.7355 | 301,595 |
| AUD | 154,383 | 20.8626 | 3,220,844 |
| RMB | 633,767 | 4.4175/4.4086 | 2,794,043 |
| December 31, 2021 | | | |
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| Monetary item | | | |
| USD | \$ 3,112,041 | 27.6897 | \$ 86,171,399 |
| JPY | 3,981,910 | 0.2404 | 957,168 |
| HKD | 6,609,887 | 3.5506 | 23,468,933 |
| EUR | 23,834 | 31.3001 | 746,003 |
| AUD | 205,517 | 20.0948 | 4,129,826 |
| RMB | 3,515,948 | 4.3453/4.3460 | 15,280,308 |
| Investments accounted for using the equity method | | | |
| RMB | 202,722 | 4.3453 | 880,879 |

(Continued)

| | December 31, 2021 | | |
|------------------------------|-----------------------|------------------|-----------------------|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial liabilities</u> | | | |
| Monetary item | | | |
| USD | \$ 3,972,367 | 27.6897 | \$ 109,993,525 |
| JPY | 3,765,547 | 0.2404 | 905,159 |
| HKD | 3,221,115 | 3.5506 | 11,436,826 |
| EUR | 13,438 | 31.3001 | 420,622 |
| AUD | 47,150 | 20.0948 | 947,472 |
| RMB | 3,053,131 | 4.3453/4.3460 | 13,268,907 |
| | | | (Concluded) |

f. Banking book interest rate risk

1) Source and definition of interest rate risk of banking book

Banking book's interest rate risk means the probably loss of non-trading book's position within balance sheet and off-balance sheet arise from interest change.

2) Management strategy and process of interest rate risk of banking book

The Bank controls this interest rate risk with a positive and strict attitude. The Bank hopes to pursue the stability and growth of surplus without liquidity flaws.

The Bank set the clear management methods and risk management indicators with different trading, investment and risk, and set the report of risk amount and over limit, approved level and reaction plan. The Bank executes the procedures clearly, establishes a trading discipline that upholds the discipline of investment, and controls the interest rate risk of banking book within the limit.

3) Management organization and framework of interest rate risk of banking book

- a) The Board of Directors: It is the top organization to supervise interest rate risk of banking book. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank and approved by the board of director are the top stipulation in bank book interest risk.
- b) Assets and Liabilities Committee: In charge of stipulating risk management policy of interest rate risk of banking book and monitoring the risk management operating of interest rate risk of banking book. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the risk management conditions of interest rate risk of banking book and the result of interest rate pressure test once a month.
- c) Risk Management Department: In charge of risk management of interest rate risk of banking book. According to the Bank's regulation, the department is in charge of every operation related to management of interest rate risk of banking book, including planning limits, statistics, reporting and monitoring.

4) The extent and characteristics of interest rate risk report and evaluation system of banking book

The Risk Management Department set the regulation with interest rate risk of banking book as follow, limit of position, limit of annual loss, FS sensitivity limit, duration limit, Individual Investment Target Warning Limits, Individual Investment Target stop buying limit, Tier I Capital Interest Rate Sensitivity Warning Limit-Rising/falling interest rates by 1bp, net income interest rate sensitivity warning limit: Interest rate rise/fall 25bps, 50bps, 75bps, 100bps.

In summary, it is intended to enhance the risk control framework of interest rate risk of banking book.

Besides, the Risk Management Department executes the following tests to assess the impact to the Bank's net income in special situation pressure test, and reports the result to the Assets and Liabilities Committee.

The Risk Management Department calculates the exposure amount of each trading departments and traders, and it also reports the risk reports, monitors over-limits, and performs follow-up actions under the regulations.

g. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities

Interest rate fluctuations affect the earning assets and interest-bearing liabilities, and current average interest rates are as follows:

O-Bank

| | For the Year Ended December 31 | | | |
|---|--------------------------------|---------------------|--------------------|---------------------|
| | 2022 | | 2021 | |
| | Average Balance | Average Rate (%) | Average Balance | Average Rate (%) |
| <u>Interest-earning assets</u> | | | | |
| Due from banks (part of cash and cash equivalents and other financial assets) | \$ 888,612 | 1.15 | \$ 852,282 | 1.12 |
| Call loans to other banks | 8,001,642 | 1.96 | 10,051,381 | 0.17 |
| Due from the Central Bank | 5,491,954 | 0.72 | 5,321,116 | 0.39 |
| Financial assets at FVTPL | 37,249,454 | 0.70 | 43,042,384 | 0.31 |
| Bills and bonds purchased under resell agreements | 192 | 0.24 | 10,235 | 0.09 |
| Discounts and loans | 178,470,922 | 2.64 | 156,824,702 | 1.90 |
| Financial assets at FVTOCI | 70,799,283 | 0.96 | 69,166,776 | 0.61 |
| Financial assets at amortized cost | 11,716,184 | 1.56 | - | - |
| Receivables | 1,259,282 | 2.19 | 1,056,555 | 1.49 |
| <u>Interest-bearing liabilities</u> | | | | |
| Deposits from the Central Bank and other banks | 19,258,679 | 1.09 | 17,992,124 | 0.35 |
| Demand deposits | 58,838,253 | 0.40 | 64,352,856 | 0.20 |
| Time deposits | 202,186,468 | 1.09 | 173,099,432 | 0.44 |
| Bills and bonds sold under repurchase agreements | 6,159,864 | 1.68 | 1,909,925 | 0.20 |
| Bank debentures payable | 14,290,685 | 1.91 | 15,273,973 | 1.99 |

China Bills Finance Corporation (CBF)

| | For the Year Ended December 31 | | | |
|--|--------------------------------|---------------------|--------------------|---------------------|
| | 2022 | | 2021 | |
| | Average Balance | Average Rate (%) | Average Balance | Average Rate (%) |
| <u>Interest-earning assets</u> | | | | |
| Cash and cash equivalents (including certificate of deposit) | \$ 811,375 | 0.10 | \$ 836,663 | 0.02 |
| Call loans to banks | 264,192 | 0.73 | 127,288 | 0.11 |
| Financial assets at fair value through profit or loss - bonds and bills | 94,630,559 | 0.74 | 99,956,081 | 0.38 |
| FVTOCI - debt instruments | 96,349,592 | 1.24 | 100,745,035 | 1.19 |
| Financial instruments at fair value through profit or loss - hybrid financial assets | 9,076,850 | 1.47 | 8,935,605 | 1.44 |
| Investment in debt instruments at amortized cost | 191,012 | 1.40 | - | - |
| Securities purchased under resell agreements | 4,674,231 | 0.37 | 6,411,458 | 0.17 |
| <u>Interest-bearing liabilities</u> | | | | |
| Call loans from other banks | 13,841,460 | 0.88 | 9,077,356 | 0.24 |
| Bank overdraft | 1,680 | 0.77 | 955 | 1.50 |
| Securities sold under repurchase agreements | 164,406,330 | 0.65 | 178,797,692 | 0.24 |
| Commercial paper payable | 2,556,493 | 0.85 | 4,500,000 | 0.33 |

49. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

The Groups' common equity ratio of Tier I capital ratio and capital adequacy ratio required by the competent authority shall comply with the minimum capital ratio for each year; leverage ratio measurement basis is subject to the competent authorities. The calculation of the ratio mentioned above by competent authority regulations.

b. Capital assessment program

Measures are taken when capital ratio and leverage ratio deteriorates such as regular calculation, analysis, monitoring and reporting, the annual allocation of each business's capital adequacy ratio targets and regularly tracking the target achievement rate in the capital.

c. Capital adequacy ratio

O-Bank

| | | | December 31, 2022 | |
|---|----------------------------|--|-----------------------------------|-------------------------------------|
| | | | Standalone Capital Adequacy Ratio | Consolidated Capital Adequacy Ratio |
| | | | Year Items | |
| Eligible capital | Common equity | | \$ 27,276,219 | \$ 27,276,219 |
| | Other Tier 1 capital | | 1,437,626 | 1,437,626 |
| | Tier 2 capital | | 3,979,520 | 3,979,520 |
| | Eligible capital | | 32,693,365 | 32,693,365 |
| Risk-weighted assets | Credit risk | Standardized approach | 210,297,034 | 210,297,034 |
| | | Internal rating based approach | - | - |
| | | Securitization | - | - |
| | Operational risk | Basic indicator approach | 9,922,725 | 9,922,725 |
| | | Standardized/alternative standardized approach | - | - |
| | | Advanced measurement approach | - | - |
| | Market risk | Standardized approach | 5,461,463 | 5,461,463 |
| | | Internal model approach | - | - |
| | Total risk-weighted assets | | 225,681,222 | 225,681,222 |
| Capital adequacy ratio | | | 14.49% | 14.49% |
| Ratio of common equity to risk-weighted assets | | | 12.09% | 12.09% |
| Ratio of Tier 1 capital to risk-weighted assets | | | 12.72% | 12.72% |
| Leverage ratio | | | 7.80% | 7.80% |

| Items | | | Year | December 31, 2021 | |
|---|----------------------------|--|---------------|-----------------------------------|-------------------------------------|
| | | | | Standalone Capital Adequacy Ratio | Consolidated Capital Adequacy Ratio |
| Eligible capital | Common equity | | \$ 27,505,405 | \$ 27,505,405 | |
| | Other Tier 1 capital | | 235,115 | 235,115 | |
| | Tier 2 capital | | 2,194,638 | 2,194,638 | |
| | Eligible capital | | 29,935,158 | 29,935,158 | |
| Risk-weighted assets | Credit risk | Standardized approach | 184,900,099 | 184,900,099 | |
| | | Internal rating based approach | - | - | |
| | | Securitization | - | - | |
| | Operational risk | Basic indicator approach | 9,483,113 | 9,483,113 | |
| | | Standardized/alternative standardized approach | - | - | |
| | | Advanced measurement approach | - | - | |
| | Market risk | Standardized approach | 9,171,150 | 9,171,150 | |
| | | Internal model approach | - | - | |
| | Total risk-weighted assets | | 203,554,362 | 203,554,362 | |
| Capital adequacy ratio | | | 14.71% | 14.71% | |
| Ratio of common equity to risk-weighted assets | | | 13.51% | 13.51% | |
| Ratio of Tier 1 capital to risk-weighted assets | | | 13.63% | 13.63% | |
| Leverage ratio | | | 7.99% | 7.99% | |

Note 1: Eligible capital, risk-weighted assets total exposures are calculated under the “Regulations Governing the Capital Adequacy Ratio of Banks” and “Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks.”

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.
- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

According to the Banking Law and other related regulations, in order to improve the financial foundation of banks, the Bank's standalone and consolidated capital adequacy ratio shall not be lower than 10.5%. The ratio of Tier 1 capital shall not be lower than 8.5%. The ratio of common equity shall not be lower than 7.0%. Should any actual ratios be lower than the requirements, the central competent authority has the right to constrain the earnings distribution.

China Bills Finance Corporation

| Year | | December 31, 2022 | December 31, 2021 |
|---|----------------------------|-------------------|-------------------|
| Items | | | |
| Eligible capital | Tier 1 capital | \$ 21,523,754 | \$ 24,748,352 |
| | Tier 2 capital | 333,339 | 151,242 |
| | Tier 3 capital | 58,146 | 369,873 |
| | Eligible capital | 21,915,239 | 25,269,467 |
| Risk-weighted assets | Credit risk | 105,657,859 | 129,434,396 |
| | Operational risk | 4,605,970 | 4,062,412 |
| | Market risk | 53,767,610 | 66,290,668 |
| | Total risk-weighted assets | 164,031,439 | 199,787,476 |
| Capital adequacy ratio (Note) | | 13.36% | 12.65% |
| Ratio of Tier 1 capital to risk-weighted assets (Note) | | 13.12% | 12.39% |
| Ratio of Tier 2 capital to risk-weighted assets (Note) | | 0.20% | 0.08% |
| Ratio of Tier 3 capital to risk-weighted assets (Note) | | 0.04% | 0.18% |
| Ratio of common shareholders' equity to total assets (Note) | | 6.47% | 5.87% |

Note: Formulas used were as follows:

- 1) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 2) The amount of total assets used in the calculation refers to all assets in the balance sheets.
- 3) The capital adequacy ratios (CARs) should be computed at the end of June and December. In the reports of the first-quarter and the third-quarter the CARs disclosed are based on the data of the last preceding period, i.e., the end of December and the end of June, respectively.
- 4) Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Bills Finance Companies" and "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Bills Finance Companies."

50. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND DISCLOSURE OF RELATED INFORMATION OF INDUSTRY REGULATIONS OF MATURITY ANALYSIS OF ASSETS AND LIABILITIES

O-Bank

- a. Asset quality: Refer to Table 2.
- b. Concentration of credit extensions

December 31, 2022

| Rank | Industry of Group Enterprise | Credit Extensions Balance | % of Net Asset Value |
|-------------|---|----------------------------------|-----------------------------|
| 1 | A Company (telecommunications) | \$ 7,472,591 | 19.81 |
| 2 | B Company (real estate development) | 4,106,536 | 10.89 |
| 3 | C Company (unclassified other financial service) | 3,258,090 | 8.64 |
| 4 | D Company (unclassified other financial service) | 2,946,000 | 7.81 |
| 5 | E Company (other holding company) | 2,509,837 | 6.65 |
| 6 | F Company (glass and glass made products manufacturing) | 2,495,115 | 6.61 |
| 7 | G Company (other holding company) | 2,397,388 | 6.36 |
| 8 | H Company (other holding company) | 2,193,282 | 5.81 |
| 9 | I Company (non-hazardous waste treatment industry) | 2,128,382 | 5.64 |
| 10 | J Company (real estate development) | 2,010,000 | 5.33 |

December 31, 2021

| Rank | Industry of Group Enterprise | Credit Extensions Balance | % of Net Asset Value |
|-------------|---|----------------------------------|-----------------------------|
| 1 | A Company (real estate development) | \$ 6,256,678 | 17.20 |
| 2 | B Company (real estate development) | 3,973,750 | 10.92 |
| 3 | F Company (glass and glass made products manufacturing) | 3,404,716 | 9.36 |
| 4 | C Company (unclassified other financial service) | 3,311,005 | 9.10 |
| 5 | K Company (real estate lease industry) | 3,180,000 | 8.74 |
| 6 | D Company (unclassified other financial service) | 2,940,000 | 8.08 |
| 7 | L Company (real estate development) | 2,432,955 | 6.69 |
| 8 | I Company (non-hazardous waste treatment industry) | 2,226,820 | 6.12 |
| 9 | M Company (manufacture of ready-mix concrete) | 2,195,533 | 6.03 |
| 10 | N Company (unclassified other financial service) | 2,070,000 | 5.69 |

Note 1: The list shows top 10 rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate - General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: Group enterprise refers to a group of corporate entities as defined by Article 6 of “Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings”

Note 3: Total amount of credit, endorsement or other transactions is the sum of various loans (including import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans and overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances and guarantees.

c. Interest rate sensitivity

Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
December 31, 2022

| Items | 0 to 90 Days (Included) | 91 to 180 Days (Included) | 181 Days to One Year (Included) | Over One Year | Total |
|--|----------------------------|------------------------------|---------------------------------------|---------------|----------------|
| Interest rate-sensitive assets | \$ 161,086,901 | \$ 19,727,518 | \$ 17,766,308 | \$ 36,239,475 | \$ 234,820,202 |
| Interest rate-sensitive liabilities | 92,312,215 | 57,417,125 | 32,550,981 | 41,773,598 | 224,053,919 |
| Interest rate-sensitive gap | 68,774,686 | (37,689,607) | (14,784,673) | (5,534,123) | 10,766,283 |
| Net worth | | | | | 34,148,984 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 104.81% |
| Ratio of interest rate sensitivity gap to net worth | | | | | 31.53% |

December 31, 2021

| Items | 0 to 90 Days (Included) | 91 to 180 Days (Included) | 181 Days to One Year (Included) | Over One Year | Total |
|--|----------------------------|------------------------------|---------------------------------------|---------------|----------------|
| Interest rate-sensitive assets | \$ 152,300,462 | \$ 20,291,583 | \$ 18,349,678 | \$ 24,096,996 | \$ 215,038,719 |
| Interest rate-sensitive liabilities | 65,201,377 | 63,211,840 | 45,089,611 | 35,110,497 | 208,613,325 |
| Interest rate-sensitive gap | 87,099,085 | (42,920,257) | (26,739,933) | (11,013,501) | 6,425,394 |
| Net worth | | | | | 32,391,717 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 103.08% |
| Ratio of interest rate sensitivity gap to net worth | | | | | 19.84% |

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank and excluded contingent assets and contingent liabilities items.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

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

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

Interest Rate Sensitivity Balance Sheet (U.S. Dollars)
December 31, 2022

(In Thousands of U.S. Dollars)

| Items | 0 to 90 Days (Included) | 91 to 180 Days (Included) | 181 Days to One Year (Included) | Over One Year | Total |
|--|----------------------------|------------------------------|---------------------------------------|---------------|--------------|
| Interest rate-sensitive assets | \$ 1,172,542 | \$ 26,403 | \$ 21,613 | \$ 1,900,035 | \$ 3,120,593 |
| Interest rate-sensitive liabilities | 2,235,135 | 674,590 | 75,064 | 1,108 | 2,985,897 |
| Interest rate-sensitive gap | (1,062,593) | (648,187) | (53,451) | 1,898,927 | 134,696 |
| Net worth | | | | | 104,988 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 104.51% |
| Ratio of interest rate sensitivity gap to net worth | | | | | 128.30% |

December 31, 2021

(In Thousands of U.S. Dollars)

| Items | 0 to 90 Days (Included) | 91 to 180 Days (Included) | 181 Days to One Year (Included) | Over One Year | Total |
|--|----------------------------|------------------------------|---------------------------------------|---------------|--------------|
| Interest rate-sensitive assets | \$ 1,133,803 | \$ 21,691 | \$ - | \$ 1,414,647 | \$ 2,570,141 |
| Interest rate-sensitive liabilities | 1,080,612 | 1,217,122 | 120,832 | 508 | 2,419,074 |
| Interest rate-sensitive gap | 53,191 | (1,195,431) | (120,832) | 1,414,139 | 151,067 |
| Net worth | | | | | 126,544 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 106.24% |
| Ratio of interest rate sensitivity gap to net worth | | | | | 119.38% |

Note 1: The above amounts included only U.S. dollar amounts held by the Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

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

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars).

d. Profitability

(In %)

| Items | | For the Year Ended December 31, 2022 | For the Year Ended December 31, 2021 |
|------------------------|-------------------|---|---|
| Return on total assets | Before income tax | 1.56 | 0.63 |
| | After income tax | 1.50 | 0.57 |
| Return on equity | Before income tax | 14.15 | 5.60 |
| | After income tax | 13.59 | 5.12 |
| Net income ratio | | 55.54 | 33.40 |

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets.

Note 2: Return on equity = Income before (after) income tax ÷ Average equity.

Note 3: Net income ratio = Income after income tax ÷ Total net revenue.

Note 4: Income before (after) income tax represents income for the years ended December 31, 2022 and 2021.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2022

| | Total | Remaining Period to Maturity | | | | | |
|----------------------------------|----------------|------------------------------|---------------|---------------|---------------|-----------------|----------------|
| | | 0-10 Days | 11-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year |
| Main capital inflow on maturity | \$ 273,295,197 | \$ 50,934,431 | \$ 23,848,323 | \$ 31,301,922 | \$ 29,335,816 | \$ 17,512,260 | \$ 120,362,445 |
| Main capital outflow on maturity | 320,137,975 | 21,909,078 | 35,212,611 | 69,786,020 | 50,936,725 | 63,573,718 | 78,719,823 |
| Gap | (46,842,778) | 29,025,353 | (11,364,288) | (38,484,098) | (21,600,909) | (46,061,458) | 41,642,622 |

December 31, 2021

| | Total | Remaining Period to Maturity | | | | | |
|----------------------------------|----------------|------------------------------|---------------|---------------|---------------|-----------------|----------------|
| | | 0-10 Days | 11-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year |
| Main capital inflow on maturity | \$ 252,962,571 | \$ 49,606,865 | \$ 13,769,195 | \$ 24,172,783 | \$ 31,312,899 | \$ 25,351,214 | \$ 108,749,615 |
| Main capital outflow on maturity | 290,582,062 | 22,516,947 | 28,684,600 | 58,640,450 | 41,329,378 | 69,994,808 | 69,415,879 |
| Gap | (37,619,491) | 27,089,918 | (14,915,405) | (34,467,667) | (10,016,479) | (44,643,594) | 39,333,736 |

Note: The above amounts included only New Taiwan dollar amounts held by the Bank.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2022

(In Thousands of U.S. Dollars)

| | Total | Remaining Period to Maturity | | | | |
|----------------------------------|--------------|------------------------------|------------|-------------|-----------------|-------------|
| | | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year |
| Main capital inflow on maturity | \$ 5,070,231 | \$ 2,672,783 | \$ 752,403 | \$ 355,202 | \$ 376,849 | \$ 912,994 |
| Main capital outflow on maturity | 5,290,561 | 2,461,429 | 1,477,700 | 379,100 | 262,792 | 709,540 |
| Gap | (220,330) | 211,354 | (725,297) | (23,898) | 114,057 | 203,454 |

December 31, 2021

(In Thousands of U.S. Dollars)

| | Total | Remaining Period to Maturity | | | | |
|----------------------------------|--------------|------------------------------|------------|-------------|-----------------|-------------|
| | | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year |
| Main capital inflow on maturity | \$ 4,367,803 | \$ 1,828,104 | \$ 961,934 | \$ 405,965 | \$ 348,921 | \$ 822,879 |
| Main capital outflow on maturity | 4,496,465 | 1,915,031 | 1,073,733 | 646,113 | 332,035 | 529,553 |
| Gap | (128,662) | (86,927) | (111,799) | (240,148) | 16,886 | 293,326 |

Note 1: The above amounts included only U.S. dollar amounts held by the Bank.

Note 2: If the overseas assets are at least 10% of the total assets, there should be additional disclosures.

Maturity Analysis of Overseas Branch's Assets and Liabilities (U.S. Dollars)
December 31, 2022

(In Thousands of U.S. Dollars)

| | Total | Remaining Period to Maturity | | | | |
|----------------------------------|--------------|------------------------------|------------|-------------|-----------------|-------------|
| | | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year |
| Main capital inflow on maturity | \$ 1,711,882 | \$ 1,262,655 | \$ 204,457 | \$ 59,657 | \$ 35,173 | \$ 149,940 |
| Main capital outflow on maturity | 1,716,968 | 854,907 | 400,021 | 73,929 | 52,483 | 335,628 |
| Gap | (5,086) | 407,748 | (195,564) | (14,272) | (17,310) | (185,688) |

(In Thousands of U.S. Dollars)

| | Total | Remaining Period to Maturity | | | | |
|----------------------------------|--------------|------------------------------|------------|-------------|-----------------|-------------|
| | | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year |
| Main capital inflow on maturity | \$ 1,727,352 | \$ 1,110,761 | \$ 299,055 | \$ 42,184 | \$ 65,770 | \$ 209,582 |
| Main capital outflow on maturity | 1,718,524 | 792,860 | 400,188 | 197,111 | 94,077 | 234,288 |
| Gap | 8,828 | 317,901 | (101,133) | (154,927) | (28,307) | (24,706) |

China Bills Finance Corporation

a. Asset quality

| Item | Period | December 31, 2022 | December 31, 2021 |
|---|--------|-------------------|-------------------|
| Balance of guarantees and endorsement credits overdue within 3 months | | \$ - | \$ - |
| Nonperforming debts (include overdue receivables) | | - | - |
| Credits under observation | | - | - |
| Overdue receivables | | - | - |
| Ratio of non-performing debts | | 0.00% | 0.00% |
| Ratio of non-performing debts and credits under observation | | 0.00% | 0.00% |
| Required provision for credit losses and reserve for losses on guarantees | | 1,176,048 | 1,375,981 |
| Actual provision for credit losses and reserve for losses on guarantees | | 1,382,077 | 1,382,077 |

b. The principal operation

| Item | Period | December 31, 2022 | December 31, 2021 |
|---|--------|-------------------|-------------------|
| Balance of guarantees and endorsement securities | | \$ 94,873,300 | \$ 112,558,100 |
| Multiple of guarantees and endorsement securities to net worth | | 3.96 | 4.71 |
| Short-term bills and bonds sold under repurchase agreement | | \$ 172,142,580 | \$ 187,122,588 |
| Multiple of short-term bills and bonds sold under repurchase agreement to net worth | | 7.18 | 7.83 |

c. The provision policy and allowance for doubtful accounts, refer to Note 14.

d. Concentrations of credit extensions

(In %)

| Item \ Period | December 31, 2022 | | December 31, 2021 | |
|--|--------------------------------|----------|--------------------------------|----------|
| Credit of the common interested party | \$ - | | \$ - | |
| Ratio of credit extensions to common interest parties | - | | - | |
| Ratio of credit extensions secured by pledged share | 18.72 | | 19.28 | |
| Loan concentration by industry (ratio of top three industries to which credit line issued to credit extension balance) | Type of Industry | % | Type of Industry | % |
| | Finance and insurance industry | 29.22 | Finance and insurance industry | 30.86 |
| | Real estate industry | 27.69 | Real estate industry | 26.65 |
| | Manufacturing industry | 18.02 | Manufacturing industry | 20.48 |

Note 1: Ratio of credit extensions to common interest related parties: Credit to common interest related party ÷ Total credit.

Note 2: Ratio of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit.

Note 3: Total credit included guarantees, endorsement notes and overdue credit (including overdue receivables, accounts receivable, and notes receivable).

e. Interest rate sensitivity information of the balance sheet

December 31, 2022

(In Millions of New Taiwan Dollars)

| Items | 1 to 90 Days (Included) | 91 to 180 Days (Included) | 181 Days to One Year (Included) | Over One Year | Total |
|--|--------------------------------|----------------------------------|--|----------------------|--------------|
| Interest rate-sensitive assets | \$ 98,177 | \$ 9,099 | \$ 9,672 | \$ 87,351 | \$ 204,299 |
| Interest rate-sensitive liabilities | 180,224 | 2,071 | 1,082 | - | 183,377 |
| Interest rate-sensitive gap | (82,047) | 7,028 | 8,590 | 87,351 | 20,922 |
| Net worth | | | | | 21,978 |
| Ratio of interest rate-sensitive assets to liabilities (%) | | | | | 111.41 |
| Ratio of interest rate sensitivity gap to net worth (%) | | | | | 95.20 |

December 31, 2021

(In Millions of New Taiwan Dollars)

| Items | 1 to 90 Days (Included) | 91 to 180 Days (Included) | 181 Days to One Year (Included) | Over One Year | Total |
|--|--------------------------------|----------------------------------|--|----------------------|--------------|
| Interest rate-sensitive assets | \$ 106,430 | \$ 12,173 | \$ 11,795 | \$ 94,735 | \$ 225,133 |
| Interest rate-sensitive liabilities | 197,818 | 2,719 | 115 | - | 200,652 |
| Interest rate-sensitive gap | (91,388) | 9,454 | 11,680 | 94,735 | 24,481 |
| Net worth | | | | | 25,557 |
| Ratio of interest rate-sensitive assets to liabilities (%) | | | | | 112.20 |
| Ratio of interest rate sensitivity gap to net worth (%) | | | | | 95.79 |

Note 1: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 2: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

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

f. The use of funding sources table

December 31, 2022

(In Millions of New Taiwan Dollars)

| Period | | 1 to 30 Days | 31 to 90 Days | 91 to 180 Days | 181 Days to 1 Year | Over 1 Year |
|------------------------|--|--------------|---------------|----------------|--------------------|-------------|
| Items | | | | | | |
| Cash used in | Bills | \$ 34,119 | \$ 58,322 | \$ 6,370 | \$ 3,753 | \$ - |
| | Bonds | 424 | 802 | 2,729 | 5,919 | 87,351 |
| | Due from banks | 558 | - | - | - | - |
| | Call loans | - | - | - | - | - |
| | Securities purchased under resell agreements | 2,852 | 1,100 | - | - | - |
| | Total | 37,953 | 60,224 | 9,099 | 9,672 | 87,351 |
| Cash provided by | Borrowing | 11,230 | 276 | - | - | - |
| | Securities sold under repurchase agreements | 129,407 | 39,311 | 2,071 | 1,082 | - |
| | Eligible capital | - | - | - | - | 21,978 |
| | Total | 140,637 | 39,587 | 2,071 | 1,082 | 21,978 |
| Net cash flows | | (102,684) | 20,637 | 7,028 | 8,590 | 65,373 |
| Accumulated cash flows | | (102,684) | (82,047) | (75,019) | (66,429) | (1,056) |

December 31, 2021

(In Millions of New Taiwan Dollars)

| Period | | 1 to 30 Days | 31 to 90 Days | 91 to 180 Days | 181 Days to 1 Year | Over 1 Year |
|------------------------|--|--------------|---------------|----------------|--------------------|-------------|
| Items | | | | | | |
| Cash used in | Bills | \$ 49,705 | \$ 46,434 | \$ 6,962 | \$ 117 | \$ - |
| | Bonds | 2,050 | 2,322 | 5,211 | 11,678 | 94,735 |
| | Due from banks | 255 | - | - | - | - |
| | Call loans | 300 | - | - | - | - |
| | Securities purchased under resell agreements | 4,864 | 500 | - | - | - |
| | Total | 57,174 | 49,256 | 12,173 | 11,795 | 94,735 |
| Cash provided by | Borrowing | 11,096 | 2,499 | - | - | - |
| | Securities sold under repurchase agreements | 145,214 | 39,009 | 2,719 | 115 | - |
| | Eligible capital | - | - | - | - | 25,557 |
| | Total | 156,310 | 41,508 | 2,719 | 115 | 25,557 |
| Net cash flows | | (99,136) | 7,748 | 9,454 | 11,680 | 69,178 |
| Accumulated cash flows | | (99,136) | (91,388) | (81,934) | (70,254) | (1,076) |

g. Matters requiring special notation

| Causes | December 31, 2022 | December 31, 2021 |
|---|----------------------|----------------------|
| Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor | None | None |
| Within the past year, a fine was levied on for violations of the Act Governing Bills Finance Business and the other laws | None | None |
| Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures | None | None |
| Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" which exceeded NT\$50 million dollars | None | None |
| Other | None | None |

Note: The term "within the past year" means one year before the balance sheet date.

51. CASH FLOWS INFORMATION

Changes in Liabilities from Financing Activities

For the year ended December 31, 2022

| | January 1, 2022 | Cash Inflow (Outflow) | None-cash Change | | December 31, 2022 |
|-----------------------------|----------------------|--------------------------|-------------------|-----------------------|----------------------|
| | | | Add Leasing | Other | |
| Bank debentures payable | \$ 15,000,000 | \$ (1,400,000) | \$ - | \$ - | \$ 13,600,000 |
| Lease liabilities | 350,370 | (138,845) | 179,402 | 41,899 | 432,826 |
| Other financial liabilities | 20,580,832 | (70,231) | - | (15,353,793) | 5,156,808 |
| Other liabilities | <u>2,719,579</u> | <u>(432,016)</u> | <u>-</u> | <u>(1,787,203)</u> | <u>500,360</u> |
| | <u>\$ 38,650,781</u> | <u>\$ (2,041,092)</u> | <u>\$ 179,402</u> | <u>\$(17,099,097)</u> | <u>\$ 19,689,994</u> |

For the year ended December 31, 2021

| | January 1, 2021 | Cash Inflow (Outflow) | None-cash Change | | December 31, 2021 |
|-----------------------------|----------------------|--------------------------|------------------|-------------------|----------------------|
| | | | Add Leasing | Other | |
| Bank debentures payable | \$ 16,400,000 | \$ (1,400,000) | \$ - | \$ - | \$ 15,000,000 |
| Lease liabilities | 444,659 | (178,417) | 66,793 | 17,335 | 350,370 |
| Other financial liabilities | 18,102,763 | 2,521,474 | - | (43,405) | 20,580,832 |
| Other liabilities | <u>2,249,555</u> | <u>470,024</u> | <u>-</u> | <u>-</u> | <u>2,719,579</u> |
| | <u>\$ 37,196,977</u> | <u>\$ 1,413,081</u> | <u>\$ 66,793</u> | <u>\$(26,070)</u> | <u>\$ 38,650,781</u> |

52. OTHERS

The Group has evaluated the economic impact of the COVID-19. Until the issue date of the consolidated financial statements, the Group found no significant impact on its financial condition and operations through its relevant risk management and control procedures.

53. ADDITIONAL DISCLOSURES

- a. Related information of significant transactions and investees and
- b. Names, locations, and other information of investees over which the Bank exercises significant influence
 - 1) Financing provided: None
 - 2) Endorsement/guarantee provided: None
 - 3) Marketable securities held: The Group - not applicable; investees - Table 1 (attached)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT \$300 million or 10% of the paid-in capital: None
 - 5) Acquisition of individual real estate at costs of at least NT \$300 million or 10% of the paid-in capital: None
 - 6) Disposal of individual real estate at costs of at least NT \$300 million or 10% of the paid-in capital: None
 - 7) Allowance of service fees to related parties amounting to at least NT \$5 million: None
 - 8) Receivables from related parties amounting to at least NT \$300 million or 10% of the paid-in capital: None
 - 9) Sale of non-performing loans: None
 - 10) Information of applying for authorization of securitized product type according to the “Regulations of Financial Assets Securitization or Regulations of Real Estate Securitization”: None
 - 11) Other significant transactions which may affect the decisions of users of individual financial reports: None
 - 12) Related information and total stockholding circumstances of “Name, locations and other information of investees on which the Bank exercises significant influence.” - Table 3 (attached)
 - 13) Derivative instrument transactions: Note 8
- c. Investment in mainland China: Table 4 (attached)
- d. Business relationships and significant transactions among the Group: Table 5 (attached)
- e. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 6 (attached)

54. OPERATING SEGMENT FINANCIAL INFORMATION

The Group provides CODM to assess segment performance, focusing on the nature of business operations, assets and profit and loss. The accounting policies of each operating segment are described in Note 4. The same significant accounting policies. The Group shall be reported to the operating divisions are as follows:

- Bank: Business ruled by Banking Law Article 71.
- Overseas: Overseas banking business.
- Leasing: Leasing business.
- Bills: Bills-related business approved by the competent authority.
- Others: Other non-core businesses.

The following was an analysis of the Group's revenue and results by reportable segment.

| | Bank | Overseas | Leasing | Bills | Others | Eliminations | Consolidated |
|---|-----------------------|----------------------|----------------------|-----------------------|---------------------|-----------------------|-----------------------|
| <u>For the year ended December 31, 2022</u> | | | | | | | |
| Net interest | | | | | | | |
| From unaffiliated segment | \$ 2,768,822 | \$ 955,614 | \$ 849,482 | \$ 9,157 | \$ (2,243) | \$ 663 | \$ 4,581,495 |
| From other segment | (934) | - | 192 | - | 742 | - | - |
| | <u>\$ 2,767,888</u> | <u>\$ 955,614</u> | <u>\$ 849,674</u> | <u>\$ 9,157</u> | <u>\$ (1,501)</u> | <u>\$ 663</u> | <u>\$ 4,581,495</u> |
| Net revenue other than interest | | | | | | | |
| From unaffiliated segment | \$ 6,257,260 | \$ 30,507 | \$ 457,951 | \$ 1,666,374 | \$ 160,421 | \$ - | \$ 8,572,513 |
| From other segment | 38,828 | - | (6,619) | (30,507) | 6,711 | (1,041,602) | (1,033,189) |
| | <u>\$ 6,296,088</u> | <u>\$ 30,507</u> | <u>\$ 451,332</u> | <u>\$ 1,635,867</u> | <u>\$ 167,132</u> | <u>\$ (1,041,602)</u> | <u>\$ 7,539,324</u> |
| Income from continuing operation | <u>\$ 5,034,471</u> | <u>\$ 348,818</u> | <u>\$ 251,487</u> | <u>\$ 1,040,298</u> | <u>\$ 119,681</u> | <u>\$ (986,400)</u> | <u>\$ 5,808,355</u> |
| Identifiable assets | <u>\$ 342,586,253</u> | <u>\$ 25,819,384</u> | <u>\$ -</u> | <u>\$ 207,659,776</u> | <u>\$ 1,376,403</u> | <u>\$ (98,684)</u> | <u>\$ 577,343,132</u> |
| Depreciation and amortization | <u>\$ 520,908</u> | <u>\$ 34,725</u> | <u>\$ 60,339</u> | <u>\$ 24,862</u> | <u>\$ 2,936</u> | <u>\$ (20,561)</u> | <u>\$ 623,209</u> |
| Capital expenditures | <u>\$ 87,525</u> | <u>\$ 9,931</u> | <u>\$ 29,657</u> | <u>\$ 1,709</u> | <u>\$ 68</u> | <u>\$ -</u> | <u>\$ 128,890</u> |
| <u>For the year ended December 31, 2021</u> | | | | | | | |
| Net interest | | | | | | | |
| From unaffiliated segment | \$ 2,210,773 | \$ 839,370 | \$ 852,804 | \$ 756,831 | \$ (165) | \$ 314 | \$ 4,659,927 |
| From other segment | (478) | - | 59 | - | 3 | 416 | - |
| | <u>\$ 2,210,295</u> | <u>\$ 839,370</u> | <u>\$ 852,863</u> | <u>\$ 756,831</u> | <u>\$ (162)</u> | <u>\$ 730</u> | <u>\$ 4,659,927</u> |
| Net revenue other than interest | | | | | | | |
| From unaffiliated segment | \$ 3,262,554 | \$ 71,150 | \$ 638,350 | \$ 2,120,519 | \$ 36,918 | \$ - | \$ 6,129,491 |
| From other segment | 38,451 | - | (12,977) | (30,049) | 5,278 | (1,475,309) | (1,474,606) |
| | <u>\$ 3,301,005</u> | <u>\$ 71,150</u> | <u>\$ 625,373</u> | <u>\$ 2,090,470</u> | <u>\$ 42,196</u> | <u>\$ (1,475,309)</u> | <u>\$ 4,654,885</u> |
| Income from continuing operation | <u>\$ 1,840,842</u> | <u>\$ 345,332</u> | <u>\$ 564,818</u> | <u>\$ 1,857,666</u> | <u>\$ 26,206</u> | <u>\$ (1,430,244)</u> | <u>\$ 3,204,620</u> |
| Identifiable assets | <u>\$ 298,609,018</u> | <u>\$ 27,666,690</u> | <u>\$ 19,804,517</u> | <u>\$ 228,733,880</u> | <u>\$ 261,932</u> | <u>\$ 4,632</u> | <u>\$ 575,080,669</u> |
| Depreciation and amortization | <u>\$ 525,492</u> | <u>\$ 47,718</u> | <u>\$ 59,395</u> | <u>\$ 12,759</u> | <u>\$ 814</u> | <u>\$ (8,221)</u> | <u>\$ 637,957</u> |
| Capital expenditures | <u>\$ 56,273</u> | <u>\$ 448</u> | <u>\$ 33,992</u> | <u>\$ 6,270</u> | <u>\$ 79</u> | <u>\$ -</u> | <u>\$ 97,062</u> |

O-BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars and U.S. dollars)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2022 | | | Note |
|-----------------------------------|--|---------------------------------------|---|--------------------------|-----------------|-----------------------------|-----------------------|
| | | | | Stocks/Units (Thousands) | Carrying Amount | Percentage of Ownership (%) | Fair Value |
| IBT Holdings | <u>Stocks</u> Ever Trust Bank | Subsidiaries | Investments accounted for using the equity method | 10,714 | US\$ 197,261 | 91.78 | US\$ 197,261 |
| | Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One” | - | Financial asset at FVTOCI | 3,059 | 25,451 | 1.02 | 25,451 |
| IBT Management Corp. | <u>Stocks</u> Thunder Tiger Biotechnology Co., Ltd | - | Financial asset at FVTPL | 1,733 | 47,965 | 7.37 | 47,965 Note 2 |
| | TaiRx Co., Ltd | - | Financial asset at FVTPL | 433 | 16,098 | 0.48 | 16,098 Note 2 |
| | Shihlien China Holding Co., Limited | - | Financial asset at FVTPL | 19,682 | 118,922 | 0.46 | 118,922 Notes 1, 2 |
| | Beauty Essentials International Ltd. (Samoa) | - | Financial asset at FVTPL | 25,974 | 25,768 | 2.41 | 25,768 Note 2 |
| | Houdou Pinshan (Cayman) Co., Ltd. | - | Financial asset at FVTPL | 500 | 8,113 | 2.17 | 8,113 Note 2 |
| | Arizona RFID Technology (Cayman) Co., Ltd. | - | Financial asset at FVTPL | 212 | 16,634 | 0.32 | 16,634 |
| | Pharmosa Biopharm Inc. | - | Financial asset at FVTPL | 500 | 31,315 | 0.45 | 31,315 |
| | Shin Kong Financial Holding Co., Ltd. preferred shares B | - | Financial asset at FVTOCI | 400 | 14,360 | 0.18 | 14,360 |
| | Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One” | - | Financial asset at FVTOCI | 14,000 | 116,480 | 4.67 | 116,480 |
| | <u>Stocks</u> TaiRx Co., Ltd. | - | Financial asset at FVTPL | 3,435 | 127,755 | 3.81 | 127,755 Note 2 |
| IBT VII Venture Capital Co., Ltd. | Meridigen Corp. | - | Financial asset at FVTPL | 500 | 10,861 | 0.55 | 10,861 |
| | Fencosteel Tech Co., Ltd | - | Financial asset at FVTPL | 1,298 | 46,118 | 3.09 | 46,118 |
| | Shihlien China Holding Co., Limited | - | Financial asset at FVTPL | 41,635 | 251,568 | 0.96 | 251,568 Notes 1, 2 |
| | New Applied Materials Co., Ltd. | - | Financial asset at FVTPL | 634 | 122,250 | 0.79 | 122,250 Note 2 |
| | BioResource International, Inc. | - | Financial asset at FVTPL | 1,105 | 97,346 | 7.81 | 97,346 Note 2 |
| | Chipwell Tech Corporation | - | Financial asset at FVTPL | 308 | 3,632 | 1.45 | 3,632 Note 2 |
| | Biocontrol Gene Vaccine Co., Ltd. | - | Financial asset at FVTPL | 1,008 | 385 | 0.98 | 385 Note 2 |
| | Reber Genetics Co., Ltd. | - | Financial asset at FVTPL | 461 | 4,996 | 1.16 | 4,996 Note 2 |
| | Kaohsiung Rapid Transit Corporation All Rights Reserved. | - | Financial asset at FVTPL | 3,845 | 51,961 | 1.38 | 51,961 |
| | Evergreen Steel Corp. | - | Financial asset at FVTPL | 247 | 12,745 | 0.06 | 12,745 |
| | Otobrite Electronics Inc. | - | Financial asset at FVTPL | 25 | 1,034 | 0.07 | 1,034 |
| | Apex Dynamics, Inc. | - | Financial asset at FVTPL | 24 | 4,440 | 0.03 | 4,440 |
| | | | | | | | |
| | | | | | | | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2022 | | | Note |
|----------------------|--|---------------------------------------|-----------------------------|--------------------------|-----------------|-----------------------------|------------|
| | | | | Stocks/Units (Thousands) | Carrying Amount | Percentage of Ownership (%) | Fair Value |
| | Revivegen Environmental Technology Co., Ltd. | - | Financial asset at FVTPL | 120 | US\$ 3,966 | 0.35 | US\$ 3,966 |
| | Evergreen Aviation Technologies Corp. | - | Financial asset at FVTPL | 650 | 52,754 | 0.18 | 52,754 |
| | Power Win Taiwan Co., Ltd. | - | Financial asset at FVTPL | 291 | 10,488 | 1.26 | 10,488 |
| | Chenfeng Optronics Corporation | - | Financial asset at FVTPL | 1,000 | 31,000 | 1.06 | 31,000 |
| | T-Conn Precision Corporation | - | Financial asset at FVTPL | 11 | 614 | 0.03 | 614 |
| | Lin Bioscience, Inc. | - | Financial asset at FVTPL | 6 | 1,042 | 0.01 | 1,042 |
| | BTL Inc. | - | Financial asset at FVTPL | 10 | 854 | 0.04 | 854 |
| | Arizon RFID Technology (Cayman) Co., Ltd. | - | Financial asset at FVTPL | 212 | 16,602 | 0.32 | 16,602 |
| | Pharmosa Biopharm Inc. | - | Financial asset at FVTPL | 500 | 31,315 | 0.45 | 31,315 |
| | Mesh Cooperative Ventures Fund LP | - | Financial asset at FVTOCI | 18,000 | 19,072 | 2.46 | 19,072 |
| | Shin Kong Financial Holding Co., Ltd. preferred shares B | - | Financial asset at FVTOCI | 125 | 4,488 | 0.06 | 4,488 |

Note 1: The holding company is registered in Hong Kong. The registered capital stock and number of stocks are in Hong Kong dollars and Hong Kong stocks.

Note 2: The securities are transferred within the group and are listed in the financial asset at FVTOCI when they are combined.

(Concluded)

O-BANK AND SUBSIDIARIES

NONPERFORMING LOANS AND ACCOUNTS RECEIVABLE

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars or in %)

| Period | | December 31, 2022 | | | | | December 31, 2021 | | | | | | |
|--|-----------------------------------|--|--|--|---------------------------------------|--|-------------------------|--|--|--|---------------------------------------|--|-------------------------|
| | Items | Nonperforming Loans (Note 1) | | Outstanding Loan Balance | Ratio of Nonperforming Loans (Note 2) | Allowance for Possible Losses | Coverage Ratio (Note 3) | Nonperforming Loans (Note 1) | | Outstanding Loan Balance | Ratio of Nonperforming Loans (Note 2) | Allowance for Possible Losses | Coverage Ratio (Note 3) |
| | | \$ | | \$ | | \$ | | \$ | | \$ | | \$ | |
| Corporate banking | Secured | 394,638 | | 86,004,278 | 0.46% | 1,319,937 | 334.47% | 403,576 | | 71,506,153 | 0.56% | 1,017,517 | 252.13% |
| | Unsecured | 237,315 | | 74,343,072 | 0.32% | 1,162,592 | 489.89% | 231,441 | | 60,333,924 | 0.38% | 866,270 | 374.29% |
| | Housing mortgage (Note 4) | 18,941 | | 10,929,538 | 0.17% | 165,683 | 874.73% | - | | 13,360,217 | - | 200,760 | - |
| | Cash card | - | | - | - | - | - | - | | - | - | - | - |
| Consumer banking | Small-scale credit loans (Note 5) | - | | 2,511,881 | - | 31,202 | - | - | | 1,931,948 | - | 26,515 | - |
| | Other (Note 6) | 2,823 | | 4,353,546 | 0.06% | 44,052 | 1,560.47% | - | | 5,235,713 | - | 52,704 | - |
| Total lending business | Secured | 14,470 | | 10,717,494 | 0.14% | 159,842 | 1,104.64% | 14,843 | | 6,678,039 | 0.22% | 133,907 | 902.16% |
| | Unsecured | 668,187 | | 188,859,809 | 0.35% | 2,883,308 | 431.51% | 649,860 | | 159,045,994 | 0.41% | 2,297,673 | 353.56% |
| | | Nonperforming Receivables | | Outstanding Receivable Balance | Ratio of Nonperforming Receivables | Allowance for Possible Losses | Coverage Ratio | Nonperforming Receivables | | Outstanding Receivable Balance | Ratio of Nonperforming Receivables | Allowance for Possible Losses | Coverage Ratio |
| Credit cards | | - | | - | - | - | - | - | | - | - | - | - |
| Factored accounts receivable without recourse (Note 7) | | - | | 1,477,269 | - | 15,239 | - | - | | 1,568,952 | - | 16,499 | - |
| | | Exempt from Reporting the Total Balance of Overdue Loans | | Exempt from Reporting the Total Balance of Overdue Loans | | Exempt from Reporting the Total Balance of Overdue Loans | | Exempt from Reporting the Total Balance of Overdue Loans | | Exempt from Reporting the Total Balance of Overdue Loans | | Exempt from Reporting the Total Balance of Overdue Loans | |
| Exempt amount - due to debt negotiation and performance (Note 8) | | \$ - | | - | | \$ - | | - | | - | | \$ - | |
| Debt settlement plan and rehabilitative program (Note 9) | | 114,712 | | - | | - | | - | | 98,026 | | - | |
| Total | | 114,712 | | - | | - | | - | | 98,026 | | - | |

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans."

Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of Nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.

Ratio of Nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Small-amount pure credit loans that must be governed by the Bank of China Ref. No. 09440010950 dated December 19, 2005 and are not credit cards or cash cards.

Note 6: "Others" in consumer finance refers to other secured or unsecured consumer loans that are not "residential property mortgage", "cash cards", "small amount pure credit loans", excluding credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), factored accounts receivable without recourse are reported as nonperforming receivables within three months after the factoring or insurance companies refuse to indemnify banks for any liabilities on these accounts.

(Continued)

Note 8: According to the letter of the Bank of China Ref. No. 09510001270 dated April 25, 2006, the letters of credit and the information disclosure requirements as required by the “Unsecured Debt Negotiation Mechanism for Consumer Financial Cases of the Republic of China Banking Association” should include supplemental disclosures of related matters.

Note 9: According to the letter of the Bank of China Ref. No. 09700318940 dated September 15, 2008 and the letter of the Bank of China Ref. No. 10500134790 date September 20, 2016 regarding the “Consumer Debt Clearance Regulations” for pre-negotiation, rehabilitation and liquidation cases, credit reporting and the information disclosure requirements should include supplemental disclosures of related matters.

(Concluded)

O-BANK CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEE OVER WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
 DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars)

| Investee Company | Location | Main Business | Percentage of Ownership (%) | Carrying Amount | Investment Gain (Loss) | Consolidated Investment | | | Note |
|---|---------------------|---|-----------------------------|-----------------|------------------------|-------------------------|------------------------------|--|--------|
| | | | | | | Stocks (Thousands) | Pro-forma Share of Ownership | Total Stocks (Thousands) Percentage of Ownership (%) | |
| <u>Financial institution</u> | | | | | | | | | |
| Investments accounted for using the equity method | | | | | | | | | |
| Infinite Finance Co., Ltd. | Taipei City, Taiwan | Leasing | 44.48 | \$ 6,230,729 | \$ 4,554 | 156,193 | - | 156,193 | 44.48 |
| Beijing Sunshine Consumer Finance Co., Ltd. | Beijing City, China | Financing business | 20.00 | 1,001,042 | 115,816 | 200,000 | - | 200,000 | 20.00 |
| China Bills Finance Corp. | Taipei City, Taiwan | Bonds underwriting, dealing and brokerage of securities | 28.37 | 6,168,856 | 295,294 | 382,532 | - | 382,532 | 28.48 |
| IBT Holdings Corp. | California, America | Holding company | 100.00 | 6,119,382 | 260,893 | 10,869 | - | 10,869 | 100.00 |
| IBT Management Corp. | Taipei City, Taiwan | Investment consulting | 100.00 | 280,939 | 13,373 | 13,400 | - | 13,400 | 100.00 |
| IBT VII Venture Capital Co., Ltd. | Taipei City, Taiwan | Investment | 100.00 | 798,896 | 72,377 | 65,000 | - | 65,000 | 100.00 |
| Financial assets at FVTOCI | | | | | | | | | |
| Taiwan Mobile Payment Co., Ltd. | Taipei City, Taiwan | Information Software Services Industry | 0.50 | 1,593 | - | 300 | - | 300 | 0.50 |
| <u>Non-financial institution</u> | | | | | | | | | |
| Financial assets at FVTOCI | | | | | | | | | |
| Dio Investment Ltd. | Cayman Island | Coffee retail | 8.82 | 33,609 | - | 6,997 | - | 6,997 | 8.82 |
| Shengzhuang Holdings Limited | Cayman Island | Chemical material manufacturing | 2.18 | 4,393 | - | 244 | - | 244 | 2.18 |

O-BANK AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Renminbi and U.S. Dollars)

O-Bank

| Investee Company Name | Main Businesses and Products | Total Amount of Paid-in Capital (Note 1) | Investment Type | Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (Note 1) | Investment Flows (Note 1) | | Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (Note 1) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 1) | Carrying Amount as of December 31, 2022 (Note 1) | Accumulated Inward Remittance of Earnings as of December 31, 2022 |
|---|------------------------------|--|-----------------|--|---------------------------|--------|--|--|---------------------------------|--|---|
| | | | | | Outflow | Inflow | | | | | |
| Suzhou Dio F&B Management Co., Ltd. | Coffee retailing | \$ 445,203 (US\$ 14,491) | Note 2 c. | \$ 61,445 (US\$ 2,000) | \$ - | \$ - | \$ 61,445 (US\$ 2,000) | 2.60 | \$ - | \$ 26,887 | \$ - |
| Ou Suomiluo Food Co., Ltd. | Coffee retailing | 44,175 (RMB 10,000) | Note 2 c. | 15,362 (US\$ 500) | - | - | 15,362 (US\$ 500) | 2.09 | - | 6,722 | - |
| Beijing Shengzhuang Co., Ltd. | Cosmetic OEM | 239,871 (RMB 54,300) | Note 2 c. | 61,445 (US\$ 2,000) | - | - | 61,445 (US\$ 2,000) | 2.18 | - | 4,393 | - |
| Beijing Sunshine Consumer Finance Co., Ltd. | Financing business | 4,417,510 (RMB 1,000,000) | Note 2 d. | 883,502 (RMB 200,000) | - | - | 883,502 (RMB 200,000) | 20.00 | 115,816 | 1,011,042 | - |

| Accumulated Investment in Mainland China as of December 31, 2022 (Note 1) | Investment Amounts Authorized by Investment Commission, MOEA (Note 1) | Upper Limit on Investment |
|---|---|---------------------------|
| \$138,252 (US\$4,500) \$883,502 (RMB200,000) | \$138,252 (US\$4,500) \$883,502 (RMB200,000) | Note 4 |

IBT Leasing Co., Ltd.

| Investee Company Name | Main Businesses and Products | Total Amount of Paid-in Capital (Note 1) | Investment Type | Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (Note 1) | Investment Flows (Note 1) | | Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (Note 1) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 1) | Carrying Amount as of December 31, 2022 (Note 1) | Accumulated Inward Remittance of Earnings as of December 31, 2022 |
|--|-------------------------------|--|-----------------|--|----------------------------|-------------------------------|--|--|---------------------------------|--|---|
| | | | | | Outflow | Inflow | | | | | |
| IBT International Leasing Corp. | Leasing | \$ 2,519,261 (US\$ 82,000) | Note 2 d. | \$ 1,622,159 (US\$ 52,800) | \$ 164,151 (US\$ 5,343) | \$ 1,786,310 (US\$ 58,143) | \$ - (Note 7) | 100.00 (Note 7) | \$ 338,416 (Notes 3 and 7) | \$ - | \$ 335,081 (RMB 75,853) |
| Shihlien Chemical Industrial Jiangsu Co. | Production of glass materials | 24,578,160 (US\$ 800,000) | Note 2 c. | 136,931 (US\$ 4,457) | - | 136,931 (US\$ 4,457) | - | - | - | - | - |
| Shihlien Brine Huanan Co. | Production of glass materials | 983,126 (US\$ 32,000) | Note 2 c. | 11,644 (US\$ 379) | - | 11,644 (US\$ 379) | - | - | - | - | - |

(Continued)

| Accumulated Investment in Mainland China as of December 31, 2022 (Note 1) | Investment Amounts Authorized by Investment Commission, MOEA (Note 1) | Upper Limit on Investment |
|---|---|---------------------------|
| - | - | - |

IBT Management Corp.

| Investee Company Name | Main Businesses and Products | Total Amount of Paid-in Capital (Note 1) | Investment Type | Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (Notes 1 and 9) | Investment Flows (Note 1) | | Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (Note 1) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 1) | Carrying Amount as of December 31, 2022 (Note 1) | Accumulated Inward Remittance of Earnings as of December 31, 2022 |
|---|--|--|--------------------|--|------------------------------|--------|---|---|---------------------------------------|---|--|
| | | | | | Outflow | Inflow | | | | | |
| Shanghai Dounishi F&B Management Co., Ltd. | Restaurant retailing | \$ 146,240 (US\$ 4,760) | Note 2 c. | \$ 2,212 (US\$ 72) | \$ - | \$ - | \$ 2,212 (US\$ 72) | 2.17 | \$ - | \$ 1,161 | \$ - |
| Topping Cuisine International Holding, Ltd. | Food retailing | 232,088 (US\$ 7,554) | Note 2 c. | 13,026 (US\$ 424) | - | - | 13,026 (US\$ 424) | 1.63 | - | 6,839 | - |
| Shanghai Dou Mao Food Management Co., Ltd. | Trading | 6,145 (US\$ 200) | Note 2 c. | 215 (US\$ 7) | - | - | 215 (US\$ 7) | 2.17 | - | 113 | - |
| Beauty Essential International, Ltd. | Cosmetic retailing | 92,168 (US\$ 3,000) | Note 2 c. | 21,137 (US\$ 688) | - | - | 21,137 (US\$ 688) | 2.41 | - | 24,726 | - |
| Meike information technology | Cosmetic retailing information technology | 82,951 (US\$ 2,700) | Note 2 c. | 891 (US\$ 29) | - | - | 891 (US\$ 29) | 0.44 | - | 1,042 | - |
| Shihlien Chemical Industrial Jiangsu Co. | Production of glass materials | 24,578,160 (US\$ 800,000) | Note 2 c. | 82,921 (US\$ 2,699) | - | - | 82,921 (US\$ 2,699) | 0.40 | - | 109,621 | - |
| Shihlien Brine Huaian Co. | Production of glass materials | 983,126 (US\$ 32,000) | Note 2 c. | 7,035 (US\$ 229) | - | - | 7,035 (US\$ 229) | 0.46 | - | 9,301 | - |
| Arizon RFID Technology Co., Ltd. | RFID antenna design and manufacturing, RFID electronic label packaging, RFID reader design and manufacturing | 858,278 (RMB 194,290) | Note 2 c. | - | 16,375 (US\$ 533) | - | 16,375 (US\$ 533) | 0.32 | - | 16,634 | - |

| Accumulated Investment in Mainland China as of December 31, 2022 (Note 1) | Investment Amounts Authorized by Investment Commission, MOEA (Note 1) | Upper Limit on Investment |
|---|---|---------------------------|
| \$143,812 (US\$4,681) | \$143,812 (US\$4,681) | \$168,556 (Note 5) |

(Continued)

| Investee Company Name | Main Businesses and Products | Total Amount of Paid-in Capital (Note 1) | Investment Type | Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (Note 1) | Investment Flows (Note 1) | | Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (Note 1) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 1) | Carrying Amount as of December 31, 2022 (Note 1) | Accumulated Inward Remittance of Earnings as of December 31, 2022 |
|--|--|---|-----------------|---|------------------------------|--------------------------|---|--|------------------------------------|---|---|
| | | | | | Outflow | Inflow | | | | | |
| Shihlien Chemical Industrial Jiangsu Co. | Production of glass materials | \$ 24,578,160 (US\$ 800,000) | Note 2 c. | \$ - | \$ 142,944 (US\$ 4,653) | \$ - | \$ 142,944 (US\$ 4,653) | 0.66 | \$ - | \$ 184,588 | \$ - |
| Huaian Shiyuan Cailu Co., Ltd. | Production of glass materials | 983,126 (US\$ 32,000) | Note 2 c. | - | 9,937 (US\$ 323) | - | 9,937 (US\$ 323) | 0.75 | - | 11,782 | - |
| Arizona RFID Technology Co., Ltd. | RFID antenna design and manufacturing, RFID electronic label packaging, RFID reader design and manufacturing | 858,278 (RMB 194,290) | Note 2 c. | - | 16,375 (US\$ 533) | - | 16,375 (US\$ 533) | 0.32 | - | 16,602 | - |
| IBT International Leasing Corp. | Leasing | 2,519,261 (US\$ 82,000) | Note 2 d. | 374,817 (US\$ 12,200) | - | 374,817 (US\$ 12,200) | - | - | 5,489 (Notes 3 and 7) | - | - |

| Accumulated Investment in Mainland China as of December 31, 2022 (Note 1) | Investment Amounts Authorized by Investment Commission, MOEA (Note 1) | Upper Limit on Investment |
|--|--|---------------------------|
| \$169,256 (US\$5,509) | \$169,256 (US\$5,509) | \$479,338 (Note 5) |

Note 1: The amount is after the exchange rate adjustment for the year ended December 31, 2022.

Note 2: There were five investment approaches stated as follows.

- Investment in mainland China by remittance via a third country.
- Indirect investment in mainland China via setting a company in a third country.
- Indirect investment in mainland China via investing in a current company in a third country. (Via investing Dio Investment, Ltd., Shengzhuang Holding, Ltd., Shilien China Holding Co., Limited, Topping Cuisine International Holding, Ltd., Beauty Essential International, Ltd., Arizona RFID Technology (Cayman) Co., Ltd., and YFY RFID CO. LIMITED (HK))
- Direct investment in mainland China.
- Others.

Note 3: From financial statements audited by other CPA.

Note 4: The Bank got the recognition from the Industrial Development Bureau, Industry of Economic Affairs in April 2020, so the Bank is not under "the regulation of investing or technology-cooperation in China".

Note 5: The original investment is within the limit.

Note 6: IBT Management Corp. has obtained the verification letter of part of investment from the Investment Review Committee of the Ministry of Economic Affairs, and the remittance amount is mainly based on the verification letter.

Note 7: IBT Leasing Co., Ltd. holds 95% stock of IBT Tianjin International Leasing Corp. directly and 5% indirectly through IBT VII Venture Capital Co., Ltd. In April 2022, IBT Leasing Co., Ltd. acquired 5% equity of IBT Tianjin International Leasing Corp. held by IBT VII Venture Capital Co., Ltd., and the transfer amount was NT\$156,264 thousand (equivalent to US\$5,343 thousand). Before the transfer transaction is completed, the accumulated investment amount of IBT Tianjin International Leasing Corp., which included the investment profit and loss, is composed of 95% directly held by IBT Leasing Co., Ltd. and 5% indirectly through IBT VII Venture Capital Co., Ltd. After the completion of the transfer transaction, it is expressed as 100% held by IBT Leasing Co., Ltd. In December 2022, IBT Leasing Co., Ltd. and Infinite Finance Co., Ltd merged. After the merger, Infinite Finance Co., Ltd directly held the entire equity of IBT Tianjin International Leasing Corp.

(Concluded)

O-BANK AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

| No. (Note 1) | Transaction Corporation | Counterparty | Nature of Relationship (Note 2) | Description of Transactions | | | Percentage of Total Revenue or Total Assets |
|-----------------|-----------------------------|---|---------------------------------------|--|--|--|--|
| | | | | Financial Statement Account | Amounts | Trading Terms | |
| 0 | The Bank | IBTM and IBTV7 Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing, IBTV7 and IBT Securities Co., Ltd. IBTM and IBTV7 IBTM, CBF and IBT Leasing | a a a a | Deposits Interest expense Payables Other net revenue other than interest | \$ 6,720 934 3 38,828 | Note 3 Note 3 Note 3 Note 3 | - 0.01 - 0.32 |
| 1 | Chun Teng New Century | The Bank IBT Leasing | b c | Interest revenue Other operating and administrative expenses | 66 283 | Note 3 Note 3 | - - |
| 2 | IBTM | The Bank The Bank The Bank The Bank The Bank IBTV7 IBTV7 | b b b b b c c | Cash and cash equivalents Interest revenue Other operating and administrative expenses Lease interest expense Accounts receivable Consultancy service income Accounts receivable | 4,489 14 758 25 2 15,940 5,430 | Note 3 Note 3 Note 3 Note 3 Note 3 Note 3 Note 3 | - - 0.01 - - 0.13 - |
| 3 | CBF | The Bank The Bank | b b | Other operating and administrative expenses Lease interest expense | 30,681 446 | Note 3 Note 3 | 0.25 - |
| 4 | IBTS Financial (HK) Limited | The Bank | b | Interest revenue | 387 | Note 3 | - |
| 5 | IBTS Asia (HK) Limited | The Bank | b | Interest revenue | 181 | Note 3 | - |
| 6 | IBTL | The Bank The Bank The Bank The Bank Chun Teng New Century | b b b b c | Interest revenue Lease interest expense Other operating and administrative expenses Other net revenue other than interest Other net revenue other than interest | 190 192 6,877 488 283 | Note 3 Note 3 Note 3 Note 3 Note 3 | - - 0.06 - - |
| 7 | IBTV7 | The Bank The Bank The Bank IBTM IBTM | b b b c c | Cash and cash equivalents Interest revenue Accounts receivable Other operating and administrative expenses Payables | 2,231 9 1 15,940 5,430 | Note 3 Note 3 Note 3 Note 3 Note 3 | - - - 0.13 - |
| 8 | IBT Securities Co., Ltd. | The Bank | b | Interest revenue | 87 | Note 3 | - |

(Continued)

Note 1: Information about the business transactions between the Bank and its subsidiaries were classified as follows:

- a. 0 for the Bank.
- b. Subsidiaries are numbered sequentially starting from the number 1.

Note 2: The types of transactions with related parties were classified as follows:

- a. Parent company to subsidiaries.
- b. Subsidiaries to parent company.
- c. Subsidiaries to subsidiaries.

Note 3: The terms for the transactions between the Bank and related parties are similar to those with unrelated parties.

(Concluded)

TABLE 6**O-BANK AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

| Name of Major Shareholders | Shares | |
|--------------------------------|------------------|-----------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| Ming Shan Investment Co., Ltd. | 386,271,554 | 12.74 |
| Yi Chang Investment Co., Ltd. | 292,340,997 | 9.64 |
| Taixuan Investment Co., Ltd. | 287,135,501 | 9.47 |

Note 1: The major shareholder's information on this table is on the last business day at the end of the quarter from the Taiwan Central Depository and Clearing Co., Ltd. The shareholding included shares that the company has completed the delivery of the common stock and preferred stock without physical registration (including treasury shares) of more than 5%. The share capital recorded in the Bank's consolidated financial report and the actual number of shares has been actually delivered without physical registration. Differences, if any, may be due to the basis of preparation and calculation.

Note 2: If shareholders transfer the shareholding to a trust, the trustee will open the trust account to separate the account. Shareholders' handling of insider shareholdings with more than 10% of their shares shall be in accordance with the Securities Exchange Act. However, their shareholdings include their own shares plus their delivery to the trust and the use of decision-making shares in the trust property. Information on insider equity declaration refers to the Public Information Observatory.

Note 3: The number of shares are the total number of common stocks and preferred stocks.

Note 4: Shareholding ratio (%) = The total number of shares held by the shareholder ÷ The total number of shares that have been delivered without physical registration. It is calculated to the second decimal place and rounded off after the third decimal place.

O-Bank Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank Co., Ltd.

Opinion

We have audited the accompanying financial statements of O-Bank Co., Ltd (the “Bank”), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

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

Basis for Opinion

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

Key Audit Matters

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

The descriptions of the key audit matters of the financial statements for the year ended December 31, 2022 are as follows:

Allowance for Credit Losses of Loans

The Bank is engaged principally in providing loans to customers. The Bank’s management performed loans impairment assessment in accordance with the requirements of International Financial Reporting Standard 9, “Financial Instruments”. In addition, the allowance for credit losses of loans was calculated and classified in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” (referred to as “Banking Institutions Regulations Governing the Procedures for Bad Debt”).

For details on the accounting policy on the allowance for credit losses, refer to Note 4 to the accompanying financial statements; for details on the critical accounting judgments, estimations and assumptions of loan impairment, refer to Note 5 to the accompanying financial statements; and for details on the allowance for credit losses, refer to Note 13 to the accompanying financial statements.

The Bank shall assesses the classification of credit-granting assets and recognize allowance for credit losses of loans in accordance with the “Banking Institutions Regulations Governing the Procedures for Bad Debt”. Since the assessment and recognition of loss allowance involve subjective judgments, critical estimations and assumptions of the management, we have included the assessment of allowance for credit losses of loans as a key audit matter.

The main audit procedures we performed in response to certain aspects of the key audit matter described above are as follows:

- We obtained an understanding and tested the internal controls in respect of the Bank’s loan impairment assessment.
- We examined that the classifications of loans were in accordance with the “Banking Institutions Regulations Governing the Procedures for Bad Debt”. We also recalculated the amount of the allowance for credit losses on loans and checked and confirmed that the Bank has met the requirement of the regulation or not.

Investments Accounted for Using the Equity Method - Assessment of Reserve for Loss on Guarantee Contracts

China Bills Finance Corporation, a subsidiary accounted for using equity method, sets aside reserves for guarantee liabilities. It is required to comply, with both the International Financial Reporting Standard 9, “Financial Instruments”, whereby the expected losses on guarantee obligations generated by financial guarantee contracts are assessed, and the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt” (referred to as the “Bills Finance Companies Regulations for Evaluating Bad Debt”), whereby the reserves for guarantee liabilities are classified and made.

For the accounting policy and details on the investments accounted for using the equity method, refer to Notes 4 and 13 to the accompanying financial statements.

China Bills Finance Corporation assesses reserves for guarantee contracts which involve subjective judgements, critical estimations and assumptions of the management. The classification of credit-granting assets and recognition of the reserve for guarantee contracts in accordance with the “Bills Finance Companies Regulations for Evaluating Bad Debt” influence the amounts of the reserve for guarantee contracts. Thus, we considered the assessment of reserve losses on guarantee contracts as a key audit matter.

The main audit procedures we performed in response to certain aspects of the key audit matter described above are as follows:

- We obtained an understanding of the internal controls on the estimated impairment of reserve for losses on guarantee contracts and we tested the effectiveness of the operation of the controls.
- We reviewed the assessment schedule of reserve for losses on credit-granting assets, which the management of China Bills Finance Corporation used to assess the reserve. We checked the completeness of the amount of credit-granting assets in the schedule and the rationality of classifications. We recalculated the amounts of reserve for losses on guarantee contracts in the schedule and checked and confirmed that the reserve has met the requirements of the “Bills Finance Companies Regulations for Evaluating Bad Debt” or not.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Kuan-Hao Lee and Wang-Sheng Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2023

Notice to Readers

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

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

O-BANK CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

| ASSETS | 2022 | | 2021 | |
|--|-----------------------|------------|-----------------------|------------|
| | Amount | % | Amount | % |
| CASH AND CASH EQUIVALENTS (Note 6) | \$ 4,113,060 | 1 | \$ 3,801,811 | 1 |
| DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7) | 17,140,613 | 5 | 12,265,965 | 4 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 40) | 32,835,125 | 9 | 37,056,448 | 12 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 40 and 44) | 63,579,072 | 18 | 80,744,358 | 26 |
| INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 10, 40 and 44) | 24,181,824 | 7 | - | - |
| RECEIVABLES, NET (Notes 11 and 13) | 2,954,768 | 1 | 2,098,288 | 1 |
| CURRENT TAX ASSETS | 68,713 | - | 143,645 | - |
| DISCOUNTS AND LOANS, NET (Notes 12, 13 and 39) | 185,976,501 | 52 | 156,748,321 | 50 |
| INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Note 14) | 20,609,844 | 6 | 17,335,412 | 5 |
| OTHER FINANCIAL ASSETS (Notes 15 and 40) | 614,454 | - | 771,094 | - |
| PROPERTY AND EQUIPMENT, NET (Note 16) | 2,281,372 | 1 | 2,365,867 | 1 |
| RIGHT-OF-USE ASSETS, NET (Note 17) | 186,327 | - | 182,470 | - |
| INTANGIBLE ASSETS, NET (Note 18) | 636,363 | - | 853,597 | - |
| DEFERRED TAX ASSETS (Note 37) | 388,985 | - | 422,953 | - |
| OTHER ASSETS (Notes 17 and 19) | 387,305 | - | 273,322 | - |
| TOTAL | <u>\$ 355,954,326</u> | <u>100</u> | <u>\$ 315,063,551</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| LIABILITIES | | | | |
| Deposits from the Central Bank and other banks (Note 20) | \$ 13,920,429 | 4 | \$ 18,780,176 | 6 |
| Financial liabilities at fair value through profit or loss (Note 8) | 785,585 | - | 316,245 | - |
| Bills and bonds sold under repurchase agreements (Note 21) | 8,285,988 | 2 | 895,966 | - |
| Payables (Note 22) | 2,741,713 | 1 | 1,617,652 | - |
| Current tax liabilities | 90,074 | - | 100,670 | - |
| Deposits and remittances (Notes 23 and 39) | 274,503,978 | 77 | 238,194,464 | 76 |
| Bank debentures payable (Note 24) | 13,600,000 | 4 | 15,000,000 | 5 |
| Other financial liabilities (Note 25) | 2,870,224 | 1 | 2,314,610 | 1 |
| Provisions (Notes 13, 26 and 27) | 354,875 | - | 509,495 | - |
| Lease liabilities (Note 17) | 195,008 | - | 190,235 | - |
| Deferred tax liabilities (Note 37) | 628,175 | - | 517,450 | - |
| Other liabilities (Note 28) | 256,038 | - | 245,682 | - |
| Total liabilities | <u>318,232,087</u> | <u>89</u> | <u>278,682,645</u> | <u>88</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Note 29) | | | | |
| Capital | | | | |
| Common stock | 27,339,923 | 8 | 27,330,063 | 9 |
| Preferred stock | 2,990,140 | 1 | 3,000,000 | 1 |
| Total capital | <u>30,330,063</u> | <u>9</u> | <u>30,330,063</u> | <u>10</u> |
| Capital surplus | 13,652 | - | 6,734 | - |
| Retained earnings | | | | |
| Legal reserve | 4,341,816 | 1 | 3,729,690 | 1 |
| Special reserve | 634,610 | - | 797,783 | - |
| Unappropriated earnings | 5,469,437 | 2 | 2,040,419 | 1 |
| Total retained earnings | <u>10,445,863</u> | <u>3</u> | <u>6,567,892</u> | <u>2</u> |
| Other equity | (3,050,502) | (1) | (485,479) | - |
| Treasury shares | (16,837) | - | (38,304) | - |
| Total equity | <u>37,722,239</u> | <u>11</u> | <u>36,380,906</u> | <u>12</u> |
| TOTAL | <u>\$ 355,954,326</u> | <u>100</u> | <u>\$ 315,063,551</u> | <u>100</u> |

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

O-BANK CO., LTD.

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

| | 2022 | | 2021 | | Percentage Increase (Decrease) |
|--|--------------------|-------------|--------------------|-------------|--------------------------------------|
| | Amount | % | Amount | % | % |
| NET INTEREST | | | | | |
| INTEREST REVENUE (Notes 30 and 39) | \$ 5,812,033 | 64 | \$ 3,471,339 | 63 | 67 |
| INTEREST EXPENSE (Notes 30 and 39) | <u>(3,044,145)</u> | <u>(33)</u> | <u>(1,261,044)</u> | <u>(23)</u> | 141 |
| NET INTEREST | <u>2,767,888</u> | <u>31</u> | <u>2,210,295</u> | <u>40</u> | 25 |
| NET REVENUE OTHER THAN INTEREST REVENUE | | | | | |
| Service fee income, net (Notes 31 and 39) | 816,035 | 9 | 804,356 | 15 | 1 |
| Gains on financial assets or liabilities measured at fair value through profit or loss (Note 32) | 3,232,746 | 35 | 135,585 | 2 | 2,284 |
| Realized gains on financial assets at fair value through other comprehensive income (Note 33) | 247,534 | 3 | 267,977 | 5 | (8) |
| Foreign exchange gain (loss), net | (2,371,000) | (26) | 598,310 | 11 | (496) |
| Impairment loss on assets | (158) | - | (4,851) | - | (97) |
| Share of profit of subsidiaries and associates accounted for using equity method (Note 14) | 4,290,855 | 47 | 1,415,994 | 26 | 203 |
| Other net revenue other than interest (Note 39) | <u>80,076</u> | <u>1</u> | <u>83,634</u> | <u>1</u> | (4) |
| Total net revenue other than interest revenue | <u>6,296,088</u> | <u>69</u> | <u>3,301,005</u> | <u>60</u> | 91 |
| TOTAL NET REVENUE | <u>9,063,976</u> | <u>100</u> | <u>5,511,300</u> | <u>100</u> | 64 |
| BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Note 13) | <u>(482,416)</u> | <u>(5)</u> | <u>(474,298)</u> | <u>(9)</u> | 2 (Continued) |

O-BANK CO., LTD.

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

| | 2022 | | 2021 | | Percentage Increase (Decrease) |
|---|------------------|-------------|------------------|-----------|--------------------------------------|
| | Amount | % | Amount | % | % |
| OPERATING EXPENSES | | | | | |
| Employee benefits expenses (Note 34) | \$ 1,920,746 | 21 | \$ 1,666,457 | 30 | 15 |
| Depreciation and amortization expenses (Note 35) | 520,908 | 6 | 525,492 | 10 | (1) |
| Other general and administrative expenses (Notes 36 and 39) | <u>898,080</u> | <u>10</u> | <u>829,983</u> | <u>15</u> | 8 |
| Total operating expenses | <u>3,339,734</u> | <u>37</u> | <u>3,021,932</u> | <u>55</u> | 11 |
| PROFIT FROM CONTINUING OPERATIONS BEFORE TAX | 5,241,826 | 58 | 2,015,070 | 36 | 160 |
| INCOME TAX EXPENSE (Note 37) | <u>207,355</u> | <u>2</u> | <u>174,228</u> | <u>3</u> | 19 |
| NET PROFIT FOR THE YEAR | <u>5,034,471</u> | <u>56</u> | <u>1,840,842</u> | <u>33</u> | 173 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | |
| Components of other comprehensive income (loss) that will not be reclassified to profit or loss: | | | | | |
| Gains (losses) on remeasurements of defined benefit plans (Note 27) | 21,899 | - | (2,426) | - | 1,003 |
| Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income | (804,981) | (9) | 630,947 | 11 | (228) |
| Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method | <u>(63,951)</u> | <u>(1)</u> | <u>29,834</u> | <u>1</u> | (314) |
| Components of other comprehensive income (loss) that will not be reclassified to profit or loss, net of tax | <u>(847,033)</u> | <u>(10)</u> | <u>658,355</u> | <u>12</u> | (229) |

(Continued)

O-BANK CO., LTD.

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

| | 2022 | | 2021 | | Percentage Increase (Decrease) |
|--|---------------------|-------------|---------------------|-------------|--------------------------------------|
| | Amount | % | Amount | % | % |
| Components of other comprehensive income (loss) that will be reclassified to profit or loss: | | | | | |
| Exchange differences on translation of financial statements of foreign operations | \$ 1,235,070 | 14 | \$ (280,110) | (5) | 541 |
| Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using equity method | (1,172,254) | (13) | (254,539) | (5) | 361 |
| Losses from investments in debt instruments measured at fair value through other comprehensive income | (1,867,545) | (21) | (498,948) | (9) | 274 |
| Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 37) | <u>(123,116)</u> | <u>(1)</u> | <u>31,597</u> | <u>1</u> | (490) |
| Components of other comprehensive loss that will be reclassified to profit or loss, net of tax | <u>(1,927,845)</u> | <u>(21)</u> | <u>(1,002,000)</u> | <u>(18)</u> | 92 |
| Other comprehensive loss for the year, net of tax | <u>(2,774,878)</u> | <u>(31)</u> | <u>(343,645)</u> | <u>(6)</u> | 707 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 2,259,593</u> | <u>25</u> | <u>\$ 1,497,197</u> | <u>27</u> | 51 |
| EARNINGS PER SHARE (Note 38) | | | | | |
| Basic | <u>\$1.80</u> | | <u>\$0.63</u> | | |
| Diluted | <u>\$1.62</u> | | <u>\$0.57</u> | | |

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

(Concluded)

O-BANK CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

| | Capital Stock (Note 29) | | Capital Surplus (Note 29) | | Retained Earnings (Notes 9 and 29) | | Other Equity (Notes 9 and 29) | | Treasury Stock (Note 29) | Total Equity |
|---|-------------------------|------------------|---------------------------|-----------|------------------------------------|-----------------|-------------------------------|---|--|---------------|
| | Common Stocks | Preferred Stocks | Total | | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on the Translation of Financial Statements of Foreign Operations | Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income | |
| BALANCE AT JANUARY 1, 2021 | \$ 27,330,063 | \$ 3,000,000 | \$ 30,330,063 | \$ 5,966 | \$ 3,697,811 | \$ 1,396,333 | \$ 106,262 | \$ (697,554) | \$ 735,298 | \$ 35,555,895 |
| Reversal of special reserve | - | - | - | - | - | (598,570) | 598,570 | - | - | - |
| Appropriation and distribution of 2020 earnings | - | - | - | - | 31,879 | - | (31,879) | - | - | - |
| Legal reserve | - | - | - | - | - | - | (545,454) | - | - | (545,454) |
| Cash dividends of common stock distributed by the Bank | - | - | - | - | - | - | (127,500) | - | - | (127,500) |
| Cash dividends of preferred stock distributed by the Bank | - | - | - | - | - | - | - | - | - | - |
| Changes in capital surplus from investments in subsidiaries accounted for using the equity method | - | - | - | 405 | - | - | - | - | - | 405 |
| Unclaimed dividends | - | - | - | 363 | - | - | - | - | - | 363 |
| Net profit for the year ended December 31, 2021 | - | - | - | - | - | - | 1,840,842 | - | - | 1,840,842 |
| Other comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | - | - | (2,594) | (248,513) | (92,538) | (343,645) |
| Total comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | - | - | 1,838,248 | (248,513) | (92,538) | 1,497,197 |
| Disposals of investments in equity instruments designated as at fair value through other comprehensive income | - | - | - | - | - | - | 202,172 | - | (202,172) | - |
| BALANCE AT DECEMBER 31, 2021 | 27,330,063 | 3,000,000 | 30,330,063 | 6,734 | 3,729,690 | 797,783 | 2,040,419 | (946,067) | 460,588 | 36,380,906 |
| Reversal of special reserve | - | - | - | - | - | (648,652) | 648,652 | - | - | - |
| Appropriation and distribution of 2021 earnings | - | - | - | - | 612,126 | - | (612,126) | - | - | - |
| Legal reserve | - | - | - | - | - | - | (485,479) | - | - | - |
| Special reserve appropriated | - | - | - | - | - | 485,479 | (485,479) | - | - | - |
| Cash dividends of common stock distributed by the Bank | - | - | - | - | - | - | (819,145) | - | - | (819,145) |
| Cash dividends of preferred stock distributed by the Bank | - | - | - | - | - | - | (127,500) | - | - | (127,500) |
| Changes in capital surplus from investments in subsidiaries accounted for using the equity method | - | - | - | 424 | - | - | - | - | - | 424 |
| Disorgement exercised | - | - | - | 10 | - | - | - | - | - | 10 |
| Unclaimed dividends | - | - | - | 616 | - | - | - | - | - | 616 |
| Net profit for the year ended December 31, 2022 | - | - | - | - | - | - | 5,034,471 | - | - | 5,034,471 |
| Other comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | - | - | 31,159 | 1,111,954 | (3,917,991) | (2,774,878) |
| Total comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | - | - | 5,065,630 | 1,111,954 | (3,917,991) | 2,259,593 |
| Common shares converted from convertible preferred shares | 9,860 | (9,860) | - | - | - | - | - | - | - | - |
| Purchase of treasury stock | - | - | - | 5,868 | - | - | - | - | - | 27,335 |
| Disposals of investments in equity instruments designated as at fair value through other comprehensive income | - | - | - | - | - | - | (241,014) | - | 241,014 | - |
| BALANCE AT DECEMBER 31, 2022 | \$ 27,339,923 | \$ 2,990,140 | \$ 30,330,063 | \$ 13,652 | \$ 4,341,816 | \$ 634,610 | \$ 5,469,437 | \$ 165,887 | \$ (3,216,389) | \$ 37,772,239 |

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

O-BANK CO., LTD.

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

| | 2022 | 2021 |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit from continuing operations before tax | \$ 5,241,826 | \$ 2,015,070 |
| Adjustments for: | | |
| Depreciation expense | 253,705 | 256,010 |
| Amortization expense | 267,203 | 269,482 |
| Expect credit losses/recognition of provisions | 482,574 | 479,149 |
| Net gain on financial assets or liabilities at fair value through profit or loss | (3,232,746) | (135,585) |
| Interest expense | 3,044,145 | 1,261,044 |
| Interest revenue | (5,812,033) | (3,471,339) |
| Dividends income | (302,794) | (188,668) |
| Share-based payment arrangements | 8,423 | - |
| Share of gain of subsidiaries, associates and joint ventures accounted for using equity method | (4,290,855) | (1,415,994) |
| Loss on disposal of property and equipment | (113) | (250) |
| Loss (gain) on disposal of investments | 55,260 | (79,309) |
| Changes in operating assets and liabilities: | | |
| Due from the Central Bank and call loans to banks | 526,228 | 724,820 |
| Financial assets at fair value through profit or loss | 7,923,409 | 18,800,017 |
| Financial assets at fair value through other comprehensive income | 14,396,533 | (15,362,308) |
| Investments in debt instruments at amortized cost | (24,177,879) | - |
| Receivables | (393,952) | (907,340) |
| Discounts and loans | (29,903,131) | 6,720,114 |
| Deposits from the Central Bank and other banks | (4,859,747) | (3,559,579) |
| Bills and bonds sold under repurchase agreements | 7,390,022 | (543,050) |
| Payables | 665,100 | 49,812 |
| Deposits and remittances | 36,309,514 | (8,226,359) |
| Provisions | (1,034) | (5,752) |
| Cash flows used in operations | 3,589,658 | (3,320,015) |
| Interest received | 5,278,644 | 3,497,648 |
| Dividends received | 658,913 | 526,550 |
| Interest paid | (2,462,695) | (1,450,722) |
| Income taxes paid | (25,813) | (85,658) |
| Net cash flows generated from (used in) operating activities | <u>7,038,707</u> | <u>(832,197)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from capital reduction of investments accounted for equity-method | 159,140 | - |
| Acquisition of property and equipment | (87,525) | (56,273) |
| Proceeds from disposal of property and equipment | 2,959 | 350 |
| Increase in refundable deposits | (108,226) | - |
| Decrease in refundable deposits | - | 326,101 |
| Acquisition of intangible assets | (37,395) | (22,840) |

(Continued)

O-BANK CO., LTD.

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

| | 2022 | 2021 |
|--|----------------------|---------------------|
| Decrease in other financial assets | \$ 217,300 | \$ 1,808 |
| Increase in other assets | <u>(5,757)</u> | <u>(14,485)</u> |
| Net cash flows generated from investing activities | <u>140,496</u> | <u>234,661</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuing bank debentures | 1,100,000 | 1,500,000 |
| Repayments of bank debentures | (2,500,000) | (2,900,000) |
| Increase in funds intended for specific types of loans | 211,533 | 506,833 |
| Repayments of funds intended for specific types of loans | (573,203) | (1,059,192) |
| Repayment of the principal portion of lease liabilities | (98,627) | (96,711) |
| Increase in other financial liabilities | 917,284 | 18,961 |
| Increase in other liabilities | 10,366 | 183,846 |
| Cash dividends paid | (946,645) | (672,954) |
| Transfer of treasury stock to employees | <u>18,912</u> | <u>-</u> |
| Net cash flows used in financing activities | <u>(1,860,380)</u> | <u>(2,519,217)</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | <u>453,962</u> | <u>(230,202)</u> |
| NET DECREASE IN CASH | 5,772,785 | (3,346,955) |
| CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR | <u>6,505,276</u> | <u>9,852,231</u> |
| CASH AND CASH EQUIVALENT AT END OF THE YEAR | <u>\$ 12,278,061</u> | <u>\$ 6,505,276</u> |

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

| | December 31 | |
|--|----------------------|---------------------|
| | 2022 | 2021 |
| Cash and cash equivalents reported in the balance sheets | \$ 4,113,060 | \$ 3,801,811 |
| Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7 | 7,550,547 | 2,149,671 |
| Other items qualifying for cash and cash equivalents under the definition of IAS 7 | <u>614,454</u> | <u>553,794</u> |
| Cash and cash equivalents at end of the year | <u>\$ 12,278,061</u> | <u>\$ 6,505,276</u> |

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

(Concluded)

O-BANK CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Industrial Bank of Taiwan started its preparation for incorporation on March 2, 1998, was authorized for incorporation by the Ministry of Finance on July 27, 1999, and began its business operations on September 2, 1999.

To be in coordination with the government's financial liberation policy and to increase the operating efficiency, on August 14, 2015, the Industrial Bank of Taiwan's board of directors (the "Board") approved of the application for a change of registration to a commercial bank and for a change of name to "O-Bank Co., Ltd." ("O-Bank" or the "Bank"). The Financial Supervisory Commission (the "FSC") accepted the application on December 15, 2016 and required the Bank to submit its proposed adjustment plan to comply with the Banking Act of the Republic of China. On January 1, 2017, the Banking Bureau approved and issued the operating license for the Bank to operate a commercial banking business. The Bank's name was changed from "Industrial Bank of Taiwan" to "O-Bank Co., Ltd." on January 1, 2017.

The Bank's operations include the following: (a) accepting various deposits; (b) issuing bank notes; (c) providing loans, discounts, and acceptance business; (d) providing domestic and foreign exchange and guarantee business; (e) issuing letters of credit at home and abroad; (f) making receipts and payments by agents; (g) investing in and underwriting offering of securities; (h) dealing in bonds; (i) factoring; (j) providing financial advisory services to financing and non-financing business; (k) wealth management business; (l) providing personal insurance and property insurance agent business; (m) dealing with credit card business; (n) providing foreign exchange services for client's imports or exports, overseas remittances, foreign currency deposits, and foreign currency loans and guarantees; (o) overseeing trust business under the Trust Business Law and regulations; and (p) dealing in derivative financial instruments and participating in other operations authorized by the central authorities.

As of December 31, 2022, the Bank has eight main department-level units - Financial Service Department, Financial Market Department, Risk Control Department, Operation Management Department, Science and Technology Financial Department, Legal Affairs and Legal Compliance Department, Strategic Development Department, and Internal Audit Department. It also has six domestic branches-Business Department, Neihu branch, Taoyuan branch, Hsinchu branch, Taichung branch and Kaohsiung branch. In addition, it has an Offshore Banking Unit, Hong Kong branch, and Tianjin representative office.

The Bank's stocks were listed on the Emerging Stock Market of the Taipei Exchange ("TPEx") starting in August 2004. On April 19, 2016, the Board passed a resolution to apply for stock listing on the Taiwan Stock Exchange ("TWSE"). The TWSE approved the Bank's application for listing on November 28, 2016 and transferred the listing from the TPEx to the TWSE on May 5, 2017.

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

As of December 31, 2022 and 2021, the Bank had 1,099 and 975 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board and authorized for issue on March 14, 2023.

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

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

Initial application of the IFRSs endorsed and issued into effect by the FSC did not have no material impact on the Bank’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

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

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

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

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

The Bank assessed the application of the above standards would not have any material impact on the Bank’s financial position and financial performance. As of the date the financial statements were authorized for issue, the Bank is continuously assessing the possible impact that the application of other standards and interpretations will have on the Bank’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and IFRSs endorsed and issued into effect by the FSC.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values and the net defined benefit liabilities (assets) recognized at the fair value of the assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

When preparing these parent company only financial statements, the Bank used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Bank in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the banking industry cannot be clearly identified, accounts included in the financial statements of the Bank were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Refer to Note 44 for the maturity analysis of assets and liabilities.

Foreign Currencies

In preparing the Bank's financial statements, transactions in currencies other than the Bank's functional currency (i.e. foreign currencies) are recognized at the amount in original currency.

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting financial statements, the functional currencies of the Bank (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Bank) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Investments Accounted for Using the Equity Method

The Bank uses the equity method to account for its investments in subsidiaries and associates.

Investments in subsidiaries

A subsidiary is an entity (including the special purpose entity) that is controlled by the Bank.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Bank's share of the profit or loss and other comprehensive income of the subsidiary. The Bank also recognizes the changes in the Bank's share of equity of subsidiaries.

Changes in the Bank's ownership interest in a subsidiary that do not result in the Bank losing control of the subsidiary are accounted for as equity transactions. The Bank recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Bank's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Bank's net investment in the subsidiary), the Bank continues recognizing its share of further loss.

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

When the Bank loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Bank accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Bank directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Bank.

Investments in associates

An associate is an entity over which the Bank has significant influence and which is neither a subsidiary nor an interest in a joint venture. Significant influence refers to the power to participate in the financial and operating policy decisions of the investee but does not control or joint control such policies.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Bank's share of the profit or loss and other comprehensive income of the associate. The Bank also recognizes the changes in the Bank's share of the equity of associates and joint ventures.

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

When the Bank subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Bank's proportionate interest in the associate. The Bank records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Bank's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

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

The Bank discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Bank accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Bank continues to apply the equity method and does not remeasure the retained interest.

When the Bank transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Bank's financial statements only to the extent of interests in the associate that are not related to the Bank.

Financial Instruments

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a. Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the investment in debt instruments at FVTOCI criteria.

Financial assets are designated as FVTPL in the original recognition. If it can eliminate or significantly reduce the measurement or recognition inconsistency.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 43.

2) Financial assets at amortized cost

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

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, and trade receivables are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- a) Purchased or originated credit impaired financial asset, for which interest revenue is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- b) Financial assets that are not initially credit impaired or not credit impaired when purchased but subsequently become credit impaired, for which the interest revenue is calculated by applying the effective interest rate to the amortized cost of such financial assets.

A financial asset is credit impaired when one or more of the following events have occurred:

- a) Significant financial difficulty of the issuer or the borrower;
- b) Breach of contract, such as a default;
- c) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- d) The disappearance of an active market for that financial asset because of financial difficulties.

3) Investments in debt instruments at FVTOCI

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

- a) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- b) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest revenue calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

4) Investments in equity instruments at FVTOCI

On initial recognition, the Bank may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is a contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Bank's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Impairment of financial assets

The Bank recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including discounts and loans and receivables), investments in debt instruments that are measured at FVTOCI, lease receivables.

The Bank's policy is to always recognize lifetime expected credit losses (i.e. ECLs) on trade receivables and lease receivables. For all other financial instruments, the Bank will recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank will measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

For internal credit risk management purposes, the Bank determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Bank):

- 1) Internal or external information show that the debtor is unlikely to pay its creditors.
- 2) When a financial asset is more than 90 days past due unless the Bank has reasonable and corroborative information to support a more lagged default criterion.

The Bank recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the FSC, the Bank should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as noteworthy, substandard, having highly doubtful collectability and uncollectable, on the basis of the customers' financial position, a valuation of the respective collateral and the length of time in which the principal repayments or interest payments have become overdue.

The Bank made minimum provisions of 1%, 2%, 10%, 50% and 100% for credit assets deemed to be uncollectable, to have highly doubtful collectability, to be substandard, to be noteworthy and to have sound credit (excluding assets that represent claims against an ROC government agency), respectively.

Furthermore, the Bank should make at least 1.5% provisions each for sound credit assets in Mainland China (pertaining to short-term advance for trade finance) and loans for house purchases, renovations and constructions, respectively.

The Bank shall determine the unrecoverable claims and write them off after reporting them to the Board for approval.

c. Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

Equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

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

Financial liabilities

a. Subsequent measurement

Except for the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

- Financial liabilities at FVTPL

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

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

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

Financial liabilities at FVTPL, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item. For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss. The fair value is determined in the manner described in Note 43.

- Financial guarantee contracts

The Bank measures financial guarantee contract issued at the higher of:

- 1) The amount of the loss allowance determined in accordance with IFRS 9; and
- 2) The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with IFRS 15.

Besides subsequently measuring financial guarantee contracts at the higher of the abovementioned amounts as IFRS assessment result, assessment is also performed under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” as regulatory assessment result. The higher adequacy provision between above IFRS and regulatory assessment results is recognized.

Financial guarantee contracts issued by the Bank are measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the amount of the expected credit loss allowance or the amount initially recognized less cumulative amortization recognized.

b. Derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank’s obligations are discharged, are cancelled or expire. The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

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

Derivatives embedded in hybrid contracts that contain financial asset hosts that are within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

Modification of financial instruments

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the Bank elects to apply the practical expedient in which the changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis. When multiple changes are made to a financial asset or a financial liability, the Bank first applies the practical expedient to those changes required by interest rate benchmark reform, and then applies the requirements of modification of financial instruments to the other changes that cannot apply the practical expedient.

Non-performing Loans

Under the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans issued by the Banking Bureau, FSC, loans and other credits that remain unpaid as they fall due are transferred to non-performing loans, if the transfer is approved by the Board.

Non-performing loans transferred from loans are recognized as discounts and loans, and those transferred from other credits are recognized as other financial assets.

Repurchase and Resale Transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized as interest revenue or interest expenses over the term of each agreement.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Except of freehold land without depreciated, depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the assets' estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Bank expects to dispose of the intangible asset before the end of its economic life.

b. Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected to arise from its use or disposal. Gains or losses arising from derecognition of an intangible asset, which is measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of Property and Equipment, Right-of-use Assets and Intangible Assets Other than Goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (deduct amortization and depreciation) that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Onerous contracts

Onerous contracts are those in which the Bank's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

Revenue Recognition

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Group that are classified as non-performing loans. The interest revenue on those loans and credits is recognized upon collection.

Revenue from brokering is recognized when the earnings process has been completed.

Dividend income from investments is recognized on the shareholders' right to receive payment. The premise is that the economic benefits related to the transaction. They are likely to flow into the Group and the amount of income can be reliably measured it.

Leases

At the inception of a contract, the Bank assesses whether the contract is, or contains, a lease.

The Bank as lessee

The Bank recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

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

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

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

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Bank's defined benefit plans. The net defined benefit assets shall not exceed the present value with the refund withdrawal from the plan or the reduction of future withdrawals.

c. Staff preferential deposit

The Bank provides preferential deposit account for employees, which are used to pay fixed preferential deposits for current employees. The effect of the difference between the interest rate of these preferential deposits and the market interest rate is treated as employee benefits.

Share-based Payment Arrangements

The fair value at the grant date of the share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus. The payment is recognized as an expense in full at the grant date if vested immediately.

Taxation

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

a. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

c. Current and deferred tax for the period

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Cash and Cash Equivalents

The cash and cash equivalent items in the balance sheet include cash on hand, demand deposits, and short-term and highly liquid investments that can be converted into fixed amount of cash at any time. They have little risk of change in value. For the statements of cash flows, the cash and cash equivalents account refers to the accounts in the balance sheets titled cash and cash equivalents, due from the Central Bank and call loans to banks, and call loans to securities firms that meet the definition of cash and cash equivalents in IAS 7 “Statement of Cash Flows” endorsed and issued into effect by the FSC.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank’s accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Bank considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Estimated Impairment of Loans

The impairment of loans is based on assumptions about the risk of default and expected loss rates. The Bank uses judgment in making these assumptions and in selecting the inputs of the impairment calculation, based on the Bank’s past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|-----------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| Cash on hand and petty cash | \$ 108,913 | \$ 60,591 |
| Checking for clearing | 198,196 | 75,133 |
| Due from banks | <u>3,805,951</u> | <u>3,666,087</u> |
| | <u>\$ 4,113,060</u> | <u>\$ 3,801,811</u> |

The cash and cash equivalents of the cash flows and the related adjustments of the balance sheets as of December 31, 2022 and 2021, refer to the statements of cash flows.

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

| | December 31 | |
|-----------------------------------|----------------------|----------------------|
| | 2022 | 2021 |
| Reserves for deposits - Type A | \$ 1,325,922 | \$ 2,921,318 |
| Reserves for deposits - Type B | 5,907,742 | 5,166,200 |
| Due from Central Bank - Financial | 2,003,091 | 2,001,086 |
| Call loans to banks | 7,857,774 | 2,149,671 |
| Others | <u>46,084</u> | <u>27,690</u> |
| | <u>\$ 17,140,613</u> | <u>\$ 12,265,965</u> |

Under a directive issued by the Central Bank, deposit reserves are determined monthly at prescribed rates on average balances of customers' deposits. Type B deposit reserves are subject to withdrawal restrictions.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | December 31 | |
|---|----------------------|----------------------|
| | 2022 | 2021 |
| <u>Financial assets mandatorily classified as at FVTPL</u> | | |
| Hybrid financial assets | | |
| Convertible bonds - domestic (include asset swap contracts) | \$ 757,778 | \$ 688,617 |
| Structured debt | <u>-</u> | <u>557,116</u> |
| | <u>757,778</u> | <u>1,245,733</u> |
| Derivative financial assets | | |
| Currency swap contracts | 731,899 | 204,154 |
| Forward contracts | 163,969 | 40,823 |
| Interest rate swap contracts | 18,252 | 5,528 |
| Currency option contracts - call | <u>19,851</u> | <u>4,630</u> |
| | <u>933,971</u> | <u>255,135</u> |
| Non-derivative financial assets | | |
| Negotiable certificates of deposit | 27,443,843 | 27,134,702 |
| Commercial papers | 3,699,533 | 7,970,219 |
| Stocks and beneficiary certificates | <u>-</u> | <u>450,659</u> |
| | <u>31,143,376</u> | <u>35,555,580</u> |
| | <u>\$ 32,835,125</u> | <u>\$ 37,056,448</u> |

(Continued)

| | December 31 | |
|---|--------------------|-------------------|
| | 2022 | 2021 |
| <u>Held-for-trading financial liability</u> | | |
| Derivative financial instruments | | |
| Currency swap contracts | \$ 619,305 | \$ 239,724 |
| Forward contracts | 133,419 | 62,885 |
| Interest rate swap contracts | 18,375 | 9,311 |
| Currency option contracts - put | <u>14,486</u> | <u>4,289</u> |
| | <u>785,585</u> | <u>316,209</u> |
| Non-derivative financial liabilities | | |
| When-issued government bonds | <u>-</u> | <u>36</u> |
| | <u>\$ 785,585</u> | <u>\$ 316,245</u> |
| | | (Concluded) |

The Bank engages in derivative transactions, including forward contracts, currency swap contracts and currency option contracts, mainly for accommodating customers' needs and managing the exposure positions. As for the engagement in interest rate swap contracts, its purpose is to hedge risk of cash flow and risk of market value caused by the change of interest rates or exchange rates. The Bank strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged.

The contract amounts (or notional amounts) of outstanding derivative transactions as of December 31, 2022 and 2021 were as follows:

| | December 31 | |
|------------------------------|--------------------|--------------|
| | 2022 | 2021 |
| Interest rate swap contracts | \$ 3,646,419 | \$ 4,020,814 |
| Currency swap contracts | 112,299,557 | 97,151,449 |
| Forward contracts | 30,015,167 | 10,506,426 |
| Currency option contracts | | |
| Buy | 912,929 | 388,971 |
| Sell | 728,593 | 307,351 |

Refer to Note 40 for information relating to financial assets at fair value through profit or loss pledged as security.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | December 31 | |
|---|----------------------|----------------------|
| | 2022 | 2021 |
| Investments in equity instruments at FVTOCI | \$ 39,595 | \$ 4,929,482 |
| Investments in debt instruments at FVTOCI | | |
| Government bonds | 8,786,557 | 6,592,031 |
| Bank debentures | 10,076,440 | 12,844,660 |
| Corporate bonds | 18,558,406 | 19,909,386 |
| Overseas government bonds | 615,182 | 661,407 |
| Commercial papers | 6,249,812 | 6,384,497 |
| Negotiable certificates of deposit | <u>19,253,080</u> | <u>29,422,895</u> |
| | <u>\$ 63,579,072</u> | <u>\$ 80,744,358</u> |

a. Investments in equity instruments at FVTOCI

These investments in listed, unlisted, and emerging stocks are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Bank's strategy of holding these investments for long-term purposes.

The Bank disposed stock classified as at FVTOCI for invested management purpose for the years end December 31, 2022 and 2021. The fair value of stocks classified as at FVTOCI which had to be disposed of were \$6,095,620 thousand and \$1,348,414 thousand and the accumulated gain or loss related to the sold assets of \$194,575 thousand loss and \$159,872 thousand gain, respectively, was transferred from other equity-unrealized valuation gain or loss on Financial assets at FVTOCI to retained earnings.

Dividends income from FVTOCI of \$302,794 thousand and \$188,668 thousand were recognized in profit or loss for the years end December 31, 2022 and 2021. The dividends related to investments held at the end of 2021 were \$154,333 thousand, respectively.

b. Investments in debt instruments at FVTOCI

Refer to Note 40 for information relating to investments in debt instruments at FVTOCI pledged as security.

Refer to Note 44 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.

Investments in debt instruments at FVTOCI under agreement to repurchase were in the face amount of \$7,530,064 thousand and \$945,345 thousand, as of on December 31, 2022 and 2021, respectively.

10. DEBT INSTRUMENTS AS AT AMORTIZED COST

| | December 31, 2022 |
|-------------------------------------|------------------------------|
| Government bonds | \$ 6,970,258 |
| Bank debentures | 2,561,252 |
| Corporate bonds | 4,739,723 |
| Overseas government bonds | 913,609 |
| Negotiable certificates of deposit | <u>9,000,000</u> |
| | 24,184,842 |
| Less: Allowance for impairment loss | <u>(3,018)</u> |
| | <u><u>\$ 24,181,824</u></u> |

Refer to Note 40 for information relating to investments in debt instruments as at amortized cost pledged as security.

Refer to Note 44 for information relating to the credit risk management and impairment of investments in debt instruments as at amortized cost.

Debt instruments as at amortized cost under agreement to repurchase were in the face amount \$1,753,479 thousand.

11. RECEIVABLES, NET

| | December 31 | |
|-----------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| Accounts receivable | \$ 226,068 | \$ 88,044 |
| Investment settlements receivable | 172,524 | 4,724 |
| Income receivable | 1,505 | 1,513 |
| Interest receivable | 853,047 | 317,272 |
| Dividends receivable | 429 | 4,782 |
| Acceptances receivable | 121,272 | 84,266 |
| Factored receivable | 1,477,269 | 1,568,952 |
| Others | <u>149,205</u> | <u>70,979</u> |
| | <u>3,001,319</u> | <u>2,140,532</u> |
| Less: Allowance for credit losses | <u>46,551</u> | <u>42,244</u> |
| Receivables, net | <u>\$ 2,954,768</u> | <u>\$ 2,098,288</u> |

The changes in gross carrying amount on receivables for the years ended December 31, 2022 and 2021 were as follows:

| | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Total |
|---|----------------------|----------------------|---|---------------------|
| Balance at January 1, 2022 | \$ 2,066,781 | \$ 38,762 | \$ 34,989 | \$ 2,140,532 |
| Transfers | | | | |
| To 12-month ECLs | 377 | (329) | (48) | - |
| To lifetime ECLs | (620) | 620 | - | - |
| To credit-impaired financial assets | (321) | (110) | 431 | - |
| New financial assets purchased or originated | 1,915,349 | 661,862 | 1,492 | 2,578,703 |
| Derecognition of financial assets in the reporting period | (1,719,425) | (35,892) | (1,718) | (1,757,035) |
| Exchange rate or other changes | <u>36,931</u> | <u>37</u> | <u>2,151</u> | <u>39,119</u> |
| Balance at December 31, 2022 | <u>\$ 2,299,072</u> | <u>\$ 664,950</u> | <u>\$ 37,297</u> | <u>\$ 3,001,319</u> |
| Balance at January 1, 2021 | \$ 1,388,906 | \$ 25,392 | \$ 34,166 | \$ 1,448,464 |
| Transfers | | | | |
| To 12-month ECLs | 6,718 | (6,717) | (1) | - |
| To lifetime ECLs | (2,565) | 2,565 | - | - |
| To credit-impaired financial assets | (318) | (20) | 338 | - |
| New financial assets purchased or originated | 1,787,814 | 35,373 | 2,017 | 1,825,204 |
| Derecognition of financial assets in the reporting period | (1,110,451) | (17,379) | (927) | (1,128,757) |
| Exchange rate or other changes | <u>(3,323)</u> | <u>(452)</u> | <u>(604)</u> | <u>(4,379)</u> |
| Balance at December 31, 2022 | <u>\$ 2,066,781</u> | <u>\$ 38,762</u> | <u>\$ 34,989</u> | <u>\$ 2,140,532</u> |

The Bank provides an appropriate allowance for doubtful debts for the assessment of receivables. Refer to Note 13 for the details and changes in the allowance for doubtful debts of receivables.

Refer to Note 44 for the impairment loss analysis of receivables.

12. DISCOUNTS AND LOANS, NET

| | December 31 | |
|-----------------------------------|-----------------------|-----------------------|
| | 2022 | 2021 |
| Short-term | \$ 67,853,043 | \$ 59,370,054 |
| Medium-term | 99,885,289 | 75,785,145 |
| Long-term | 20,347,768 | 23,011,067 |
| Guaranteed overdraft | 105,522 | 138,453 |
| Export bill negotiated | - | 91,416 |
| Overdue loans | <u>668,187</u> | <u>649,859</u> |
| | 188,859,809 | 159,045,994 |
| Less: Allowance for credit losses | <u>2,883,308</u> | <u>2,297,673</u> |
| | <u>\$ 185,976,501</u> | <u>\$ 156,748,321</u> |

The changes in gross carrying amount on discount and loans for the years ended December 31, 2022 and 2021 were as follows:

| | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Total |
|---|-----------------------|----------------------|---|-----------------------|
| Balance at January 1, 2022 | \$ 146,664,018 | \$ 11,147,931 | \$ 1,234,045 | \$ 159,045,994 |
| Transfers | | | | |
| To 12-month ECLs | 395,175 | (350,111) | (45,064) | - |
| To lifetime ECLs | (1,485,916) | 1,485,916 | - | - |
| To credit-impaired financial assets | (62,692) | (78,158) | 140,850 | - |
| New financial assets purchased or originated | 115,564,044 | 11,914,776 | 431,430 | 127,910,250 |
| Derecognition of financial assets in the reporting period | (89,977,802) | (8,474,085) | (250,013) | (98,701,900) |
| Write-offs | - | - | (107,784) | (107,784) |
| Exchange rate or other changes | <u>872,787</u> | <u>(170,909)</u> | <u>11,371</u> | <u>713,249</u> |
| Balance at December 31, 2022 | <u>\$ 171,969,614</u> | <u>\$ 15,475,360</u> | <u>\$ 1,414,835</u> | <u>\$ 188,859,809</u> |
| Balance at January 1, 2021 | \$ 148,426,945 | \$ 15,978,902 | \$ 1,694,446 | \$ 166,100,293 |
| Transfers | | | | |
| To 12-month ECLs | 2,178,996 | (2,175,684) | (3,312) | - |
| To lifetime ECLs | (1,837,260) | 1,837,260 | - | - |
| To credit-impaired financial assets | (124,116) | (10,627) | 134,743 | - |
| New financial assets purchased or originated | 88,774,324 | 8,127,310 | 386,480 | 97,288,114 |
| Derecognition of financial assets in the reporting period | (90,459,667) | (12,281,830) | (619,639) | (103,361,136) |
| Write-offs | - | - | (350,610) | (350,610) |
| Exchange rate or other changes | <u>(295,204)</u> | <u>(327,400)</u> | <u>(8,063)</u> | <u>(630,667)</u> |
| Balance at December 31, 2022 | <u>\$ 146,664,018</u> | <u>\$ 11,147,931</u> | <u>\$ 1,234,045</u> | <u>\$ 159,045,994</u> |

The balance of the overdue loans of the Bank as of December 31, 2022 and 2021 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to \$13,843 thousand and \$21,641 thousand for the years ended December 31, 2022 and 2021, respectively. For the years ended December 31, 2022 and 2021, the Bank wrote off credits only upon completing the required legal procedures.

The Bank provides an appropriate allowance for doubtful debts based on the assessment of discounts and loans. Refer to Note 13 for the details and changes in the allowance for doubtful debts of discounts and loans.

Refer to Note 44 for the impairment loss analysis of discounts and loans.

13. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The changes in allowance for credit losses and provisions for the year ended December 31, 2022 were as follows:

| Allowance for Receivables | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Accumulated Amount under IFRS 9 | Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | Total |
|---|-----------------|-----------------|--|---------------------------------------|--|------------------|
| Balance at January 1, 2022 | \$ 4,002 | \$ 116 | \$ 22,446 | \$ 26,564 | \$ 15,680 | \$ 42,244 |
| Transfers | | | | | | |
| To 12-month ECLs | 1 | (1) | - | - | - | - |
| To lifetime ECLs | (69) | 69 | - | - | - | - |
| To credit-impaired financial assets | (197) | (2) | 199 | - | - | - |
| New financial assets purchased or originated | 2,340 | 1,034 | 494 | 3,868 | - | 3,868 |
| Derecognition of financial assets in the reporting period | (3,124) | (103) | (357) | (3,584) | - | (3,584) |
| Change in model or risk parameters | 269 | (8) | (3) | 258 | - | 258 |
| Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | - | - | - | - | 1,377 | 1,377 |
| Exchange rate or other changes | - | - | 2,280 | 2,280 | 108 | 2,388 |
| Balance at December 31, 2022 | <u>\$ 3,222</u> | <u>\$ 1,105</u> | <u>\$ 25,059</u> | <u>\$ 29,386</u> | <u>\$ 17,165</u> | <u>\$ 46,551</u> |

| Allowance for Discounts and Loans | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Accumulated Amount under IFRS 9 | Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | Total |
|--|---------------|---------------|--|---------------------------------------|--|--------------|
| Balance at January 1, 2022 | \$ 324,263 | \$ 78,499 | \$ 237,243 | \$ 640,005 | \$ 1,657,668 | \$ 2,297,673 |
| Transfers | | | | | | |
| To 12-month ECLs | 12,568 | (12,541) | (27) | - | - | - |
| To lifetime ECLs | (11,887) | 11,887 | - | - | - | - |
| To credit-impaired financial assets | (35,235) | (1,342) | 36,577 | - | - | - |
| New financial assets purchased or originated | 247,405 | 19,151 | 105,183 | 371,739 | - | 371,739 |
| Derecognition of financial assets in the reporting period | (176,067) | (18,638) | (70,763) | (265,468) | - | (265,468) |
| Change in model or risk parameters | 44,343 | (4,022) | 77,494 | 117,815 | - | 117,815 |

(Continued)

| Allowance for Discounts and Loans | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Accumulated Amount under IFRS 9 | Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | Total |
|---|----------------------|----------------------|---|--|---|---------------------|
| Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | \$ - | \$ - | \$ - | \$ - | \$ 389,493 | \$ 389,493 |
| Write-offs | - | - | (107,784) | (107,784) | - | (107,784) |
| Withdrawal after write-offs | - | - | 18,468 | 18,468 | - | 18,468 |
| Exchange rate or other changes | <u>2,722</u> | <u>3,243</u> | <u>249</u> | <u>6,214</u> | <u>55,158</u> | <u>61,372</u> |
| Balance at December 31, 2022 | <u>\$ 408,112</u> | <u>\$ 76,237</u> | <u>\$ 296,640</u> | <u>\$ 780,989</u> | <u>\$ 2,102,319</u> | <u>\$ 2,883,308</u> |

(Concluded)

| Reserve for Losses on Guarantee Contracts and Financing Quota Preparation | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Accumulated Amount under IFRS 9 | Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | Total |
|---|----------------------|----------------------|---|--|---|-------------------|
| Balance at January 1, 2022 | \$ 103,237 | \$ 15,176 | \$ - | \$ 118,413 | \$ 337,768 | \$ 456,181 |
| Transfers | | | | | | |
| To 12-month ECLs | 2,371 | (2,371) | - | - | - | - |
| To lifetime ECLs | (209) | 209 | - | - | - | - |
| New financial assets purchased or originated | 62,662 | 3,572 | - | 66,234 | - | 66,234 |
| Derecognition of financial assets in the reporting period | (70,175) | (7,727) | - | (77,902) | - | (77,902) |
| Change in model or risk parameters | (11,779) | (791) | - | (12,570) | - | (12,570) |
| Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | - | - | - | - | (108,844) | (108,844) |
| Exchange rate or other changes | <u>790</u> | <u>-</u> | <u>-</u> | <u>790</u> | <u>605</u> | <u>1,395</u> |
| Balance at December 31, 2022 | <u>\$ 86,897</u> | <u>\$ 8,068</u> | <u>\$ -</u> | <u>\$ 94,965</u> | <u>\$ 229,529</u> | <u>\$ 324,494</u> |

The changes in allowance for credit losses and provisions for the years ended December 31, 2021 were as follows:

| Allowance for Receivables | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Accumulated Amount under IFRS 9 | Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | Total |
|---|----------------------|----------------------|---|--|---|------------------|
| Balance at January 1, 2021 | \$ 3,249 | \$ 106 | \$ 23,009 | \$ 26,364 | \$ 8,995 | \$ 35,359 |
| Transfers | | | | | | |
| To 12-month ECLs | 15 | (15) | - | - | - | - |
| To lifetime ECLs | (42) | 42 | - | - | - | - |
| To credit-impaired financial assets | (181) | (11) | 192 | - | - | - |
| New financial assets purchased or originated | 3,298 | 76 | 269 | 3,643 | - | 3,643 |
| Derecognition of financial assets in the reporting period | (2,540) | (70) | (303) | (2,913) | - | (2,913) |
| Change in model or risk parameters | 204 | (8) | 14 | 210 | - | 210 |
| Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | - | - | - | - | 6,734 | 6,734 |
| Exchange rate or other changes | (1) | (4) | (735) | (740) | (49) | (789) |
| Balance at December 31, 2021 | <u>\$ 4,002</u> | <u>\$ 116</u> | <u>\$ 22,446</u> | <u>\$ 26,564</u> | <u>\$ 15,680</u> | <u>\$ 42,244</u> |

| Allowance for Discounts and Loans | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Accumulated Amount under IFRS 9 | Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | Total |
|---|----------------------|----------------------|---|--|---|---------------------|
| Balance at January 1, 2021 | \$ 429,794 | \$ 167,177 | \$ 351,352 | \$ 948,323 | \$ 1,235,106 | \$ 2,183,429 |
| Transfers | | | | | | |
| To 12-month ECLs | 60,664 | (60,662) | (2) | - | - | - |
| To lifetime ECLs | (11,553) | 11,553 | - | - | - | - |
| To credit-impaired financial assets | (61,599) | (5,281) | 66,880 | - | - | - |
| New financial assets purchased or originated | 164,073 | 19,854 | 67,406 | 251,333 | - | 251,333 |
| Derecognition of financial assets in the reporting period | (232,951) | (53,561) | (217,677) | (504,189) | - | (504,189) |
| Change in model or risk parameters | (22,162) | 301 | 303,470 | 281,609 | - | 281,609 |
| Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | - | - | - | - | 437,581 | 437,581 |
| Write-offs | - | - | (350,610) | (350,610) | - | (350,610) |
| Withdrawal after write-offs | - | - | 16,424 | 16,424 | - | 16,424 |
| Exchange rate or other changes | (2,003) | (882) | - | (2,885) | (15,019) | (17,904) |
| Balance at December 31, 2021 | <u>\$ 324,263</u> | <u>\$ 78,499</u> | <u>\$ 237,243</u> | <u>\$ 640,005</u> | <u>\$ 1,657,668</u> | <u>\$ 2,297,673</u> |

| Reserve for Losses on Guarantee Contracts and Financing Quota Preparation | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Accumulated Amount under IFRS 9 | Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | Total |
|---|-------------------|------------------|--|---------------------------------------|--|-------------------|
| Balance at January 1, 2021 | \$ 104,354 | \$ 20,861 | \$ - | \$ 125,215 | \$ 330,992 | \$ 456,207 |
| Transfers | | | | | | |
| To 12-month ECLs | 2,833 | (2,833) | - | - | - | - |
| To lifetime ECLs | - | - | - | - | - | - |
| New financial assets purchased or originated | 91,654 | 5,848 | - | 97,502 | - | 97,502 |
| Derecognition of financial assets in the reporting period | (90,659) | (5,769) | - | (96,428) | - | (96,428) |
| Change in model or risk parameters | (4,847) | (2,797) | - | (7,644) | - | (7,644) |
| Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | - | - | - | - | 6,860 | 6,860 |
| Exchange rate or other changes | (98) | (134) | - | (232) | (84) | (316) |
| Balance at December 31, 2021 | <u>\$ 103,237</u> | <u>\$ 15,176</u> | <u>\$ -</u> | <u>\$ 118,413</u> | <u>\$ 337,768</u> | <u>\$ 456,181</u> |

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | December 31 | |
|-----------------------------|----------------------|----------------------|
| | 2022 | 2021 |
| Investments in subsidiaries | \$ 13,368,073 | \$ 16,454,533 |
| Investments in associates | <u>7,241,771</u> | <u>880,879</u> |
| | <u>\$ 20,609,844</u> | <u>\$ 17,335,412</u> |

a. Investments in subsidiaries

| | December 31 | |
|--|----------------------|----------------------|
| | 2022 | 2021 |
| Domestic listed company | | |
| China Bills Finance Corp. | \$ 6,168,856 | \$ 7,183,258 |
| Domestic unlisted company | | |
| IBT Holdings Corp. | 6,119,382 | 5,406,277 |
| Chun Teng New Century Co., Ltd. (former IBT Securities Co., Ltd.) | - | 301,673 |
| IBT Leasing Co., Ltd. | - | 3,306,821 |
| IBT VII Venture Capital Co., Ltd. | 798,896 | - |
| IBT Management Corp. | <u>280,939</u> | <u>256,504</u> |
| | <u>\$ 13,368,073</u> | <u>\$ 16,454,533</u> |

| | Proportion of Ownership and Voting Rights | |
|-----------------------------------|--|-------------|
| | December 31 | |
| | 2022 | 2021 |
| China Bills Finance Corp. | 28.37% | 28.37% |
| Chun Teng New Century Co., Ltd. | 99.75% | 99.75% |
| IBT Holdings Corp. | 100.00% | 100.00% |
| IBT Leasing Co., Ltd. | - | 100.00% |
| IBT VII Venture Capital Co., Ltd. | 100.00% | - |
| IBT Management Corp. | 100.00% | 100.00% |

The Bank's the board of directors resolved on July 21, 2022 and approved the management's proposal to reduce its capital by shares in its subsidiary, IBT Leasing Co., Ltd. (the "IBT Leasing"), and as a subsidiary of the IBT Leasing, all shares of IBT VII Venture Capital Co., Ltd. will be offset and returned to the Bank. The capital reduction ratio is 20.98%, and the capital reduction amount is \$710,614 thousand. After the capital reduction, the amount of IBT Leasing's paid-in capital is \$2,677,290 thousand. The record date for capital reduction was October 19, 2022.

b. Investments in associates

| | December 31 | |
|---|---------------------|-------------------|
| | 2022 | 2021 |
| Material associate | | |
| Infinite Finance Co., Ltd. | \$ 6,230,729 | \$ - |
| Beijing Sunshine Consumer Finance Co., Ltd. | <u>1,011,042</u> | <u>880,879</u> |
| | <u>\$ 7,241,771</u> | <u>\$ 880,879</u> |

Material associate

| Name of Associate | Proportion of Ownership and Voting Rights | |
|---|--|-------------|
| | December 31 | |
| | 2022 | 2021 |
| Infinite Finance Co., Ltd. | 44.48% | - |
| Beijing Sunshine Consumer Finance Co., Ltd. | 20.00% | 20.00% |

The investment in Beijing Sunshine Consumer Finance Co., Ltd., was jointly invested by the Bank, China Everbright Bank and China CYTS Tours Holding. The Bank's investment amounted to RMB200,000 thousand with the shareholding ratio of 20%, and Beijing Sunshine Consumer Finance Co., Ltd. has begun operation since August 17, 2020.

The Bank's the board of directors resolved on July 21, 2022 and approved the management's proposal merger of subsidiary, the IBT Leasing and Jih-Sun International Leasing and Financing Co., Ltd. (the "Jih-Sun Leasing"). With the Jih-Sun Leasing as the surviving company, and changed its name to Infinite Finance Co., Ltd. The Jih-Sun Leasing issued 156,193,000 new shares to the Bank at the ratio of 0.5834 ordinary shares of the Jih-Sun Leasing for every 1 ordinary share of the IBT Leasing. After the merger, the Bank will hold 44.48% of the shares of the surviving company, the share swaps amount is \$6,198,618 thousand, and the merger base date is December 1, 2022. For the description of the disposal of the IBT Leasing, refer to Note 42 of the Bank's 2022 consolidated financial statements.

Refer to Table 3 “Name, locations and other information of investees on which the Bank exercises significant influence” and Table 4 “Information on Investments in Mainland China” for the nature of activities, principal place of business and country of incorporation of the associate.

The financial information of the bank’s affiliates is as follows:

Infinite Finance Co., Ltd.

| | December 31, 2022 |
|--------------------------|---|
| Total assets | <u>\$ 76,183,569</u> |
| Total liabilities | <u>\$ 66,645,612</u> |
| | For the Year Ended December 31, 2022 |
| Net gain | <u>\$ 609,305</u> |
| Other comprehensive gain | <u>\$ 630,781</u> |

Beijing Sunshine Consumer Finance Co., Ltd.

| | December 31 | |
|--------------------------|---------------------------------------|----------------------|
| | 2022 | 2021 |
| Total assets | <u>\$ 55,118,326</u> | <u>\$ 51,554,378</u> |
| Total liabilities | <u>\$ 50,049,146</u> | <u>\$ 47,149,983</u> |
| | For the Year Ended December 31 | |
| | 2022 | 2021 |
| Net gain | <u>\$ 598,891</u> | <u>\$ 474,228</u> |
| Other comprehensive gain | <u>\$ 598,891</u> | <u>\$ 474,228</u> |

- c. The Bank’s investments accounted for using equity method, the details of its investment income (loss) and gain on disposal are as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Domestic listed company | | |
| China Bills Finance Corp. | \$ 295,294 | \$ 526,998 |
| Domestic unlisted company | | |
| Chun Teng New Century Co., Ltd. | (5,668) | (4,955) |
| IBT Holdings Corp. | 320,097 | 316,906 |
| IBT Leasing Co., Ltd. | 260,893 | 478,102 |
| IBT Management Corp. | 13,373 | 4,097 |
| IBT VII Venture Capital Co., Ltd. | 72,377 | - |
| Infinite Finance Co., Ltd. | 4,554 | - |
| Beijing Sunshine Consumer Finance Co., Ltd. | 115,816 | 94,846 |
| Gain on disposal for subsidiaries IBT Leasing Co., Ltd. | <u>3,214,119</u> | <u>-</u> |
| | <u>\$ 4,290,855</u> | <u>\$ 1,415,994</u> |

The investments in subsidiaries and associates accounted for using the equity method, the share of profit or loss of associates and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2022 and 2021 was based on each of financial statements which have been audited for the same years.

15. OTHER FINANCIAL ASSETS

| | December 31 | |
|--|--------------------|-------------------|
| | 2022 | 2021 |
| Call loans to securities corporation limited | \$ 614,454 | \$ 553,794 |
| Others | <u>-</u> | <u>217,300</u> |
| | <u>\$ 614,454</u> | <u>\$ 771,094</u> |

16. PROPERTY AND EQUIPMENT, NET

| | December 31 | |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| <u>Carrying amounts of each class</u> | | |
| Land | \$ 698,633 | \$ 698,633 |
| Buildings | 1,221,019 | 1,265,538 |
| Machinery and computer equipment | 234,924 | 263,091 |
| Transportation equipment | 21,570 | 13,654 |
| Office and other equipment | 28,706 | 39,743 |
| Lease improvement | 46,590 | 65,240 |
| Construction in progress and prepayments for equipment | <u>29,930</u> | <u>19,968</u> |
| | <u>\$ 2,281,372</u> | <u>\$ 2,365,867</u> |
| For own used | \$ 2,047,174 | \$ 2,010,548 |
| Assets leased under operating leases | <u>234,198</u> | <u>355,319</u> |
| | <u>\$ 2,281,372</u> | <u>\$ 2,365,867</u> |

a. For own used

| | Land | Buildings | Machinery and Computer Equipment | Transportation Equipment | Office and Other Equipment | Lease Improvement | Construction in Progress and Prepayments for Equipment | Total |
|--|-------------------|---------------------|--|-----------------------------|----------------------------------|----------------------|--|---------------------|
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ 572,250 | \$ 1,539,081 | \$ 717,234 | \$ 51,851 | \$ 217,499 | \$ 261,428 | \$ 19,968 | \$ 3,379,311 |
| Additions | - | 173 | 28,743 | 15,114 | 2,938 | 3,366 | 37,153 | 87,487 |
| Disposals and scrapped | - | - | (16,679) | (12,678) | (992) | (10,353) | - | (40,702) |
| Reclassification | 41,149 | 110,685 | 327 | 50 | 3,697 | 11,910 | (27,191) | 140,627 |
| Effect of foreign currency exchange differences | - | - | 957 | 577 | 1,267 | 4,063 | - | 6,864 |
| Balance at December 31, 2022 | <u>613,399</u> | <u>1,649,939</u> | <u>730,582</u> | <u>54,914</u> | <u>224,409</u> | <u>270,414</u> | <u>29,930</u> | <u>3,573,587</u> |
| <u>Accumulated depreciation</u> | | | | | | | | |
| Balance at January 1, 2022 | - | 502,479 | 454,143 | 38,197 | 177,756 | 196,188 | - | 1,368,763 |
| Depreciation expense | - | 36,858 | 57,368 | 6,791 | 17,899 | 32,447 | - | 151,363 |
| Disposals and scrapped | - | - | (16,558) | (11,892) | (934) | (8,434) | - | (37,868) |
| Reclassification | - | 38,547 | - | - | - | - | - | 38,547 |
| Effect of foreign currency exchange differences | - | - | 705 | 248 | 982 | 3,673 | - | 5,608 |
| Balance at December 31, 2022 | - | <u>577,884</u> | <u>495,658</u> | <u>33,344</u> | <u>195,703</u> | <u>223,824</u> | - | <u>1,526,413</u> |
| <u>Carrying amounts</u> | | | | | | | | |
| Balance at December 31, 2022 | <u>\$ 613,399</u> | <u>\$ 1,072,055</u> | <u>\$ 234,924</u> | <u>\$ 21,570</u> | <u>\$ 28,706</u> | <u>\$ 46,590</u> | <u>\$ 29,930</u> | <u>\$ 2,047,174</u> |
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2021 | \$ 572,250 | \$ 1,538,472 | \$ 708,934 | \$ 50,930 | \$ 216,899 | \$ 262,391 | \$ 19,335 | \$ 3,369,211 |
| Additions | - | 609 | 21,990 | 3,040 | 3,785 | 360 | 26,354 | 56,138 |
| Disposals and scrapped | - | - | (23,138) | (1,990) | (2,764) | - | - | (27,892) |
| Reclassification | - | - | 9,771 | 60 | 1 | - | (25,575) | (15,743) |
| Effect of foreign currency exchange differences | - | - | (323) | (189) | (422) | (1,323) | (146) | (2,403) |
| Balance at December 31, 2021 | <u>572,250</u> | <u>1,539,081</u> | <u>717,234</u> | <u>51,851</u> | <u>217,499</u> | <u>261,428</u> | <u>19,968</u> | <u>3,379,311</u> |
| <u>Accumulated depreciation</u> | | | | | | | | |
| Balance at January 1, 2021 | - | 465,851 | 422,412 | 33,351 | 161,886 | 159,026 | - | 1,242,526 |
| Depreciation expense | - | 36,628 | 55,051 | 6,886 | 18,841 | 38,169 | - | 155,575 |
| Disposals and scrapped | - | - | (23,098) | (1,990) | (2,704) | - | - | (27,792) |
| Effect of foreign currency exchange differences | - | - | (222) | (50) | (267) | (1,007) | - | (1,546) |
| Balance at December 31, 2021 | - | <u>502,479</u> | <u>454,143</u> | <u>38,197</u> | <u>177,756</u> | <u>196,188</u> | - | <u>1,368,763</u> |
| <u>Carrying amounts</u> | | | | | | | | |
| Balance at December 31, 2021 | <u>\$ 572,250</u> | <u>\$ 1,036,602</u> | <u>\$ 263,091</u> | <u>\$ 13,654</u> | <u>\$ 39,743</u> | <u>\$ 65,240</u> | <u>\$ 19,968</u> | <u>\$ 2,010,548</u> |

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|----------------------------------|-------------|
| Buildings | 25-50 years |
| Machinery and computer equipment | 3-25 years |
| Transportation equipment | 5 years |
| Lease improvement | 5-8 years |
| Office and other equipment | 5-15 years |

b. Assets leased under operating leases

| | Land | Buildings | Total |
|---------------------------------|-------------------|-------------------|-------------------|
| <u>Cost</u> | | | |
| Balance at January 1, 2022 | \$ 126,383 | \$ 339,909 | \$ 466,292 |
| Additions | - | 38 | 38 |
| Reclassification | <u>(41,149)</u> | <u>(110,685)</u> | <u>(151,834)</u> |
| Balance at December 31, 2022 | <u>\$ 85,234</u> | <u>\$ 229,262</u> | <u>\$ 314,496</u> |
| <u>Accumulated depreciation</u> | | | |
| Balance at January 1, 2022 | \$ - | \$ 110,973 | \$ 110,973 |
| Depreciation expense | - | 7,872 | 7,872 |
| Reclassification | <u>-</u> | <u>(38,547)</u> | <u>(38,547)</u> |
| Balance at December 31, 2022 | <u>\$ -</u> | <u>\$ 80,298</u> | <u>\$ 80,298</u> |
| <u>Carrying amounts</u> | | | |
| Balance at December 31, 2022 | <u>\$ 85,234</u> | <u>\$ 148,964</u> | <u>\$ 234,198</u> |
| <u>Cost</u> | | | |
| Balance at January 1, 2021 | \$ 126,383 | \$ 339,774 | \$ 466,157 |
| Additions | <u>-</u> | <u>135</u> | <u>135</u> |
| Balance at December 31, 2021 | <u>\$ 126,383</u> | <u>\$ 339,909</u> | <u>\$ 466,292</u> |
| <u>Accumulated depreciation</u> | | | |
| Balance at January 1, 2021 | \$ - | \$ 102,884 | \$ 102,884 |
| Depreciation expense | <u>-</u> | <u>8,089</u> | <u>8,089</u> |
| Balance at December 31, 2021 | <u>\$ -</u> | <u>\$ 110,973</u> | <u>\$ 110,973</u> |
| <u>Carrying amounts</u> | | | |
| Balance at December 31, 2021 | <u>\$ 126,383</u> | <u>\$ 228,936</u> | <u>\$ 355,319</u> |

Operating leases relate to leases of land and building with lease terms between 1 to 5 years. 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 buildings are depreciated on a straight-line basis for 25 to 50 years.

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

| | December 31 | |
|--------|--------------------|------------------|
| | 2022 | 2021 |
| Year 1 | \$ 14,154 | \$ 15,106 |
| Year 2 | 14,154 | 14,464 |
| Year 3 | 938 | 11,190 |
| Year 4 | 938 | - |
| Year 5 | <u>604</u> | <u>-</u> |
| | <u>\$ 30,788</u> | <u>\$ 40,760</u> |

17. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 | |
|---|---------------------------------------|-------------------|
| | 2022 | 2021 |
| <u>Carrying amounts</u> | | |
| Buildings | \$ 185,739 | \$ 182,470 |
| Machinery equipment | <u>588</u> | <u>-</u> |
| | <u>\$ 186,327</u> | <u>\$ 182,470</u> |
| | For the Year Ended December 31 | |
| | 2022 | 2021 |
| Additions to right-of-use assets | <u>\$ 94,964</u> | <u>\$ 31,037</u> |
| Depreciation charge for right-of-use assets | | |
| Buildings | \$ 94,176 | \$ 92,346 |
| Machinery equipment | <u>294</u> | <u>-</u> |
| | <u>\$ 94,470</u> | <u>\$ 92,346</u> |

Except for the aforementioned addition and recognized depreciation, the Bank did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2022 and 2021.

b. Lease liabilities

| | December 31 | |
|------------------|--------------------|-------------------|
| | 2022 | 2021 |
| Carrying amounts | <u>\$ 195,008</u> | <u>\$ 190,235</u> |

Range of discount rate for lease liabilities was as follows:

| | December 31 | |
|---------------------|--------------------|-------------|
| | 2022 | 2021 |
| Buildings | 1.35%-5.13% | 1.35%-5.13% |
| Machinery equipment | 1.36% | - |

c. Material lease-in activities

Due to rental of buildings, the Bank has entered into various leasehold contracts with others. These contracts are gradually expiring before the end of March 2027. The rent is calculated based on the lease rate per square foot is paid monthly. Refundable deposits paid under operating lease amounted to \$23,371 thousand and \$25,344 thousand on December 31, 2022 and 2021, respectively.

d. Other lease information

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------|
| | 2022 | 2021 |
| Expenses relating to short-term leases | \$ 5,550 | \$ 2,442 |
| Expenses relating to low-value asset leases | \$ 20 | \$ - |
| Total cash outflow for leases | \$ (104,197) | \$ (99,153) |

18. INTANGIBLE ASSETS

| | December 31 | |
|--|--------------------|-------------|
| | 2022 | 2021 |

Carrying amounts of each class of

| | | |
|-------------------|------------|------------|
| Computer software | \$ 636,363 | \$ 853,597 |
|-------------------|------------|------------|

The changes in of intangible assets for the years ended December 31, 2022 and 2021 are summarized as follows:

| | Computer Software |
|---|--------------------------|
| <u>Cost</u> | |
| Balance at January 1, 2022 | \$ 2,308,902 |
| Additions | 37,395 |
| Reclassification | 11,207 |
| Disposals | (6,459) |
| Effect of foreign currency exchange differences | 5,566 |
| Balance at December 31, 2022 | \$ 2,356,611 |
| <u>Accumulated amortization and impairment</u> | |
| Balance at January 1, 2022 | \$ 1,455,305 |
| Amortization | 267,203 |
| Disposals | (6,447) |
| Effect of foreign currency exchange differences | 4,187 |
| Balance at December 31, 2022 | \$ 1,720,248 |
| <u>Carrying amounts</u> | |
| Balance at December 31, 2022 | \$ 636,363 |

(Continued)

**Computer
Software**

Cost

| | |
|---|---------------------|
| Balance at January 1, 2021 | \$ 2,272,158 |
| Additions | 22,840 |
| Reclassification | 15,743 |
| Disposals | (221) |
| Effect of foreign currency exchange differences | <u>(1,618)</u> |
| Balance at December 31, 2021 | <u>\$ 2,308,902</u> |

Accumulated amortization and impairment

| | |
|---|---------------------|
| Balance at January 1, 2021 | \$ 1,187,267 |
| Amortization | 269,482 |
| Disposals | (221) |
| Effect of foreign currency exchange differences | <u>(1,223)</u> |
| Balance at December 31, 2021 | <u>\$ 1,455,305</u> |

Carrying amounts

| | |
|------------------------------|----------------------------------|
| Balance at December 31, 2021 | <u>\$ 853,597</u> (Concluded) |
|------------------------------|----------------------------------|

The above items of intangible assets are depreciated on a straight-line basis at the following rates per annum:

| | |
|-------------------|------------|
| Computer software | 3-15 years |
|-------------------|------------|

19. OTHER ASSETS

| | December 31 | |
|---------------------|--------------------|-------------------|
| | 2022 | 2021 |
| Refundable deposits | \$ 196,122 | \$ 87,896 |
| Prepayments | 51,467 | 49,855 |
| Others | <u>139,716</u> | <u>135,571</u> |
| | <u>\$ 387,305</u> | <u>\$ 273,322</u> |

20. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

| | December 31 | |
|---------------------------------------|----------------------|----------------------|
| | 2022 | 2021 |
| Call loans from banks | \$ 5,848,159 | \$ 16,011,209 |
| Deposits from Chunghwa Post Co., Ltd. | 5,000,000 | - |
| Call loans from Central Bank | <u>3,072,270</u> | <u>2,768,967</u> |
| | <u>\$ 13,920,429</u> | <u>\$ 18,780,176</u> |

21. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENTS

| | December 31 | |
|------------------------------------|---------------------|-------------------|
| | 2022 | 2021 |
| Government bonds | \$ 1,981,834 | \$ 500,059 |
| Corporate bonds | 1,529,269 | - |
| Bank debentures | <u>4,774,885</u> | <u>395,907</u> |
| | <u>\$ 8,285,988</u> | <u>\$ 895,966</u> |
| Date of agreements to repurchase | Before March 2023 | Before April 2022 |
| Amount of agreements to repurchase | \$ 8,347,267 | \$ 896,310 |

22. PAYABLES

| | December 31 | |
|--------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| Checks for clearing | \$ 198,196 | \$ 75,133 |
| Investment settlements payable | 153,613 | 80,902 |
| Accrued interest | 842,650 | 266,106 |
| Accrued expenses | 1,062,830 | 854,010 |
| Collections payables | 37,122 | 18,582 |
| Factored payables | 179,931 | 114,189 |
| Acceptances | 121,272 | 84,266 |
| Others | <u>146,099</u> | <u>124,464</u> |
| | <u>\$ 2,741,713</u> | <u>\$ 1,617,652</u> |

23. DEPOSITS AND REMITTANCES

| | December 31 | |
|--------------------|-----------------------|-----------------------|
| | 2022 | 2021 |
| Deposits | | |
| Checking | \$ 2,257,126 | \$ 3,062,103 |
| Demand | 39,203,046 | 65,736,204 |
| Time | 216,027,463 | 150,240,201 |
| Savings deposits | 16,996,792 | 19,016,234 |
| Export remittances | <u>19,551</u> | <u>139,722</u> |
| | <u>\$ 274,503,978</u> | <u>\$ 238,194,464</u> |

24. BANK DEBENTURES PAYABLE

| | December 31 | |
|---|----------------------|----------------------|
| | 2022 | 2021 |
| Subordinate bonds forth issued in 2014; fixed 2.20% interest rate; maturity: May 5, 2022; interest paid annually and repay the principal at maturity | \$ - | \$ 1,500,000 |
| Subordinate bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repay the principal at maturity | - | 1,000,000 |
| Subordinate bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity | 1,500,000 | 1,500,000 |
| Subordinate bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repay the principal at maturity | 1,500,000 | 1,500,000 |
| Subordinate bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repay the principal at maturity | 2,000,000 | 2,000,000 |
| Subordinate bonds A second issued in 2017; fixed 4.00% interest rate; no maturity, interest paid annually | 750,000 | 750,000 |
| Subordinate bonds B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repay the principal at maturity | 1,000,000 | 1,000,000 |
| Subordinate bonds A first issued in 2018; fixed 4.00% interest rate; no maturity, interest paid annually | 700,000 | 700,000 |
| Subordinate bonds B first issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repay the principal at maturity | 1,050,000 | 1,050,000 |
| Subordinate bonds first issued in 2019; fixed 1.50% interest rate; maturity: June 6, 2026; interest paid annually and repay the principal at maturity | 2,500,000 | 2,500,000 |
| Subordinate bonds first issued in 2021; fixed 0.90% interest rate; maturity: June 25, 2028; interest paid annually and repay the principal at maturity | 1,000,000 | 1,000,000 |
| Bonds second issued in 2021; fixed 0.65% interest rate; maturity: December 22, 2024; interest paid annually and repay the principal at maturity | 500,000 | 500,000 |
| Subordinate bonds first issued in 2022; fixed 2.30% interest rate; maturity: September 27, 2029; interest paid annually and repay the principal at maturity | <u>1,100,000</u> | <u>-</u> |
| | <u>\$ 13,600,000</u> | <u>\$ 15,000,000</u> |

25. OTHER FINANCIAL LIABILITIES

| | December 31 | |
|---|---------------------|---------------------|
| | 2022 | 2021 |
| Funds obtained from the government - intended for specific types of loans | \$ 1,908,040 | \$ 2,269,710 |
| Principal of structured products | <u>962,184</u> | <u>44,900</u> |
| | <u>\$ 2,870,224</u> | <u>\$ 2,314,610</u> |

The Lending Fund is a development fund established by the Executive Yuan to promote the development of the financial market economy. The Bank applied for the quota and appointed Export-Import Bank of the Republic of China, China Trust Commercial Bank, and Taiwan Enterprise Bank to act as the managing bank wherein the loan quota is available for use.

26. PROVISIONS

| | December 31 | |
|--|-------------------|-------------------|
| | 2022 | 2021 |
| Provisions for employee benefits | \$ 30,381 | \$ 53,314 |
| Provisions for losses on guarantee contracts | 231,773 | 364,460 |
| Provisions for financing commitments | <u>92,721</u> | <u>91,721</u> |
| | <u>\$ 354,875</u> | <u>\$ 509,495</u> |

Refer to Note 13 for the details and changes in the reserve for losses on guarantee contracts and financing commitments.

27. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

The pension system under the “Labor Pensions Ordinance” applicable to the Bank is the required retirement plan stipulated by the government. A pension of 6% of an employee’s monthly salary is paid to the Labor Insurance Bureau under each individual’s account.

The amount to be paid in accordance with the percentage specified in the proposed plan for the years ended December 31, 2022 and 2021 was recognized in the statements of comprehensive income in the total amounts of \$49,766 thousand and \$49,929 thousand, respectively.

Defined Benefit Plan

The defined benefit plans adopted by the Bank in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Bank contribution amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor; the Bank has no right to influence the investment policy and strategy.

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

| | December 31 | |
|---|--------------------|------------------|
| | 2022 | 2021 |
| Present value of defined benefit obligation | \$ 156,712 | \$ 170,953 |
| Fair value of plan assets | <u>(126,331)</u> | <u>(117,639)</u> |
| Net defined benefit liabilities | <u>\$ 30,381</u> | <u>\$ 53,314</u> |

Movement in net defined benefit liabilities were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities |
|---|--|--|--|
| Balance at January 1, 2021 | <u>\$ 172,278</u> | <u>\$ (115,638)</u> | <u>\$ 56,640</u> |
| Service cost | | | |
| Current service cost | 1,333 | - | 1,333 |
| Net interest expense (income) | <u>861</u> | <u>(584)</u> | <u>277</u> |
| Recognized in profit or loss | <u>2,194</u> | <u>(584)</u> | <u>1,610</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (1,464) | (1,464) |
| Changes in demographic assumptions | 3,904 | - | 3,904 |
| Experience adjustments | <u>(14)</u> | <u>-</u> | <u>(14)</u> |
| Recognized in other comprehensive income (loss) | <u>3,890</u> | <u>(1,464)</u> | <u>2,426</u> |
| Employer contributions | - | (2,235) | (2,235) |
| Benefits paid | (2,282) | 2,282 | - |
| Business paid | <u>(5,127)</u> | <u>-</u> | <u>(5,127)</u> |
| Balance at December 31, 2021 | <u>\$ 170,953</u> | <u>\$ (117,639)</u> | <u>\$ 53,314</u> |
| Balance at January 1, 2022 | <u>\$ 170,953</u> | <u>\$ (117,639)</u> | <u>\$ 53,314</u> |
| Service cost | | | |
| Current service cost | 788 | - | 788 |
| Interest expense (income) | <u>855</u> | <u>(594)</u> | <u>261</u> |
| Recognized in profit or loss | <u>1,643</u> | <u>(594)</u> | <u>1,049</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (9,360) | (9,360) |
| Changes in financial assumptions | (11,343) | - | (11,343) |
| Experience adjustments | <u>(1,196)</u> | <u>-</u> | <u>(1,196)</u> |
| Recognized in other comprehensive income (loss) | <u>(12,539)</u> | <u>(9,360)</u> | <u>(21,899)</u> |
| Employer contributions | - | (2,083) | (2,083) |
| Benefits paid | <u>(3,345)</u> | <u>3,345</u> | <u>-</u> |
| Balance at December 31, 2022 | <u>\$ 156,712</u> | <u>\$ (126,331)</u> | <u>\$ 30,381</u> |

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

- a. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- b. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- c. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

| | December 31 | |
|-------------------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Discount rate(s) | 1.38% | 0.50% |
| Expected rate(s) of salary increase | 2.50% | 2.50% |

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

| | December 31 | |
|-------------------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Discount rate(s) | | |
| 0.25% increase | \$ (3,024) | \$ (3,788) |
| 0.25% decrease | \$ 3,118 | \$ 3,913 |
| Expected rate(s) of salary increase | | |
| 0.25% increase | \$ 3,024 | \$ 3,769 |
| 0.25% decrease | \$ (2,949) | \$ (3,668) |

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

| | December 31 | |
|---|--------------------|-------------|
| | 2022 | 2021 |
| Expected contributions to the plans for the next year | \$ 2,062 | \$ 2,185 |
| Average duration of the defined benefit obligation | 7.9 years | 9.0 years |

28. OTHER LIABILITIES

| | December 31 | |
|-----------------------------|-------------------|-------------------|
| | 2022 | 2021 |
| Guarantee deposits received | \$ 179,781 | \$ 179,455 |
| Advance revenue | 53,714 | 58,120 |
| Others | <u>22,543</u> | <u>8,107</u> |
| | <u>\$ 256,038</u> | <u>\$ 245,682</u> |

29. EQUITY

a. Capital stock

| | December 31 | |
|---|----------------------|----------------------|
| | 2022 | 2021 |
| Number of stock authorized (in thousands) | <u>3,500,000</u> | <u>3,500,000</u> |
| Amount of capital stock authorized | <u>\$ 35,000,000</u> | <u>\$ 35,000,000</u> |
| Number of stocks issued and fully paid (in thousands) | | |
| Common stock | <u>2,733,992</u> | <u>2,733,006</u> |
| Preferred stock | <u>299,014</u> | <u>300,000</u> |
| Amount of stocks issued | <u>\$ 30,330,063</u> | <u>\$ 30,330,063</u> |

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

On June 27, 2018, the Bank's board of directors resolved to issue 300,000 thousand Series A preferred stock, with a par value of \$10. The subscription date was November 29, 2018. The Bank finished the registration on December 21, 2018. The rights and obligations of Series A preferred stockholders are as follows:

- 1) The interest rate of Series A preferred stock shall be based on the 5-year Interest Rate Swap (IRS) rate on the pricing date and the interest shall be calculated on the issue price per share; the interest rate is initially set at 0.94375% plus 3.30625% (total 4.25%) per annum. The interest Rate Swap issued price per share. Interest rate per annum will be reset on the day after the 5.5-year anniversary of the issue date and the day after each subsequent period of 5.5 years thereafter. Dividends for the Series A preferred stock shall be declared once every year in cash. After the stockholders' approval of the Bank's financial statements at its annual stockholders' meeting, the board of directors may set a record date for the distribution of dividends declared from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual issued days of the given year.
- 2) The Bank has sole discretion on dividend issuance of Series A preferred stock including, but not limited to, its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for preferred stock dividends, or preferred stock dividend declaration would render the Bank of International Settlement (BIS) ratio below the level required by the law or relevant authorities, or due other necessary consideration. The Series A preferred stockholders shall not have any objection towards the Bank's cancellation of preferred stock dividend declaration. Undeclared or under declared dividends are not cumulative and are not paid in subsequent years with profit.

- 3) Unless the authorities take over the Bank, order the Bank to suspend, terminate or liquidate its business in accordance with the “Regulations Governing the Capital Adequacy and Capital Category of Banks”, Series A preferred stockholders shall have the same priority as the common stockholders in the event of liquidation, both second to tier 2 capital instrument holder, depositor, and common creditor, but will be capped at the value of issuance.
- 4) Series A preferred stockholders have no voting rights at the annual stockholders’ meeting and cannot elect directors. However, the preferred stockholders should have voting rights at the preferred stockholders’ meeting and also at the stockholders’ meeting when it involves the rights and obligations of the preferred stockholders, and the aforesaid stockholders are eligible for director candidacy. Series A preferred stockholders have voting rights at Series A stockholders’ meeting.
- 5) The preferred stock issued by the Bank shall not be converted within one year from the date of issuance. Starting from the day after the expiration of one year, stockholders of convertible preferred stock may apply for the conversion of part or all of the preferred stock held, from preferred stock to common stock during the conversion period (conversion ratio 1:1). After the convertible preferred stocks are converted into common stock, their rights and obligations are the same as the common stock. The issuance of annual dividends for the convertible preferred stock is based on the ratio of the actual number of issued days in the current year to the number of days within the whole year. However, stockholders who converted their preferred stock into common stock before the date of distribution of dividends (interests) in each year shall not participate in the distribution in that year but may participate in the distribution of common stock surplus and additional paid in capital.
- 6) After five and a half years from the issue date, the Bank may, subject to the competent authority’s approval, redeem a portion or all of the outstanding shares of preferred stock any time at the issue price. The rights and obligations associated with any remaining outstanding shares of preferred stock shall continue as specified in the agreement. If the Bank’s board of directors approves the distribution of dividends in the year the Bank redeems the outstanding shares of preferred stock - A, the dividends payable shall be calculated at the ratio of the number of days outstanding from beginning of year to the redemption date to total days in a fiscal year.
- 7) When the Bank issues new shares for cash, Series A preferred stockholders have the same subscription rights as the common stockholders.

As of December 31, 2022, 986 thousand preferred Series A shares has converted into common stock.

b. Capital surplus

| | December 31 | |
|---|--------------------|-----------------|
| | 2022 | 2021 |
| May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note) | | |
| Treasury share transactions | \$ 9,061 | \$ 3,193 |
| Must be used to offset a deficit | | |
| Disgorgement exercised | 10 | - |
| Unclaimed dividends | <u>1,957</u> | <u>1,341</u> |
| | <u>1,967</u> | <u>1,341</u> |
| May not be used for any purpose | | |
| Share of changes in capital surplus of subsidiaries, associates or joint ventures | <u>2,624</u> | <u>2,200</u> |
| | <u>\$ 13,652</u> | <u>\$ 6,734</u> |

Note: Such capital surplus may be used to offset a deficit; in addition, when the Bank has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital stock (limited to a certain percentage of the Bank's capital surplus and once a year).

c. Special reserves

| | December 31 | |
|--|--------------------|-------------------|
| | 2022 | 2021 |
| Trading loss and default loss reserve | \$ 133,955 | \$ 133,955 |
| Employee transfer or placement expenditure related to financial technology development | 15,176 | 15,902 |
| Other equity deductions special reserves | 485,479 | - |
| According to the Bank's policy | <u>-</u> | <u>647,926</u> |
| | <u>\$ 634,610</u> | <u>\$ 797,783</u> |

The Bank reclassified reserve for trading loss and default losses as of December 31, 2010 to a special reserve account, which is part of equity, in accordance with Order No. 10010000440 issued by the FSC.

In addition, according to Rule No. 10510001510 issued by the FSC on May 25, 2016, a public bank shall appropriate to special reserve an amount in the range of 0.5% to 1% of net profit after tax from 2016 to 2018; from 2017, the same amount of employee transfer or placement expenditure arising from financial technology development shall be reversed from the balance of the special reserve. The above order was repealed by the FSC Rule No. 10802714560 on May 15, 2019, which stipulates that in 2019, a public bank shall no longer continue to provide a special reserve for the purpose of protecting the interests of domestic bank practitioners in the development of financial technology. The Bank is allowed to reverse the special reserve appropriated in 2016 to 2018 at the amounts of the following expenses.

- 1) Expenses for staff transfer or placement, including the related expenses for assisting employees to transfer between departments or groups, and the payment of retirement and severance benefits to employees that are superior to labor-related laws and regulations.
- 2) Expenses for financial technology or banking business development, i.e., expenditure for education and training to enhance or develop employee functions.

The Bank sets aside and reverses the special surplus reserve for other deductions in equity according to laws and regulations. When there is a reversal of the balance of other equity deductions subsequently, the surplus shall be distributed to the special surplus reserve for the reversal part.

d. Retained earnings and dividend policy

- 1) The Bank's dividend policy approved by the stockholders' meeting of the Bank on June 17, 2022 is as follows:

Under the dividends policy as set forth in the amended Articles, where the Bank made 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 until the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a 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 board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders.

In the event of a shortfall in “other previously accumulated net deductions from shareholders’ equity” when the Bank sets aside a portion of distributable earnings for special reserve, it shall first set aside an equal amount of special reserve from undistributed earnings from the previous period. If any shortfall remains, the Bank shall make an allocation from the undistributed earnings of the current period that also take account of net profit plus other items of the current period.

In principle, common stock dividends shall not be less than 20% of the available for distribution retained earnings minus the amount for preferred stock dividends and the reversal of special reserve for the current year. Cash dividend shall not be less than 20% of the total dividend for the current year. When the amount of legal reserve has not reached the Bank’s total capital, the amount of cash dividends cannot exceed 15% of the Bank’s paid-in capital.

The Bank shall consider its future capital budget plan, financial needs for various businesses, and financial structure in the adoption of a stable and balanced dividend policy. The board of directors may, according to the actual needs, propose adjustments to the dividend distribution, and submit the proposal for approval in the stockholders’ meeting.

2) The dividend policy before June 17, 2022 is as follows:

Under the dividends policy as set forth in the amended Articles, where the Bank made 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 until the accumulated legal reserve equals the Bank’s paid-in capital, setting aside or reversing a 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 board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders’ meeting for distribution of dividends and bonus to stockholders.

In principle, common stock dividends shall not be less than 20% of the available for distribution retained earnings minus the amount for preferred stock dividends. Cash dividend shall not be less than 20% of the total dividend for the current year. When the amount of legal reserve has not reached the Bank’s total capital, the amount of cash dividends cannot exceed 15% of the Bank’s paid-in capital.

The Bank shall consider its future capital budget plan, financial needs for various businesses, and financial structure in the adoption of a stable and balanced dividend policy. The board of directors may, according to the actual needs, propose adjustments to the dividend distribution, and submit the proposal for approval in the stockholders’ meeting.

For the policies on distribution of compensation of employees and remuneration of directors, please refer to Note 34.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals 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. In addition, the Banking Law limits the appropriation of cash dividends to 15% of the Bank’s paid-in capital.

The appropriations of earnings for 2021 and 2020 have been proposed by the Bank's board of directors and approved in the stockholders' meetings on June 17, 2022 and July 20, 2021, respectively. The appropriations and dividends per share were as follows:

| | 2021 | 2020 |
|---|--------------------------------------|--------------------------------------|
| | Appropriation of Earnings | Appropriation of Earnings |
| Legal reserve | \$ 612,126 | \$ 31,879 |
| Special reserve appropriated (reversed) | (163,173) | (598,570) |
| Cash dividends - common stock | 819,145 | 545,454 |
| Preferred stock dividends | 127,500 | 127,500 |

e. Other equity items

1) Exchange differences on the translating the financial statements of foreign operations

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ (946,067) | \$ (697,554) |
| Exchange differences arising on the translating the financial statements of foreign operations | 1,235,070 | (280,110) |
| Income tax related to gains arising on the translating the financial statements of foreign operations | <u>(123,116)</u> | <u>31,597</u> |
| Balance at December 31 | <u>\$ 165,887</u> | <u>\$ (946,067)</u> |

2) Unrealized valuation gains (losses) on financial assets at FVTOCI

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Balance at January 1 | <u>\$ 460,588</u> | <u>\$ 755,298</u> |
| Recognized during the year | | |
| Unrealized gain - debt instruments | (3,035,273) | (755,763) |
| Unrealized gain - equity instruments | (878,191) | 660,949 |
| Loss allowance of debt instruments | <u>(4,527)</u> | <u>2,276</u> |
| Other comprehensive income recognized in the period | <u>(3,917,991)</u> | <u>(92,538)</u> |
| Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal | <u>241,014</u> | <u>(202,172)</u> |
| Balance at December 31 | <u>\$ (3,216,389)</u> | <u>\$ 460,588</u> |

f. Treasury stock

Unit: In Thousands of Shares

| | For the Year Ended December 31 | |
|---------------------------------|---------------------------------------|--------------|
| | 2022 | 2021 |
| Number of shares at January 1 | 5,737 | 5,737 |
| Increase during the period | <u>(3,215)</u> | <u>-</u> |
| Number of shares at December 31 | <u>2,522</u> | <u>5,737</u> |

On March 19, 2020, the Bank's board of directors proposed to acquire treasury stocks transfer to employees. The acquiring period is from March 20, 2020 to May 19, 2020. As of May 19, 2020, the Bank had acquired 5,737 thousand shares of treasury stocks for \$38,304 thousand. The Bank transferred 3,215 thousand shares to employees at a price of \$5.9 per share in February 2022, thus reducing the cost of treasury stocks by \$21,467 thousand.

Under the Securities and Exchange Act, the Bank shall neither pledge treasury shares nor exercise stockholders' rights on these shares, such as the rights to receive dividends or to vote.

30. NET INTEREST

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| <u>Interest revenue</u> | | |
| Discounts and loans | \$ 4,702,793 | \$ 2,982,669 |
| Investments in securities | 863,992 | 422,151 |
| Due from the Central Bank and call loans to banks | 167,325 | 26,824 |
| Factoring | 27,553 | 15,764 |
| Others | <u>50,370</u> | <u>23,931</u> |
| | <u>5,812,033</u> | <u>3,471,339</u> |
| <u>Interest expense</u> | | |
| Deposits | 2,460,894 | 919,061 |
| Bills and bonds sold under repurchase agreements | 103,622 | 3,787 |
| Bank debentures | 272,574 | 303,664 |
| Deposits from Central Bank and other banks | 189,296 | 27,293 |
| Others | <u>17,759</u> | <u>7,239</u> |
| | <u>3,044,145</u> | <u>1,261,044</u> |
| | <u>\$ 2,767,888</u> | <u>\$ 2,210,295</u> |

31. NET SERVICE FEE INCOME

| | For the Year Ended December 31 | |
|----------------------------|---------------------------------------|----------------|
| | 2022 | 2021 |
| Service fee income | | |
| Import and export business | \$ 20,749 | \$ 14,518 |
| Loan business | 361,755 | 243,125 |
| Guarantee business | 267,217 | 359,462 |
| Credit examining business | 119,155 | 113,041 |
| Acceptance business | 576 | 624 |
| Factoring business | 20,023 | 21,962 |
| Trust business | 56,042 | 52,295 |
| Insurance agent business | 30,535 | 39,420 |
| Others | <u>49,516</u> | <u>57,181</u> |
| | <u>925,568</u> | <u>901,628</u> |

(Continued)

| | For the Year Ended December 31 | |
|----------------|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Service charge | | |
| Remittance | \$ 1,894 | \$ 1,943 |
| Custody | 3,243 | 3,156 |
| Interbank | 17,582 | 16,547 |
| Reward program | 17,509 | 21,387 |
| Others | <u>69,305</u> | <u>54,239</u> |
| | <u>109,533</u> | <u>97,272</u> |
| | <u>\$ 816,035</u> | <u>\$ 804,356</u> |
| | | (Concluded) |

32. REALIZED GAINS (LOSSES) ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

| | For the Year Ended December 31 | |
|-------------------------------------|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Realized gains or losses | | |
| Stocks and beneficiary certificates | \$ (59,229) | \$ 322,598 |
| Bonds | 24,127 | 5,646 |
| Derivatives | <u>2,862,591</u> | <u>(575,321)</u> |
| | <u>2,827,489</u> | <u>(247,077)</u> |
| Gains (losses) on valuation | | |
| Stocks and beneficiary certificates | (27,611) | (36,965) |
| Bonds | (3,651) | (3,580) |
| Derivatives | 188,233 | 279,396 |
| Others | <u>(319)</u> | <u>17,014</u> |
| | <u>156,652</u> | <u>255,865</u> |
| Interest revenue | <u>248,605</u> | <u>126,797</u> |
| | <u>\$ 3,232,746</u> | <u>\$ 135,585</u> |

33. REALIZED GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Realized income - debt instruments | \$ (55,260) | \$ 79,309 |
| Dividend revenue | <u>302,794</u> | <u>188,668</u> |
| | <u>\$ 247,534</u> | <u>\$ 267,977</u> |

34. EMPLOYEE BENEFITS EXPENSES

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Short-term employee benefits | | |
| Salaries and wages | \$ 1,614,290 | \$ 1,415,269 |
| Remuneration of directors | 103,869 | 84,518 |
| Labor insurance and national health insurance | 89,511 | 80,624 |
| Others | 62,552 | 34,132 |
| Post-employment benefits | | |
| Pension expenses | 50,497 | 51,225 |
| Pension benefits | <u>27</u> | <u>689</u> |
| | <u>\$ 1,920,746</u> | <u>\$ 1,666,457</u> |

The Bank accrued compensation of employees and remuneration of directors at the rates of 1%-2.5% and no higher than 2.5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors.

The amounts and accrual rates of compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 were as follows:

Accrual rate

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|-------------|
| | 2022 | 2021 |
| Compensation of employees | 1.00% | 1.25% |
| Remuneration of directors | 1.25% | 2.50% |

Amount

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|------------------|
| | 2022 | 2021 |
| Compensation of employees | <u>\$ 53,625</u> | <u>\$ 26,170</u> |
| Remuneration of directors | <u>\$ 67,031</u> | <u>\$ 52,339</u> |

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

The compensation of employees and remuneration of directors for 2021 and 2020, which were approved by the Board on March 16, 2022 and March 22, 2021, respectively, were as follows:

| | For the Year Ended December 31 | | | |
|---------------------------|---------------------------------------|--------------|-------------|--------------|
| | 2021 | | 2020 | |
| | Cash | Stock | Cash | Stock |
| Compensation of employees | \$ 26,170 | \$ - | \$ 16,056 | \$ - |
| Remuneration of directors | 52,339 | - | 32,111 | - |

There are no differences between the 2021 and 2020 actual amounts of compensation of employees and remuneration of directors paid and the 2021 and 2020 amount recognized in the annual financial statements.

The Board had been proposed compensation of employees and remuneration of directors for the years ended December 31, 2022 on March 14, 2023, were as follows:

| | For the Year Ended December 31, 2022 |
|----------------------------------|---|
| Compensation of employees - cash | <u>\$ 53,625</u> |
| Remuneration of directors | <u>\$ 67,031</u> |

Information on the bonuses for employees, directors and supervisors proposed by the Board is available at the Market Observation Post System website of the Taiwan Stock Exchange.

35. DEPRECIATION AND AMORTIZATION EXPENSES

| | For the Year Ended December 31 | |
|------------------------|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Property and equipment | \$ 159,235 | \$ 163,664 |
| Intangible assets | 267,203 | 269,482 |
| Right-of-use assets | <u>94,470</u> | <u>92,346</u> |
| | <u>\$ 520,908</u> | <u>\$ 525,492</u> |

36. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Taxation | \$ 197,396 | \$ 166,559 |
| Rental fees | 5,570 | 2,442 |
| Management fees | 35,553 | 34,684 |
| Computer operating and consulting fees | 312,057 | 279,842 |
| Entertainment fees | 27,762 | 25,770 |
| Service fees | 49,208 | 59,740 |
| Advertisement fees | 57,544 | 54,997 |
| Postage fees | 55,880 | 58,980 |
| Others | <u>157,110</u> | <u>146,969</u> |
| | <u>\$ 898,080</u> | <u>\$ 829,983</u> |

37. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Current tax | | |
| In respect of the current year | \$ 204,368 | \$ 132,606 |
| In respect of prior years | <u>(22,361)</u> | <u>(16,826)</u> |
| | <u>182,007</u> | <u>115,780</u> |
| Deferred tax | | |
| In respect of the current year | <u>25,348</u> | <u>58,448</u> |
| Income tax expense recognized in profit or loss | <u>\$ 207,355</u> | <u>\$ 174,228</u> |

A reconciliation of accounting profit and income tax expense for the years ended December 31, 2022 and 2021 were as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Profit before tax from continuing operations | <u>\$ 5,241,826</u> | <u>\$ 2,015,070</u> |
| Income tax expense calculated at the statutory rate | \$ 1,048,365 | \$ 403,014 |
| Realized gain on investment in equity instruments measured at fair value through other comprehensive income | (39,223) | 31,995 |
| Nondeductible expenses and tax-exempt income in determining taxable income | (777,783) | (317,035) |
| Deductible tax amount of overseas income tax | (163,968) | - |
| Additional income tax under the Alternative Minimum Tax Act | - | 28,511 |
| Unrecognized deductible temporary differences | (1,643) | (59,526) |
| Overseas income taxes | 163,968 | 104,095 |
| Adjustments for prior years' tax | <u>(22,361)</u> | <u>(16,826)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 207,355</u> | <u>\$ 174,228</u> |

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2022 | 2021 |
| <u>Deferred tax</u> | | |
| Translation of foreign operations | <u>\$ (123,116)</u> | <u>\$ 31,597</u> |
| Income tax expense recognized in other comprehensive income | <u>\$ (123,116)</u> | <u>\$ 31,597</u> |

c. Deferred tax assets and liabilities

For the year ended December 31, 2022

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Compre- hensive Income | Closing Balance |
|--------------------------------------|----------------------------|---|---|----------------------------|
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| FVTPL financial instrument | \$ 48,052 | \$ (21,602) | \$ - | \$ 26,450 |
| Allowance for bad debts | 275,164 | 87,371 | - | 362,535 |
| Translation of foreign operations | <u>99,737</u> | <u>-</u> | <u>(99,737)</u> | <u>-</u> |
| | <u>\$ 422,953</u> | <u>\$ 65,769</u> | <u>\$ (99,737)</u> | <u>\$ 388,985</u> |

Deferred tax liabilities

| | | | | |
|--|-------------------|------------------|------------------|-------------------|
| Temporary differences | | | | |
| Share of profit of subsidiaries, associates and joint ventures accounted for using equity method | \$ 517,450 | \$ 87,346 | \$ - | \$ 604,796 |
| Translation of foreign operations | <u>-</u> | <u>-</u> | <u>23,379</u> | <u>23,379</u> |
| | <u>\$ 517,450</u> | <u>\$ 87,346</u> | <u>\$ 23,379</u> | <u>\$ 628,175</u> |

For the year ended December 31, 2021

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Compre- hensive Income | Closing Balance |
|--------------------------------------|----------------------------|---|---|----------------------------|
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| FVTPL financial instrument | \$ 51,080 | \$ (3,028) | \$ - | \$ 48,052 |
| Allowance for bad debts | 246,382 | 28,782 | - | 275,164 |
| Loss reserve | 2,015 | (2,015) | - | - |
| Translation of foreign operations | <u>68,140</u> | <u>-</u> | <u>31,597</u> | <u>99,737</u> |
| | <u>\$ 367,617</u> | <u>\$ 23,739</u> | <u>\$ 31,597</u> | <u>\$ 422,953</u> |

(Continued)

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Compre- hensive Income | Closing Balance |
|--|--------------------|---------------------------------|--|---------------------------|
| <u>Deferred tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Share of profit of subsidiaries, associates and joint ventures accounted for using equity method | \$ 435,263 | \$ 82,187 | \$ - | \$ 517,450 (Concluded) |

d. Assessment of the income tax returns

The income tax returns of the Bank through 2019 have been assessed by the tax authorities.

38. EARNINGS PER SHARE

Unit: NT\$ Per Share

| | <u>For the Year Ended December 31</u> | |
|----------------------------|---------------------------------------|---------|
| | 2022 | 2021 |
| Basic earnings per share | \$ 1.80 | \$ 0.63 |
| Diluted earnings per share | \$ 1.62 | \$ 0.57 |

Earning used in calculating earnings per share and weighted average number of common stocks are as follows:

Net Profit for the Year

| | <u>For the Year Ended December 31</u> | |
|--|---------------------------------------|----------------|
| | 2022 | 2021 |
| Net profit | \$ 5,034,471 | \$ 1,840,842 |
| Less: Declared preferred stock dividend | <u>127,500</u> | <u>127,500</u> |
| Earnings used in the computation of basic and diluted earnings per share | \$ 4,906,971 | \$ 1,713,342 |

Stock (In Thousand Shares)

| | For the Year Ended December 31 | |
|--|---------------------------------------|------------------|
| | 2022 | 2021 |
| Weighted average number of common stocks in computation of basic earnings per share | <u>2,730,822</u> | <u>2,727,269</u> |
| Effect of potentially dilutive common stocks: | | |
| Compensation of employees | 6,982 | 3,782 |
| Convertible preferred stock | <u>299,265</u> | <u>300,000</u> |
| | <u>306,247</u> | <u>303,782</u> |
| Weighted average number of common stocks used in the computation of diluted earnings per share | <u>3,037,069</u> | <u>3,031,051</u> |

If the Bank offered to settle compensation or bonuses paid to employees in cash or stocks, then the Bank will assume the entire amount of the compensation or bonuses will be settled in stocks and the dilutive effect of the resulting potential stocks will be included in the weighted average number of stocks outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential stocks will be included in the computation of diluted earnings per share until the number of stocks to be distributed to employees is resolved in the following year.

39. RELATED PARTY TRANSACTIONS

- a. The related parties and their relationships with the Bank

| Related Party | Relationship with the Bank |
|--|---|
| Chun Teng New Century Co., Ltd. (original IBT Securities Co., Ltd.) (Chun Teng New Century) (company in liquidation) | Subsidiary of Bank |
| IBT Management Corp. (IBTM) | Subsidiary of Bank |
| IBT Holdings Corp. (IBTH) | Subsidiary of Bank |
| China Bills finance Corp. (CBF) | Subsidiary of Bank |
| IBT Leasing Co., Ltd. (IBTL) (dissolved on December 1, 2022 due to the merge with Infinite Finance) | Subsidiary of Bank |
| IBT VII Venture Capital Co., Ltd. (IBT VII Venture) | Subsidiary of Bank |
| IBT II Venture Capital Co., Ltd. (IBT II Venture) (liquidation) | Associates |
| Beijing Sunshine Consumer Finance Co., Ltd. | Associates |
| Infinite Finance Co., Ltd. (Infinite Finance) | Associates |
| Yi Chang Investment Co., Ltd. | Direct of Bank |
| Ming Shan Investment Co., Ltd. | Direct of Bank |
| Taixuan Investment Co., Ltd. | Other related parties |
| TCC Chemical Corporation (TCC) | Other related parties |
| Others | The Bank's management and their other related parties |

b. The significant transactions and balances with the related parties are summarized as follows:

1) Deposits (part of deposits and remittance)

| | Ending Balance | Interest Expense | Rate (%) |
|---|-----------------------|-------------------------|-----------------|
| <u>For the year ended December 31, 2022</u> | | | |
| Subsidiaries | \$ 115,784 | \$ 1,437 | 0.00-4.23 |
| Associates | 32,061 | 41 | 0.00-1.05 |
| Others | <u>9,274,633</u> | <u>91,361</u> | 0.00-6.93 |
| | <u>\$ 9,422,478</u> | <u>\$ 92,839</u> | |
| <u>For the year ended December 31, 2021</u> | | | |
| Subsidiaries | \$ 285,115 | \$ 478 | 0.00-1.06 |
| Associates | 261 | - | 0.03-0.04 |
| Others | <u>10,555,219</u> | <u>53,679</u> | 0.00-6.29 |
| | <u>\$ 10,840,595</u> | <u>\$ 54,157</u> | |

2) Loans

| | Maximum Balance (Note 1) | Ending Balance | Interest Income | Rate (%) |
|---|---------------------------------|-----------------------|------------------------|-----------------|
| <u>For the year ended December 31, 2022</u> | | | | |
| Subsidiaries | \$ 46,600 | \$ - | \$ 6 | 2.259 |
| Associates | 241,272 | 241,272 | 2,547 | 2.259-5.014 |
| Others | <u>672,000</u> | <u>672,000</u> | <u>6,578</u> | 1.954-2.293 |
| | <u>\$ 959,872</u> | <u>\$ 913,272</u> | <u>\$ 9,131</u> | |
| <u>For the year ended December 31, 2021</u> | | | | |
| Others | <u>\$ 430,000</u> | <u>\$ 430,000</u> | <u>\$ 5,068</u> | 1.179 |

| December 31, 2022 | | | | | | | |
|-------------------|----------------------|------------------------------|-------------------|-------------------|-----------------------------|------------------------------------|---|
| Category | Name | Maximum Balance (Note) | Ending Balance | Normal Loans | Non- performing Loans | Collateral | Difference of Terms of the Trans- actions with Unrelated Parties |
| Others | Infinite Finance | <u>\$ 241,272</u> | <u>\$ 241,272</u> | <u>\$ 241,272</u> | <u>\$ -</u> | Real estate and cheque discounting | None |
| Others | TCC | <u>\$ 430,000</u> | <u>\$ 430,000</u> | <u>\$ 430,000</u> | <u>\$ -</u> | Real estate | None |
| Others | Ming Shan Investment | <u>\$ 55,000</u> | <u>\$ 55,000</u> | <u>\$ 55,000</u> | <u>\$ -</u> | Certificates of deposit | None |
| Others | Yi Chang Investment | <u>\$ 67,000</u> | <u>\$ 67,000</u> | <u>\$ 67,000</u> | <u>\$ -</u> | Certificates of deposit | None |
| Others | Taixuan Investment | <u>\$ 120,000</u> | <u>\$ 120,000</u> | <u>\$ 120,000</u> | <u>\$ -</u> | Certificates of deposit | None |

| December 31, 2021 | | | | | | | |
|-------------------|------|------------------------------|-------------------|-------------------|-----------------------------|-------------|---|
| Category | Name | Maximum Balance (Note) | Ending Balance | Normal Loans | Non- performing Loans | Collateral | Difference of Terms of the Trans- actions with Unrelated Parties |
| Others | TCC | <u>\$ 430,000</u> | <u>\$ 430,000</u> | <u>\$ 430,000</u> | <u>\$ -</u> | Real estate | None |

Note: The maximum balance of daily totals for each category of loan.

3) Service fee (part of net service fee income)

| For the Year Ended December 31 | | |
|--------------------------------|-------------|--------------|
| | 2022 | 2021 |
| Others | <u>\$ 5</u> | <u>\$ 14</u> |

Service fee income is earned by providing authentication, custody and fund purchase services.

4) Other expenses (part of other general and administrative expense)

| For the Year Ended December 31 | | |
|--------------------------------|-----------------|-----------------|
| | 2022 | 2021 |
| Others | <u>\$ 5,600</u> | <u>\$ 5,650</u> |

Other expenses are donations.

5) Rental income and others

| For the Year Ended December 31 | | |
|--------------------------------|------------------|------------------|
| | 2022 | 2021 |
| Subsidiaries | \$ 21,112 | \$ 21,645 |
| Others | <u>479</u> | <u>552</u> |
| | <u>\$ 21,591</u> | <u>\$ 22,197</u> |

Rental income received by the department is revenue from leasing contract of providing part of the office and equipment and management service contract.

6) Notes and bonds transaction - cumulative transaction amount

| | For the Year Ended December 31, 2022 | | | |
|--------|--|--|---|--|
| | Purchase Bills and Bonds From Related Parties | Sold Bills And Bonds to Related Parties | Bills and Bonds Sold Under Repurchase Agreements | Bills and Bonds Purchased Under Resale Agreements |
| Others | <u>\$ 48,754</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2022 and 2021 were as follows:

| | For the Year Ended December 31 | |
|------------------------------|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Short-term employee benefits | \$ 266,277 | \$ 239,109 |
| Post-employment benefits | 3,144 | 3,053 |
| Share-based payments | <u>6,360</u> | <u>-</u> |
| | <u>\$ 275,781</u> | <u>\$ 242,162</u> |

The remuneration of directors and other key management personnel is reviewed by the remuneration committee and determined by the Bank's board of director or chairman.

The terms of the transactions with related parties are similar to those for third parties, except for the preferential interest rates given to employees for savings and loans. These rates should be within certain limits.

Under the Banking Law Article 32 and 33, except for consumer loans and government loans, credits extended by the Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

40. PLEDGED ASSETS

| | December 31 | |
|---|----------------------|----------------------|
| | 2022 | 2021 |
| Financial assets at FVTPL | \$ 5,001,628 | \$ - |
| Financial assets at FVTOCI | 1,366,783 | 14,639,599 |
| Investments in debt instruments at amortized cost | 7,000,000 | - |
| Pledged time deposits | <u>-</u> | <u>217,300</u> |
| | <u>\$ 13,368,411</u> | <u>\$ 14,856,899</u> |

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (part of other financial assets) and negotiable certificates of deposits (part of financial assets at FVTPL, financial assets at FVOCI, and investments in debt instrument at amortized cost) as collateral for day-term overdrafts. The pledged amount is adjustable based on the respective overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. Pledged financial assets at FVOCI are bonds, which are mainly trust compensation reserves, bond delivery settlement reserves, undertaking interest rate exchanges, and application for overdrafts and loans. Besides, the Bank contracted for foreign currency call-loan to provide the negotiable certificates of deposits to the Department of Foreign Exchange of Central Bank.

41. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Except for other disclosures, as of December 31, 2022 and 2021, the Bank had commitments as follows:

| | December 31 | |
|---|--------------------|-------------|
| | 2022 | 2021 |
| Office decorating and contracts of computer software | | |
| Amount of contracts | \$ 60,613 | \$ 40,599 |
| Payments for construction in progress and prepayments for equipment | 29,930 | 19,968 |

42. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

| | December 31 | |
|--|----------------------|----------------------|
| | 2022 | 2021 |
| Trust assets | | |
| Petty cash | \$ 100 | \$ 100 |
| Bank deposits | 2,100,051 | 1,820,544 |
| Financial assets | 4,009,473 | 4,236,190 |
| Receivable | 64 | 27 |
| Prepayments | 9,409 | 1,222 |
| Real estate | 6,947,042 | 6,121,444 |
| Structured products | 62,781 | 45,854 |
| Other assets | <u>368</u> | <u>42</u> |
| Total trust assets | <u>\$ 13,129,288</u> | <u>\$ 12,225,423</u> |
| Trust capital and liability | | |
| Payables | \$ 2,754 | \$ 1,787 |
| Unearned receipts | 1,268 | 1,180 |
| Taxes payable | 4,150 | 4,203 |
| Guarantee deposits received | 27,608 | 39,020 |
| Other liabilities | 984 | 981 |
| Trust capital | 12,903,294 | 12,024,438 |
| Provisions and accumulated profit and loss | <u>189,230</u> | <u>153,814</u> |
| Trust capital and liability | <u>\$ 13,129,288</u> | <u>\$ 12,225,423</u> |

Income Statements of Trust Accounts

| | For the Year Ended December 31 | |
|--------------------|---------------------------------------|------------------|
| | 2022 | 2021 |
| Trust revenue | | |
| Interest revenue | \$ 9,078 | \$ 1,106 |
| Rental revenue | 116,862 | 109,739 |
| Other revenue | <u>1,929</u> | <u>3,280</u> |
| | <u>127,869</u> | <u>114,125</u> |
| Trust expenses | | |
| Management fees | (3,598) | (3,880) |
| Service charge | (10,245) | (13,480) |
| Tax | (14,131) | (14,114) |
| Other expenses | (12,808) | (12,672) |
| Income tax expense | <u>(709)</u> | <u>(25)</u> |
| | <u>(41,491)</u> | <u>(44,171)</u> |
| | <u>\$ 86,378</u> | <u>\$ 69,954</u> |

Note: The above income accounts of the trust business were not included in the Bank's income statement.

Trust Property List

| | December 31 | |
|---------------------|----------------------|----------------------|
| | 2022 | 2021 |
| Petty cash | \$ 100 | \$ 100 |
| Bank deposits | 2,100,051 | 1,820,544 |
| Stocks | 257,680 | 228,378 |
| Funds | 2,824,681 | 3,468,761 |
| Bonds | 927,112 | 539,051 |
| Land | 6,134,471 | 5,302,344 |
| Buildings | 812,571 | 819,100 |
| Receivables | 64 | 27 |
| Prepayments | 9,409 | 1,222 |
| Structured products | 62,781 | 45,854 |
| Other | <u>368</u> | <u>42</u> |
| | <u>\$ 13,129,288</u> | <u>\$ 12,225,423</u> |

43. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

1) Financial instruments significant difference between carrying amount and fair value

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

| | December 31 | | | |
|---|-----------------|---------------|-----------------|------------|
| | 2022 | | 2021 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| <u>Financial assets</u> | | | | |
| Investments in debt instruments at amortized cost | \$ 24,181,824 | \$ 24,054,376 | \$ - | \$ - |
| <u>Financial liabilities</u> | | | | |
| Bank debentures payable | 13,600,000 | 13,770,715 | 15,000,000 | 15,150,259 |

2) The fair value hierarchy

| Financial Instrument Items at Fair Value | December 31, 2022 | | | |
|---|-------------------|--------------|---------------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| <u>Financial assets</u> | | | | |
| Investments in debt instruments at amortized cost | \$ 24,054,376 | \$ 5,510,591 | \$ 18,543,785 | \$ - |
| <u>Financial liabilities</u> | | | | |
| Bank debentures payable | 13,770,715 | - | 13,770,715 | - |

| Financial Instrument Items at Fair Value | December 31, 2021 | | | |
|--|-------------------|---------|---------------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| <u>Financial liabilities</u> | | | | |
| Bank debentures payable | \$ 15,150,259 | \$ - | \$ 15,150,259 | \$ - |

Refer to quoted market prices for fair value if there are public quotations on financial instrument with active market. If quoted market prices are not available, the fair value is determined by using a valuation technique or counterparty quotation.

b. Fair value information - financial instruments measured at fair value on a recurring basis

- 1) The fair value hierarchy of the financial instruments as of December 31, 2022 and 2021 were as follows:

| Item | December 31, 2022 | | | |
|---|-------------------|------------|--------------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| <u>Non-derivative financial instruments</u> | | | | |
| Assets | | | | |
| Financial assets at FVTPL | | | | |
| Bills instruments | \$ 3,699,533 | \$ - | \$ 3,699,533 | \$ - |
| Hybrid financial assets | 757,778 | - | 757,778 | - |
| Negotiable certificates of deposit | 27,443,843 | - | 27,443,843 | - |
| Financial assets at FVTOCI | | | | |
| Equity instruments | 39,595 | - | - | 39,595 |
| Bills instruments | 6,249,812 | - | 6,249,812 | - |
| Debt instruments | 38,036,585 | 16,015,145 | 22,021,440 | - |
| Negotiable certificates of deposit | 19,253,080 | - | 19,253,080 | - |
| <u>Derivative financial instruments</u> | | | | |
| Assets | | | | |
| Financial assets at FVTPL | 933,971 | - | 933,971 | - |
| Liabilities | | | | |
| Financial liabilities at FVTPL | 785,585 | - | 785,585 | - |
| Item | December 31, 2021 | | | |
| | Total | Level 1 | Level 2 | Level 3 |
| <u>Non-derivative financial instruments</u> | | | | |
| Assets | | | | |
| Financial assets at FVTPL | | | | |
| Stocks and beneficial certificates | \$ 450,659 | \$ 450,659 | \$ - | \$ - |
| Bills instruments | 7,970,219 | - | 7,970,219 | - |
| Hybrid financial assets | 1,245,733 | - | 1,245,733 | - |
| Negotiable certificates of deposit | 27,134,702 | - | 27,134,702 | - |
| Financial assets at FVTOCI | | | | |
| Equity instruments | 4,929,482 | 4,886,331 | - | 43,151 |
| Bills instruments | 6,384,497 | - | 6,384,497 | - |
| Debt instruments | 40,007,484 | 19,466,751 | 20,540,733 | - |
| Negotiable certificates of deposit | 29,422,895 | - | 29,422,895 | - |
| Liabilities | | | | |
| Financial liabilities at FVTPL | | | | |
| When-issued government bonds | 36 | 36 | - | - |
| <u>Derivative financial instruments</u> | | | | |
| Assets | | | | |
| Financial assets at FVTPL | 255,135 | - | 255,135 | - |
| Liabilities | | | | |
| Financial liabilities at FVTPL | 316,209 | - | 316,209 | - |

2) Valuation techniques and assumptions applied for the purpose of measuring the fair values

In a fair deal, the transaction is fully understood and there is willingness to trade by the two sides in exchange of assets or settle of liabilities, and fair value is the amount settled. Financial instruments at fair value through profit or loss, available-for-sale financial assets and financial assets at fair value through other comprehensive income refer to quoted market prices for fair value. If quoted market prices are not available, then fair value is determined by using a valuation technique.

a) Marking-to-market

This measurement should be used first. Following are the factors that should be considered when using marking-to-market:

- i. Ensure the consistency and completeness of market data.
- ii. The source of market data should be transparent, easy to access, and should come from independent resources.
- iii. Listed securities with high liquidity and representative closing prices should be valued at closing prices.
- iv. Unlisted securities which lack tradable closing prices should use quoted middle prices from independent brokers and follow the guidelines required by regulatory authorities.

b) Marking-to-model

The marking-to-model is used if marking-to-market is infeasible. This valuation methodology is based upon the market parameters to derive the value of the positions and incorporate estimates, as well as assumptions consistent with acquirable information generally used by other market participants to price financial instruments.

Fair values of forward contracts used by the Bank are estimated based on the forward rates provided by Reuters. Fair values of interest rate swap and cross-currency swap contracts are based on counterparties' quotation, using the Murex+ information system to capture market data from Reuters for calculating the fair value assessment of individual contracts. Option trading instruments use option pricing model commonly used in the market (ex: Black-Scholes model) to calculate the fair value.

- i. Level 1 - quoted prices in active markets for identical assets or liabilities. Active markets are markets with all of the following conditions: (i) the products traded in the market are homogeneous, (ii) willing parties are available anytime in the market, and (iii) price information is available to the public.
- ii. Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).
- iii. Level 3 - inputs not based on observable market data (unobservable inputs. i.e., option pricing model of historical volatility, due to historical volatility could not represent the overall market participants' volatility expectations of the future).

3) Reconciliation of the financial instruments classified in Level 3

For the year ended December 31, 2022

| Financial Assets | Financial Assets at Fair Value through Profit or Loss - Equity Instruments | Financial Assets at Fair Value through Other Comprehensive Income - Equity Instruments | Total |
|---|---|---|--------------|
| Beginning balance | \$ - | \$ 43,151 | \$ 43,151 |
| Recognition in other comprehensive income - unrealized gains (losses) on financial assets at fair value through other comprehensive income | - | (3,556) | (3,556) |
| Ending balance | \$ - | \$ 39,595 | \$ 39,595 |

For the year ended December 31, 2021

| Financial Assets | Financial Assets at Fair Value through Profit or Loss - Equity Instruments | Financial Assets at Fair Value through Other Comprehensive Income - Equity Instruments | Total |
|---|---|---|--------------|
| Beginning balance | \$ - | \$ 59,508 | \$ 59,508 |
| Recognition in other comprehensive income - unrealized gains (losses) on financial assets at fair value through other comprehensive income | - | (16,357) | (16,357) |
| Ending balance | \$ - | \$ 43,151 | \$ 43,151 |

The assets held at the balance sheet date, which were included in the profit and loss and the unrealized gains and losses for the years ended December 31, 2022 and 2021, were consisted of \$0 thousand.

4) Transfers between Level 1 and Level 2

For the year ended December 31 2021, certain debt instrument investments were transferred from Level 2 to Level 1, which is resulted from the change in the determination of fair value from the use of valuation model with market parameters to the adoption of quoted prices in active markets. The Bank has no significant transfers between Level 1 and Level 2 for year ended December 31, 2022

5) Sensitivity to using reasonable alternative in assumption against Level 3 fair value

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different evaluation results. For the fair value measurements of structured bonds which fall under Level 3 of the fair value hierarchy, they are evaluated according to counterparty quotes; for bonds and convertible bonds for asset swaps which have no quoted market prices, they are evaluated using the future cash flows discounted model. Were there to be a 10% or 1 basis point change in either direction of the quotes from respective counterparties or in discount rates and all other conditions remained the same, the effects on the income and other comprehensive income for the years ended December 31, 2022 and 2021 periods would be as follows:

For the year ended December 31, 2022

| Item | Movement: Upward/ Downward | Effect on Profit and Loss | | Effect on Other Comprehensive Income | |
|--------------------|----------------------------------|---------------------------|-------------|--------------------------------------|-------------|
| | | Favorable | Unfavorable | Favorable | Unfavorable |
| Equity instruments | 10% | \$ - | \$ - | \$ 3,960 | \$ (3,960) |

For the year ended December 31, 2021

| Item | Movement: Upward/ Downward | Effect on Profit and Loss | | Effect on Other Comprehensive Income | |
|--------------------|----------------------------------|---------------------------|-------------|--------------------------------------|-------------|
| | | Favorable | Unfavorable | Favorable | Unfavorable |
| Equity instruments | 10% | \$ - | \$ - | \$ 4,315 | \$ (4,315) |

c. Transfer of financial assets

Transferred financial assets not derecognized

Most of the transferred financial assets of the Bank that were not fully derecognized were securities sold under repurchase agreements. Under the terms of these transfers, the right to the cash flows of the transferred financial assets would be transferred to other entities, and the associated liabilities of the Bank's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. Since the Bank is restricted from using, selling, or pledging the transferred financial assets within the transaction period, and is still exposed to interest rate risks and credit risks on these assets, the transferred financial assets were not fully derecognized.

December 31, 2022

| Category of Financial Assets | Carrying Amount of Transferred Financial Assets | Carrying Amount of Associated Financial Liabilities |
|---|---|---|
| Financial assets at FVTOCI | | |
| Bonds sold under repurchase agreements | \$ 7,176,808 | \$ 6,765,314 |
| Investments in debt instruments at amortized cost | | |
| Bonds sold under repurchase agreements | 1,699,045 | 1,520,674 |

December 31, 2021

| Category of Financial Assets | Carrying Amount of Transferred Financial Assets | Carrying Amount of Associated Financial Liabilities |
|--|--|--|
| Financial assets at FVTOCI | | |
| Bonds sold under repurchase agreements | \$ 947,303 | \$ 895,966 |

d. Offsetting financial assets and financial liabilities

Certain transactions of the Bank and its subsidiaries are covered by enforceable master netting agreements or similar agreements, or under similar repurchase agreements may not meet all offsetting criteria under IFRSs. However, in these transactions, financial liabilities are allowed to be offset against financial assets when any of the counterparties specifies to settle at net amounts. If no counterparty specifies to settle at net amounts, the transactions will be settled at gross amounts instead. One of the counterparties can decide to settle at net amounts if the other party of the transaction defaults.

The tables below present the quantitative information of financial assets and financial liabilities on the balance sheets that had been offset or are covered by enforceable master netting arrangements or similar agreements.

December 31, 2022

| Financial Assets | Gross Amounts of Recognized Financial Assets | Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet | Net Amounts of Financial Assets Presented in the Balance Sheet | Related Amounts Not Set Off in the Balance Sheet | | Net Amount |
|-------------------------|---|---|---|---|--------------------------------|-------------------|
| | | | | Financial Instruments (Note) | Cash Collateral Pledged | |
| Derivatives | \$ 933,971 | \$ - | \$ 933,971 | \$ (435,392) | \$ (162,204) | \$ 336,375 |

| Financial Liabilities | Gross Amounts of Recognized Financial Liabilities | Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet | Net Amounts of Financial Liabilities Presented in the Balance Sheet | Related Amounts Not Set Off in the Balance Sheet | | Net Amount |
|------------------------------|--|--|--|---|--------------------------------|-------------------|
| | | | | Financial Instruments (Note) | Cash Collateral Pledged | |
| Derivatives | \$ 785,585 | \$ - | \$ 785,585 | \$ (435,392) | \$ (17,175) | \$ 333,018 |
| Repurchase agreements | 8,285,988 | - | 8,285,988 | (8,285,988) | - | - |
| | \$ 9,071,573 | \$ - | \$ 9,071,573 | \$ (8,721,380) | \$ (17,175) | \$ 333,018 |

December 31, 2021

| Financial Assets | Gross Amounts of Recognized Financial Assets | Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet | Net Amounts of Financial Assets Presented in the Balance Sheet | Related Amounts Not Set Off in the Balance Sheet | | Net Amount |
|-------------------------|---|---|---|---|--------------------------------|-------------------|
| | | | | Financial Instruments (Note) | Cash Collateral Pledged | |
| Derivatives | \$ 255,135 | \$ - | \$ 255,135 | \$ (56,086) | \$ (71,922) | \$ 127,127 |

| Financial Liabilities | Gross Amounts of Recognized Financial Liabilities | Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet | Net Amounts of Financial Liabilities Presented in the Balance Sheet | Related Amounts Not Set Off in the Balance Sheet | | Net Amount |
|-----------------------|---|---|---|--|-------------------------|-------------------|
| | | | | Financial Instruments (Note) | Cash Collateral Pledged | |
| Derivatives | \$ 316,209 | \$ - | \$ 316,209 | \$ (56,086) | \$ (3,260) | \$ 256,863 |
| Repurchase agreements | <u>895,966</u> | <u>-</u> | <u>895,966</u> | <u>(895,966)</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,212,175</u> | <u>\$ -</u> | <u>\$ 1,212,175</u> | <u>\$ (952,052)</u> | <u>\$ (3,260)</u> | <u>\$ 256,863</u> |

Note: Included non-cash financial collaterals.

44. FINANCIAL RISK MANAGEMENT

a. Overview

For anticipating the potential expected and unexpected risk, the Bank establishes a comprehensive risk management system to distribute resource effectively and enhance competitiveness by ensuring that all operating risks are controlled to an acceptable extent. The Bank continues to engage actively in the capital adequacy ratio with in the accordance to the regulator's requirements and monitors regulations to meet the international requirement of the Basel Commission.

b. Risk management framework

Ultimate responsibility for setting the Bank's risk appetite rests with the board of directors. The Auditing Department, Audit Committee, and Compensation Committee report to the board of directors. Risk Management Committee, which are under chairman, discussed and considered risk management proposals for the board of directors' and risk management polices approval levels and monitored the execution. Assets and Liabilities Committee, and Loan Evaluation Subcommittee, which are under the president of the Bank, hold meetings for discussing and considering risk management proposals regularly. The Risk Management Department is responsible for establishing a total scheme of risk management and monitoring the execution of such management.

c. Credit risk

1) Sources and definition of credit risk

Credit risk is the potential loss due to the failure of counterparty to meet its obligations to pay the Bank in accordance with agreed terms. The source of credit risks includes the items in balance sheet and off-balance sheet item.

2) Strategy/objectives/policies and procedures

- a) Credit risk management strategy: The Bank implements the relevant provisions of the principles of credit risk management requirement and establish the Bank's credit risk management mechanism to ensure that credit risk control is within effective but affordable range, and maintain adequate capital, and execute sound management of the Bank credit risk, and achieve operational and management objectives.

- b) Credit risk management objectives: Through appropriate risk management strategies, policies and procedures, application of the principle of risk diversification, implementation of the Bank's credit risk management, to minimize potential financial losses and pursue optimal rewards.

Sound risk management systems and control processes, strengthened information integration, analysis and early warning validation, make credit management and monitoring to ensure compliance with laws and regulations to maintaining high credit standards and asset quality.

- c) Credit risk management policy: To establish risk management system and to ensure the integrity of business risk management and compliance, the Bank stipulated its "Risk Management Policy" which is in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" issued by the FSC. The Bank keeps its capital adequately, achieves the goal of credit risk strategy and creates risk adjusted return maximization plan under the Bank's acceptable range of credit risk.

- d) Credit risk management process:

i. Risk identification

Credit risk management process begins with the identification of existing and potential risks, including all the transactions in banking book and trading book, balance sheet and off-balance sheet transactions. With financial innovation, as new credit businesses become increasingly complex; business executives in order do existing and new credit businesses, should be fully aware of the complexity involved in the business of re-order business and other cases or transactions to be able to identify any possibility of having an event of default.

ii. Risk measurement

- i) The Bank manages asset portfolios by the risk rating scale.

The risk rating scale qualifies the default possibilities of debtors and operation difficulty possibilities of investees in the next year. Risk ratings must actually be scaled when the individual credit and investment accounts are approved. The continual change of the market gives rise to the change in credit or investment household. Therefore, risk ratings must be reevaluated and updated often to adjust the risk rating scale when it is verified.

- ii) Portfolio management:

- It is used to ensure the risk of loan is within the tolerable scope.
- "Concentrative risks" are concentration-limited, avoiding the risks to be overly centralized to sufficiently diversify the risk.
- It achieves the optimal profits.

iii. Risk communication

- i) Internal reporting: Risk management position shall establish appropriate credit risk reporting mechanism for regular statistical reporting and the preparation of a variety of business risk management reports which contain correct, consistent, and real-time credit risk reporting information to ensure any exceptions can be acted on immediately, and as a reference for decision-making. The above communication may include asset quality, portfolio rating classification status, and all kinds of exception reports.

- ii) External disclosure: To comply with the requirements for capital adequacy supervisory review and market discipline principles, the business director of credit risk level should prepare reports in the format specified by the competent authority showing contents, methods and frequency to provide information on the credit risk of the Bank's quantitative, qualitative indicators to illustrate the self-assessment and credit risk management system and disclose information about capital and other capital adequacy matters.

iv. Risk monitoring

- i) The Bank shall establish monitoring system to assess the changes in credit risk of borrower or counterparty or issuer (e.g., bonds issuer and guarantor of issuers of equity related products, derivatives counterparties' credit rating information and credit information), to serve timely detection of problems on assets or transactions, and take immediate action to cope with the possible breach.
- ii) Besides monitoring the individual credit risk, the Bank also deal with credit portfolio monitoring and management.
- iii) Establish stringent credit processes, credit standards and loan management; the project includes the credit factors that should be considered for new credit and credit transfer period, commitment to the periodic review of credit, maintenance of credit records and the proportion of various types of loans in the credit portfolio.
- iv) Establish quota management system to avoid excessive concentration of credit risk to nationality, industry types, same group, same relations, etc.
- v) Establish collateral management system to ensure that collaterals can be effectively managed.

3) Credit risk management and framework

- a) Board of Directors: Responsible for authorizing and reviewing the credit risk management strategies and approving the credit risk management framework. The strategy reflects the level of risk that the Bank can tolerate and the level of profitability that the Bank expects to achieve under various credit risks.
- b) Audit Committee: Responsible for the stipulation and amendment on issues relating to internal control framework, effectiveness of internal control framework, acquisition or disposal of assets or derivatives, monitoring of directors' self-interest issues, appointment or dismissal of the CPA and internal auditors, and other important issues ruled by the FSC.
- c) Risk Management Committee: Responsible for the risk management policies, various risk management regulations, annual risk appetites, limits, risk management proposals for the board of directors' approval levels and various risk management mechanisms, supervise and review credit, market, operations, liquidity, information security, AML, personal data protection, climate change, emergencies and other risk management, improve the Bank's risk management mechanism to ensure the effective implementation of the Bank's risk management procedures.
- d) Assets and Liabilities Committee: Holds asset/liability management meeting to inspect asset/liability management, liquidity risk, interest rate sensitivity risk management, market risk, BIS management and in charge of making decisions on policies.
- e) Loan Evaluation Subcommittee: Reviews the loan cases rendered by the corporate credit management department and retail credit management department. After passing the provisions, they are still need to be submitted to the competent level for review.

- f) Loan Assets Quality Evaluation Meeting: In charge of making policies and strategies for identifying the possibilities of loss on credit assets. The Bank evaluates the adequacy of the allowance for credit assets.
 - g) The Risk Management Department: Independent risk management unit which is in charge of risk management and responsible for the related operations of credit risks. It also makes sure the Bank follows the BASEL regulations. It is also responsible for the preparation of risk management reports presented to appropriate management, and plans to establish monitoring tools for credit risk measurement.
 - h) Corporate Credit Department: Supervises the establishment of corporate finance risk identification, measurement, monitoring and management, preparation of regulatory review of credit grading, devising and enhancement of deed lists, deed for credit and guarantee amount control, proper release and other release matters.
 - i) Retail Credit Management Department: Manages personal financial risk, identifies, measures, monitors the allowance for bad debts, and prepares for bad debts presentation, loss assessment and post-loan management.
- 4) The scope and characteristics of credit risk reports and measurement system

For the credit risks implicated in all products and business activities, new products and business, the Bank regularly monitors the credit risk management and is authorized by the board of directors or appropriate committee.

Credit risk measurement and control procedures include credit review, rating scoring, credit control, post-loan management and collection operations. The risk management units regularly provide analysis reports of various types of credit risk and asset quality in addition to the above operational procedures for management indicators. In addition, the Bank also actively controls and periodically reports the monitoring results to the board of directors to grasp the risk situations faced by the state, the group, the industry, the same related parties and the related enterprise risks.

In order to understand the risk appetite and its changes in the financial environment and the impact on capital adequacy, the Bank handles its credit according to the “Regulation on Stress Test Operation for Banks” and “Bank Credit Risk Stress Test Guidelines” issued by the FSC, as an important basis for credit risk management, and continues to adjust the direction of business development, credit policy and credit evaluation procedures.

5) Mitigation of risks or hedging of credit risk and monitoring the risk avoidance

The Bank primarily applies the following risk mitigation tools to reduce extent of credit risk exposures: (1) by requiring the counterparty or third parties to provide collateral, (2) the balance sheet netting: Credit is backed by the counterparty’s bank deposits (on-balance sheet netting), (3) third party guarantees.

Credit risk mitigation tools can reduce or transfer credit risk, but may give rise to other residual risks, including: Legal risk, operational risk, liquidity risk and market risk. The Bank adopted stringent procedures necessary to control these risks, such as policy formulation, development of operating procedures to conduct credit checks and evaluation, system implementation, contract control and so on.

The Bank has developed collateral management policies and operating procedures, including recognition of collateral data. The Bank uses a computing platform for mitigation of complex risk and completes the required collateral to offset data field collection and analysis, and links credit systems and collateral management system information to build up capital provision.

6) Maximum exposure to credit risk

The maximum credit risk exposure amount of financial assets is the book value of the specific asset on the balance sheet date. The analysis of the maximum credit exposure amount (excluding the fair value of collateral) of each off-balance sheet financial instrument held by the Bank is as follows:

| Off-balance Sheet Item | Maximum Exposure Amount | |
|---|-------------------------|-------------------|
| | December 31, 2022 | December 31, 2021 |
| Financial guarantees and irrevocable documentary letter of credit | | |
| Contract amounts | \$ 21,179,610 | \$ 36,445,964 |
| Maximum exposure amounts | 21,179,610 | 36,445,964 |
| Loan commitments | 62,895,729 | 47,740,121 |

7) Concentrations of credit risk exposure

Concentrations of credit risk exist when the counterparty includes only one specific person or include many people who engage in similar business which are similar in economic characteristics. The Bank does not concentrate on single customer or counterparty in trading but have similar counterparty, industry and geographic region on the loan business.

On December 31, 2022 and 2021, the Bank's significant concentrations of credit risk were summarized as follows (only the top three are shown below):

a) By industry

| Credit Risk Profile by Industry Sector | December 31, 2022 | | December 31, 2021 | |
|--|-------------------|----|-------------------|----|
| | Amount | % | Amount | % |
| Financial intermediary | \$ 53,934,461 | 29 | \$ 41,327,187 | 26 |
| Private | 37,745,778 | 20 | 34,318,879 | 22 |
| Manufacturing | 37,332,241 | 20 | 35,727,129 | 22 |

b) By counterparty

| Credit Risk Profile by Counterparty Sector | December 31, 2022 | | December 31, 2021 | |
|--|-------------------|----|-------------------|----|
| | Amount | % | Amount | % |
| Private sector | \$ 151,114,031 | 80 | \$ 124,727,114 | 78 |
| Natural person | 37,745,778 | 20 | 34,318,879 | 22 |

c) By geographical area

| Credit Risk Profile by Geographical Area Sector | December 31, 2022 | | December 31, 2021 | |
|---|-------------------|----|-------------------|----|
| | Amount | % | Amount | % |
| Domestic | \$ 129,677,253 | 69 | \$ 116,051,668 | 73 |
| Other Asia area | 36,705,337 | 19 | 27,972,835 | 18 |
| America | 17,021,724 | 9 | 11,220,593 | 7 |

8) Credit quality and impairment assessment of financial assets

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to other banks, financial asset at fair value through profit or loss, bills and bonds purchased under resell agreements, refundable deposits, operating deposits and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

On each reporting date, the Bank assesses the change in the default risk of financial assets and considers reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, including the overdue status of credit assets from clients, actual repayment situations, credit investigation results, announcements of dishonored checks and negotiations of the debts from other financial institutions, or information that the debtor has reorganized or is likely to reorganize, to determine whether the credit risk has increased significantly.

The Bank adopts the 12-month ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has not increased significantly since initial recognition and adopts the lifetime ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or which are credit-impaired.

The Bank considers both the 12-month and lifetime probability of default (“PD”) of the borrower together with the loss given default (“LGD”), multiplied by the exposure at default (“EAD”), and considers the impact of the time value of money in order to calculate the 12-month ECLs and lifetime ECLs, respectively.

The PD refers to the borrower’s probability to default, and the LGD refers to losses caused by such default. The Bank applies the PD and LGD for the impairment assessment of the credit business according to each group entity’s historical information (such as credit loss experience) from internal statistical data and adjusts such historical data based on the current observable and forward-looking macroeconomic information. It then calculates the respective impairment by applying the progressive one factor model.

Considering the impact of COVID-19 to the overall economy, the Bank has adjusted the weights of the assessment factors to reflect the estimated influence of the economic indicator changes on the default rate.

The Bank estimates the balance of each account based on the method of amortization and considers the possible survival rate in order to calculate the EAD. In addition, the Bank estimates the 12-month ECLs and lifetime ECLs of loan commitments based on the guidelines issued by the Bank’s Association and Basel Accords. The Bank calculates the EAD of expected credit losses by considering the portion of the loan commitments expected to be used within 12 months after the reporting date as compared with the expected lifetime of the loan commitments.

The Bank uses the same definitions for default and credit impairment of financial assets. If one or more of the conditions are met, for instance, the financial assets are overdue for more than 90 days or the credit investigation appears to be abnormal, then the Bank determines that the financial assets have defaulted and are credit-impaired.

Credit assets are classified into five categories. In addition to the first category of credit assets, which are normal credit assets that are classified as sound assets, the remaining credit assets are classified as unsound assets and assessed according to the respective collateral and the length of time in which the respective payments become overdue. Such unsound credit assets are then categorized within the second category if they should only be noted; within the third category if they have substandard expected recovery; within the fourth category if their collectability is highly doubtful; and within the fifth category if they are considered uncollectable. The Bank also sets up policies for the management of provisions for doubtful credit assets and the collection and settlement of overdue debts in order to deal with collection problems.

b) Credit risk management for investments in debt instruments

The Bank only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Bank and its subsidiaries' exposure and the external credit ratings are continuously monitored. The Bank and its subsidiaries review other public information and make an assessment as to whether there has been a significant increase in credit risk since the last period to the current reporting date.

The Bank considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecasts to estimate 12-month or lifetime expected credit losses.

The Bank's current credit risk grading mechanism is as follows:

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

The gross carrying amounts of debt instrument investments by credit category were as follows:

| Category | December 31 | |
|------------|---------------|---------------|
| | 2022 | 2021 |
| Performing | \$ 89,806,632 | \$ 76,031,880 |
| Doubtful | - | - |
| In default | - | - |

The allowance for impairment loss of investments in debt instruments at FVTOCI and amortized cost for the years ended December 31, 2022 and 2021, grouped by credit rating, is reconciled as follows:

| | Credit Rating Performing (12-month ECLs) |
|--------------------------------------|---|
| Allowance for Impairment Loss | |
| Balance at January 1, 2022 | \$ 17,758 |
| New financial assets purchased | 6,596 |
| Derecognition of financial assets | (5,008) |
| Change in model or risk parameters | (1,430) |
| Exchange rate or other changes | <u>623</u> |
| Balance at December 31, 2022 | <u>\$ 18,539</u> |

| | Credit Rating Performing (12-month ECLs) |
|--------------------------------------|---|
| Allowance for Impairment Loss | |
| Balance at January 1, 2021 | \$ 13,117 |
| Transfers | |
| New financial assets purchased | 12,230 |
| Derecognition of financial assets | (6,910) |
| Change in model or risk parameters | (469) |
| Exchange rate or other changes | <u>(210)</u> |
| Balance at December 31, 2021 | <u>\$ 17,758</u> |

In addition to the above, the credit quality analysis of the remaining financial assets of the Bank and its subsidiaries is as follows:

a) Credit analysis for receivables and discounts and loans

| | December 31, 2022 | | | | |
|---|--------------------------|--------------------------|--------------------------|---|---------------------|
| | Stage 1 12-month ECLs | Stage 2 Lifetime ECLs | Stage 3 Lifetime ECLs | Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans | Total |
| Receivables | \$ 2,299,072 | \$ 664,950 | \$ 37,297 | \$ - | \$ 3,001,319 |
| Allowance for credit losses | (3,222) | (1,105) | (25,059) | - | (29,386) |
| Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans | <u>-</u> | <u>-</u> | <u>-</u> | <u>(17,165)</u> | <u>(17,165)</u> |
| Net total | <u>\$ 2,295,850</u> | <u>\$ 663,845</u> | <u>\$ 12,238</u> | <u>\$ (17,165)</u> | <u>\$ 2,954,768</u> |

| December 31, 2022 | | | | | |
|---|--------------------------|--------------------------|--------------------------|---|-----------------------|
| | Stage 1 12-month ECLs | Stage 2 Lifetime ECLs | Stage 3 Lifetime ECLs | Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans | Total |
| Discounts and loans | \$ 171,969,614 | \$ 15,475,360 | \$ 1,414,835 | \$ - | \$ 188,859,809 |
| Allowance for credit losses | (408,112) | (76,237) | (296,640) | - | (780,989) |
| Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans | - | - | - | (2,102,319) | (2,102,319) |
| Net total | <u>\$ 171,561,502</u> | <u>\$ 15,399,123</u> | <u>\$ 1,118,195</u> | <u>\$ (2,102,319)</u> | <u>\$ 185,976,501</u> |
| December 31, 2021 | | | | | |
| | Stage 1 12-month ECLs | Stage 2 Lifetime ECLs | Stage 3 Lifetime ECLs | Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans | Total |
| Receivables | \$ 2,066,781 | \$ 38,762 | \$ 34,989 | \$ - | \$ 2,140,532 |
| Allowance for credit losses | (4,002) | (116) | (22,446) | - | (26,564) |
| Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans | - | - | - | (15,680) | (15,680) |
| Net total | <u>\$ 2,062,779</u> | <u>\$ 38,646</u> | <u>\$ 12,543</u> | <u>\$ (15,680)</u> | <u>\$ 2,098,288</u> |
| December 31, 2021 | | | | | |
| | Stage 1 12-month ECLs | Stage 2 Lifetime ECLs | Stage 3 Lifetime ECLs | Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans | Total |
| Discounts and loans | \$ 146,664,018 | \$ 11,147,931 | \$ 1,234,045 | \$ - | \$ 159,045,994 |
| Allowance for credit losses | (324,263) | (78,499) | (237,243) | - | (640,005) |
| Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans | - | - | - | (1,657,668) | (1,657,668) |
| Net total | <u>\$ 146,339,755</u> | <u>\$ 11,069,432</u> | <u>\$ 996,802</u> | <u>\$ (1,657,668)</u> | <u>\$ 156,748,321</u> |

b) Credit analysis for marketable securities

| | December 31, 2022 | | |
|-------------------------------|----------------------|----------------------|----------------------|
| | At FVTOCI | At Amortized Cost | Total |
| Gross carrying amount | \$ 65,621,789 | \$ 24,184,842 | \$ 89,806,631 |
| Allowance for impairment loss | <u>(15,521)</u> | <u>(3,018)</u> | <u>(18,539)</u> |
| Amortized cost | 65,606,268 | <u>\$ 24,181,824</u> | 89,788,092 |
| Fair value adjustment | <u>(2,066,791)</u> | | <u>(2,066,791)</u> |
| | <u>\$ 63,539,477</u> | | <u>\$ 87,721,301</u> |

| | December 31, 2021 | |
|-------------------------------|----------------------|--|
| | At FVTOCI | |
| Gross carrying amount | \$ 76,031,880 | |
| Allowance for impairment loss | <u>(17,758)</u> | |
| Amortized cost | 76,014,122 | |
| Fair value adjustment | <u>(199,246)</u> | |
| | <u>\$ 75,814,876</u> | |

9) Aging analysis for overdue but not yet impaired financial assets

Delays in processing payments by borrowers and other administrative reasons could result in financial assets which are overdue but not yet impaired.

As of December 31, 2022 and 2021, the Bank had no financial assets which were overdue but not impaired.

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity is the Bank's capacity to realize assets, obtain financing or funds to meet obligations at maturity, including deposits and off-balance sheet guarantees.

Liquidity risk is the risk that the Bank's is unable to meet its payment obligation and to operate normally.

2) Management strategy and principles of liquidity risk

- a) Liquidity risk management process should be able to adequately identify, measure effectively, monitor continuously, and properly control of the Bank's liquidity risk, to ensure that banks both in normal operating environments or under pressure, have sufficient funds to cope assets or settle liabilities when due.
- b) Manage current assets to ensure that the Bank have enough instantly-realized assets to deal with currency risks.
- c) Capital management should include regular review of the asset and liability structure, and proper configuration of assets and liabilities, and should take into account the realization of assets and the stability of financing sources to plan combinations of funding sources to ensure that the Bank's liquidity.

- d) To establish an appropriate information system to measure, monitor and report liquidity risk.
- e) The setting of the measurement systems or models should include important factors which affect the currency risks of the Bank's fund (including the introduction of new products or services) for managing current risks to help the Bank to evaluate and monitor the fund currency risks in the regular condition and under pressure.
- f) To use early warning tools and continuously monitor and report liquidity risk profile, and set liquidity risk limits, with due consideration of business strategy, operational characteristics and risk preference factors.
- g) In addition to the monitoring of the capital requirements, under normal business conditions, the Bank should regularly conduct stress tests to evaluate the assumptions in the liquidity position and ensure that banks have sufficient liquidity to withstand stress scenarios; assessment should be made to view liquidity risk management indicators and reasonableness of limits.
- h) Develop appropriate action plans to respond to possible occurrence of liquidity crisis, and regularly review such plans to ensure that the action plans are in line with the banking operating environment and conditions, and can continue to play its role effectively.

As of December 31, 2022 and 2021, the liquidity reserve ratio was 46.54% and 46.81%, respectively.

- 3) The analysis of cash outflow of non-derivative financial liabilities held was prepared according to the remaining periods from reporting date to contractual maturity date. The maturity analysis of non-derivative financial liabilities was as follows:

| December 31, 2022 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | More Than 1 Year | Total |
|--|----------------------|----------------------|-------------------------|-----------------------|----------------------|-----------------------|
| Deposits from the Central Bank and banks | \$ 8,459,591 | \$ 460,841 | \$ - | \$ 3,000,000 | \$ 1,999,997 | \$ 13,920,429 |
| Bills and bonds sold under repurchase agreements | 2,914,886 | 5,432,381 | - | - | - | 8,347,267 |
| Payables | 961,705 | 347,422 | 301,477 | 1,091,865 | 10,750 | 2,713,219 |
| Deposits and remittances | 66,030,092 | 88,204,124 | 33,892,560 | 34,446,149 | 51,931,053 | 274,503,978 |
| Bank debentures payable | - | - | 2,250,000 | 700,000 | 10,650,000 | 13,600,000 |
| Lease liabilities | 7,277 | 14,846 | 22,125 | 41,790 | 116,121 | 202,159 |
| Other financial liabilities | 168,975 | 6,662 | 9,800 | 218,743 | 2,466,044 | 2,870,224 |
| | <u>\$ 78,542,526</u> | <u>\$ 94,466,276</u> | <u>\$ 36,475,962</u> | <u>\$ 39,498,547</u> | <u>\$ 67,173,965</u> | <u>\$ 316,157,276</u> |
| December 31, 2021 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | More Than 1 Year | Total |
| Deposits from the Central Bank and banks | \$ 18,226,383 | \$ 553,793 | \$ - | \$ - | \$ - | \$ 18,780,176 |
| Financial liabilities at fair value through profit or loss | - | 36 | - | - | - | 36 |
| Bills and bonds sold under repurchase agreements | 632,282 | 264,028 | - | - | - | 896,310 |
| Payables | 479,485 | 40,829 | 198,698 | 894,196 | 4,308 | 1,617,516 |
| Deposits and remittances | 40,593,662 | 71,218,550 | 37,225,751 | 47,580,591 | 41,575,910 | 238,194,464 |
| Bank debentures payable | - | - | 1,500,000 | 1,000,000 | 12,500,000 | 15,000,000 |
| Lease liabilities | 7,806 | 16,346 | 24,167 | 31,788 | 115,579 | 195,686 |
| Other financial liabilities | 28,285 | 20,052 | 29,462 | 23,143 | 2,213,668 | 2,314,610 |
| | <u>\$ 59,967,903</u> | <u>\$ 72,113,634</u> | <u>\$ 38,978,078</u> | <u>\$ 49,529,718</u> | <u>\$ 56,409,465</u> | <u>\$ 276,998,798</u> |

- 4) The Bank assessed based contractual maturities at the balance sheet to understand all the basic elements of derivative financial instruments. The maturity analysis of derivative financial liabilities was as follows:

| December 31, 2022 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | More Than 1 Year | Total |
|------------------------------------|----------------------|-------------------|-------------------------|-----------------------|---------------------|-------------------|
| Deliverable | | | | | | |
| Forward contracts | \$ 126,037 | \$ 7,231 | \$ - | \$ 151 | \$ - | \$ 133,419 |
| Currency swap contracts | 217,277 | 294,320 | 50,188 | 57,520 | - | 619,305 |
| Currency option contracts - put | <u>7,119</u> | <u>1,499</u> | <u>1,927</u> | <u>3,941</u> | <u>-</u> | <u>14,486</u> |
| | 350,433 | 303,050 | 52,115 | 61,612 | - | 767,210 |
| Non-deliverable | | | | | | |
| Interest rate swap contracts | <u>-</u> | <u>80</u> | <u>-</u> | <u>110</u> | <u>18,185</u> | <u>18,375</u> |
| | <u>\$ 350,433</u> | <u>\$ 303,130</u> | <u>\$ 52,115</u> | <u>\$ 61,722</u> | <u>\$ 18,185</u> | <u>\$ 785,585</u> |
| December 31, 2021 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | More Than 1 Year | Total |
| Deliverable | | | | | | |
| Forward contracts | \$ 29,786 | \$ 12,570 | \$ 9,446 | \$ 11,083 | \$ - | \$ 62,885 |
| Currency swap contracts | 83,843 | 66,584 | 55,403 | 33,894 | - | 239,724 |
| Currency option contracts - put | <u>2,951</u> | <u>61</u> | <u>1,277</u> | <u>-</u> | <u>-</u> | <u>4,289</u> |
| | 116,580 | 79,215 | 66,126 | 44,977 | - | 306,898 |
| Non-deliverable | | | | | | |
| Interest rate swap contracts | <u>365</u> | <u>-</u> | <u>882</u> | <u>1,537</u> | <u>6,527</u> | <u>9,311</u> |
| | <u>\$ 116,945</u> | <u>\$ 79,215</u> | <u>\$ 67,008</u> | <u>\$ 46,514</u> | <u>\$ 6,527</u> | <u>\$ 316,209</u> |

- 5) The maturity analysis of off-balance sheet items shows the remaining balance from the balance sheet date to the maturity date. For the sent financial guarantee contracts, the maximum amounts are possibly asked for settlement in the earliest period. The amounts in the table below were on cash flow basis; therefore, some disclosed amounts will not match with the balance sheet.

| December 31, 2022 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | More Than 1 Year | Total |
|--------------------------|----------------------|----------------------|-------------------------|-----------------------|---------------------|----------------------|
| Unused letters of credit | \$ 264,149 | \$ 630,828 | \$ 137,152 | \$ - | \$ - | \$ 1,032,129 |
| Other guarantees | 12,468,798 | 5,184,100 | 1,187,006 | 439,889 | 867,688 | 20,147,481 |
| Loan commitments | <u>5,868,171</u> | <u>11,736,343</u> | <u>17,604,515</u> | <u>27,686,700</u> | <u>-</u> | <u>62,895,729</u> |
| | <u>\$ 18,601,118</u> | <u>\$ 17,551,271</u> | <u>\$ 18,928,673</u> | <u>\$ 28,126,589</u> | <u>\$ 867,688</u> | <u>\$ 84,075,339</u> |
| December 31, 2021 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | More Than 1 Year | Total |
| Unused letters of credit | \$ 350,039 | \$ 1,341,312 | \$ 245,066 | \$ 40,189 | \$ - | \$ 1,976,606 |
| Other guarantees | 22,389,858 | 9,248,991 | 1,931,450 | 680,597 | 218,462 | 34,469,358 |
| Loan commitments | <u>4,034,995</u> | <u>8,069,990</u> | <u>12,104,985</u> | <u>23,530,151</u> | <u>-</u> | <u>47,740,121</u> |
| | <u>\$ 26,774,892</u> | <u>\$ 18,660,293</u> | <u>\$ 14,281,501</u> | <u>\$ 24,250,937</u> | <u>\$ 218,462</u> | <u>\$ 84,186,085</u> |

e. Market risk

1) Source and definition of market risk

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices, commodity prices, etc.) which may cause financial instruments classified in trading book a potential loss on or off the balance sheet.

2) Market risk management strategy and process

The Bank manages the market risk with active, careful attitude.

The Bank makes the profit mainly from trading business through knowing how market risk factors fluctuate. (e.g., market price, exchange rate, interest rate). More violent the market risk factors fluctuate, the bigger the opportunity for profit or loss. When preparing the Annual Trading Budget Report of the trading business, the Bank will refer to the overall economic and industrial analysis of the Bank itself and also the other similar business. After discussions by the president, the trading department and the market risk management department, it is submitted to the Risk Management Committee and the Board with the plan of stop-loss quotas and product parts quotas to avoid setting up the goal in an impracticable way that leads the dealer to take more risk on operating.

The Bank sets up definite management rules and risk management indicators for different trading business and its risk attribute, and stipulates exposure amount, submission of expiration, authorizing management and ways of disposal. Implement certainly and ensure the trading department to abide by the discipline to control the market risk exposure extent in a safe range.

3) Market risk management organization and framework

- a) The Board of Directors: It is the top market risk supervising organization. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank, approved by the Board, are the top stipulation in market risk management.
- b) Risk Management Committee: In charge of stipulating risk management policy and monitoring the operating of market risk management. The Bank hold a risk management meeting per month to review the market risk limits and regulations, report various market risk limit control situations and market risk related matters.
- c) Risk Management Department: In charge of market risk management. According to the Bank's regulation, the department is in charge of every operation related to market risk management, including planning of market risk limit, statistics, reporting and monitoring.

4) Market risk report and evaluation system

The Bank setup the risk index, exposure amount and authority levels by products' type (e.g. equity, interest rate, currency exchange rate).

The Bank setup the limit amount of trading and loss, and other index including VaR, MAT, 20-Day average liquidity and FS sensitivity limit to enhance the risk control system.

The Bank calculates the risk exposure amount of the trade department and traders based on authorized amount, and submits risk report, monitors the limits and executes the following measures.

The Bank sets up the index of stop loss to control the risk of transaction including bonds, Forex, securities and derivative by building the risk evaluation module, and monitor the loss caused by the fluctuation of stock market, exchange rate and interest rates.

5) Value at risk

The Bank adopts Value at Risk to evaluate trading book products such as rate financial instruments, TWD interest products and market risks of trading assets IPO stocks. When market factors happen negative changes, Value at Risk reveals the potential losses of holding financial instruments during a certain period and in a confidence interval. The bank adopts Monte Carlo method to estimate Value at Risk, the confidence interval is 99%, the sample interval of rate and stock products is the past year, the sample interval of interest products is the past three years, simulation times is 5,000 times, simulation path is GBM.

The following table illustrates the Value at Risk of the bank, this risk value is based on confidence interval, estimated in one day potential losses and assumed unfavorable interest rate and stock price change can cover all possible fluctuation in one day. Based on this assumption, the Value at Risk of financial assets and liabilities in the table have one in hundred days possibility more than the amount in the table due to the fluctuation of interest, rate and stock prices. Annual average value, maximum value and minimum value are calculated based on daily Value at Risk. The total market risk value of the bank is less than the sum of the fair value risk value, rate risk value and price risk value of interest changes.

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| | December 31 | | | | | |
|--|-------------|-----------|--------|----------|----------|--------|
| | 2022 | | | 2021 | | |
| | Average | High | Low | Average | High | Low |
| Currency exchange rate risk | \$ 2,692 | \$ 12,790 | \$ 284 | \$ 1,684 | \$ 5,086 | \$ 365 |
| Fair value risk resulting from interest rate | 2,038 | 5,147 | 444 | 2,490 | 4,162 | 1,056 |
| Fair value resulting from stock price | 8,060 | 22,962 | - | 14,991 | 31,270 | 4,874 |

6) Effect of interest rate benchmark reform

The Bank is exposed to USD LIBOR and HKD HIBOR which are subject to interest rate benchmark reform. The exposures arise on non-derivative financial assets. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. HONIA (Hong Kong dollar Overnight Index Average) is expected to replace HKD HIBOR. There are key differences between these benchmarks. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. To transition existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

The Bank established USD LIBOR and HKD HIBOR transition project plans for each benchmark. These transition projects are considering changes to risk management policies, internal processes, IT systems and valuation models, as well as managing any related tax and accounting implications. As at December 31, 2022, the bank has identified all the information systems and internal processes that need to be updated, and planned the update schedule. The bank has completed the identification of the affected contracts, and expects to gradually switch to alternative interest rate indicators in the end of June 2023, and pay close attention to the regulations of the competent authority, market development, and processing methods among other banks.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with the Bank are not successfully concluded before the cessation of HKD HIBOR and USD LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

The following table contains details of all of the financial instruments held by the Bank at December 31, 2022 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

| | Book Value Not Transitioned to Alternative Benchmark Rates | Transition Progress |
|---|---|---|
| <u>USD LIBOR financial assets</u> | | |
| Financial assets at fair value through other comprehensive income | \$ 460,841 | The Bank will pay close attention to the regulations of the competent authority, market development, and processing methods among other banks, and will cooperate with the issuer and counterparty to negotiate the contract revision. It is expected that the contract revision will be sold or completed in the first half of 2023. |
| Discounts and loans | <u>768,068</u> | |
| | <u>\$ 1,228,909</u> | The Bank will gradually switch to alternative interest rate indicators, and pay close attention to the regulations of the competent authority, market development, and processing methods among other banks. |

7) Foreign currency rate risk information

The information of significant foreign financial assets and liabilities is as follows:

Unit: Foreign Currencies (Thousands)/NT\$ (Thousands)

| | December 31, 2022 | | |
|---|-------------------------------|--------------------------|-------------------------------|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| Monetary item | | | |
| USD | \$ 1,628,447 | 30.7227 | \$ 50,030,273 |
| JPY | 3,591,733 | 0.2328 | 836,119 |
| HKD | 8,425,235 | 3.9397 | 33,192,899 |
| EUR | 25,304 | 32.7355 | 828,328 |
| AUD | 254,334 | 20.8626 | 5,306,071 |
| RMB | 671,878 | 4.4175/4.4086 | 2,962,067 |
| Investments accounted for using the equity method | | | |
| USD | 197,261 | 30.7227 | 6,060,385 |
| RMB | 228,871 | 4.4175 | 1,011,042 |

(Continued)

| | December 31, 2022 | | |
|------------------------------|-------------------------------|--------------------------|-------------------------------|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial liabilities</u> | | | |
| Monetary item | | | |
| USD | \$ 3,034,763 | 30.7227 | \$ 93,236,127 |
| JPY | 4,997,441 | 0.2328 | 1,163,354 |
| HKD | 4,203,751 | 3.9397 | 16,561,516 |
| EUR | 9,213 | 32.7355 | 301,595 |
| AUD | 154,383 | 20.8626 | 3,220,844 |
| RMB | 633,767 | 4.4086 | 2,794,043 |
| | | | (Concluded) |

| | December 31, 2021 | | |
|---|-------------------------------|--------------------------|-------------------------------|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| Monetary item | | | |
| USD | \$ 1,435,302 | 27.6897 | \$ 39,743,050 |
| JPY | 3,981,909 | 0.2404 | 957,168 |
| HKD | 6,607,450 | 3.5506 | 23,460,279 |
| EUR | 23,832 | 31.3001 | 745,944 |
| AUD | 205,517 | 20.0948 | 4,129,826 |
| RMB | 409,068 | 4.3453/4.3460 | 1,777,809 |
| Investments accounted for using the equity method | | | |
| USD | 193,970 | 27.6897 | 5,370,957 |
| RMB | 202,722 | 4.3453 | 880,879 |

| | | | |
|------------------------------|-----------|---------|------------|
| <u>Financial liabilities</u> | | | |
| Monetary item | | | |
| USD | 2,466,916 | 27.6897 | 68,308,083 |
| JPY | 3,765,547 | 0.2404 | 905,159 |
| HKD | 3,221,115 | 3.5506 | 11,436,826 |
| EUR | 13,438 | 31.3001 | 420,622 |
| AUD | 47,150 | 20.0948 | 947,472 |
| RMB | 1,030,390 | 4.3460 | 4,478,073 |

f. Banking book interest rate risk

1) Source and definition of interest rate risk of banking book

Banking book's interest rate risk means the probably loss of non-trading book's position within balance sheet and off-balance sheet arise from interest change.

2) Management strategy and process of interest rate risk of banking book

The Bank controls this interest rate risk with a positive and strict attitude. The Bank hopes to pursue the stability and growth of surplus without liquidity flaws.

The Bank set the clear management methods and risk management indicators with different trading, investment and risk, and set the report of risk amount and over limit, approved level and reaction plan. The Bank executes the procedures clearly, establishes a trading discipline that upholds the discipline of investment, and controls the interest rate risk of banking book within the limit.

3) Management organization and framework of interest rate risk of banking book

- a) The Board of Directors: It is the top organization to supervise interest rate risk of banking book. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank and approved by the board of director are the top stipulation in bank book interest risk.
- b) Risk Management Committee: In charge of stipulating risk management policy of interest rate risk of banking book and monitoring the risk management operating of interest rate risk of banking book. The Bank assembles related departments to hold a risk management assessment meeting to review the risk management conditions of interest rate risk of banking book and the result of interest rate pressure test once a month.
- c) Risk Management Department: In charge of risk management of interest rate risk of banking book. According to the Bank's regulation, the department is in charge of every operation related to management of interest rate risk of banking book, including planning limits, statistics, reporting and monitoring.

4) The extent and characteristics of interest rate risk report and evaluation system of banking book

The Risk Management Department set the regulation with banking book interest risk as follow, limit of position, Annual loss limit, FS Sensitivity limit, duration/maturity limit, Individual Investment Target Warning Limits, Individual Investment Target stop buying limit, Earnings View Interest Rate Sensitivity Warning Limit-Rising/falling interest rates by 1bp, First Class Capital Interest Rate Sensitivity Warning Limit: Interest rate rise/fall 25bps, 50bps, 75bps, 100bps. In summary, it is intended to enhance the risk control framework of interest rate risk of banking book.

Besides, the Risk Management Department executes the following tests to assess the impact to the Bank's net income in special situation pressure test, and reports the result to the Assets and Liabilities Committee.

The Risk Management Department calculates the exposure amount of each trading departments and traders, and it also reports the risk reports, monitors over-limits, and performs follow-up actions under the regulations.

- g. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities

Interest rate fluctuations affect the earning assets and interest-bearing liabilities, and current average interest rates are as follows:

Average balance was calculated at the daily average balances of interest-earning assets and interest-bearing liabilities.

O-Bank

| | For the Year Ended December 31 | | | |
|---|--------------------------------|---------------------|--------------------|---------------------|
| | 2022 | | 2021 | |
| | Average Balance | Average Rate (%) | Average Balance | Average Rate (%) |
| <u>Interest-earning assets</u> | | | | |
| Due from banks (part of cash and cash equivalents and other financial assets) | \$ 888,612 | 1.15 | \$ 852,282 | 1.12 |
| Call loans to other banks | 8,001,642 | 1.96 | 10,051,381 | 0.17 |
| Due from the Central Bank | 5,491,954 | 0.72 | 5,321,116 | 0.39 |
| Financial assets at FVTPL | 37,249,454 | 0.70 | 43,042,384 | 0.31 |
| Bills and bonds purchased under resell agreements | 192 | 0.24 | 10,235 | 0.09 |
| Discounts and loans | 178,470,922 | 2.64 | 156,824,702 | 1.90 |
| Financial assets at FVTOCI | 70,799,283 | 0.96 | 69,166,776 | 0.61 |
| Investments in debt instruments at amortized cost | 11,716,184 | 1.56 | - | - |
| Receivables | 1,259,282 | 2.19 | 1,056,555 | 1.49 |
| <u>Interest-bearing liabilities</u> | | | | |
| Deposits from the Central Bank and other banks | 19,258,679 | 1.09 | 17,992,124 | 0.35 |
| Demand deposits | 58,838,253 | 0.40 | 64,352,856 | 0.20 |
| Time deposits | 202,186,468 | 1.09 | 173,099,432 | 0.44 |
| Bill and bonds sold under repurchase agreements | 6,159,864 | 1.68 | 1,909,925 | 0.20 |
| Bank debentures payable | 14,290,685 | 1.91 | 15,273,973 | 1.99 |

45. CAPITAL MANAGEMENT

- a. Strategies to maintain capital adequacy

The Bank's common equity ratio of Tier I capital ratio and capital adequacy ratio required by the competent authority shall comply with the minimum capital ratio for each year; leverage ratio measurement basis subject to the competent authorities. The calculation of the ratio mentioned above by the competent authority regulations.

- b. Capital assessment program

Measures are taken when capital ratio and leverage ratio deteriorates such as regular calculation, analysis, monitoring and reporting, the annual allocation of each business's capital adequacy ratio targets and regularly tracking the target achievement rate in the capital in order to take effective measures when capital ratio and leverage ratio are getting worse.

c. Capital adequacy ratio

O-Bank

| Year | | | December 31, 2022 | |
|---|----------------------------|---|---|---|
| | | | Standalone Capital Adequacy Ratio | Consolidated Capital Adequacy Ratio |
| Items | | | | |
| Eligible capital | Common equity | | \$ 27,276,219 | \$ 27,276,219 |
| | Other Tier 1 capital | | 1,437,626 | 1,437,626 |
| | Tier 2 capital | | 3,979,520 | 3,979,520 |
| | Eligible capital | | 32,693,365 | 32,693,365 |
| Risk-weighted assets | Credit risk | Standardized approach | 210,297,034 | 210,297,034 |
| | | Internal rating based approach | - | - |
| | | Securitization | - | - |
| | Operational risk | Basic indicator approach | 9,922,725 | 9,922,725 |
| | | Standardized/alternative standardized approach | - | - |
| | | Advanced measurement approach | - | - |
| | Market risk | Standardized approach | 5,461,463 | 5,461,463 |
| | | Internal model approach | - | - |
| | Total risk-weighted assets | | 225,681,222 | 225,681,222 |
| Capital adequacy ratio | | | 14.49% | 14.49% |
| Ratio of common equity to risk-weighted assets | | | 12.09% | 12.09% |
| Ratio of Tier 1 capital to risk-weighted assets | | | 12.72% | 12.72% |
| Leverage ratio | | | 7.80% | 7.80% |

| Year | | | December 31, 2021 | |
|---|----------------------------|--|-----------------------------------|-------------------------------------|
| | | | Standalone Capital Adequacy Ratio | Consolidated Capital Adequacy Ratio |
| Items | | | | |
| Eligible capital | Common equity | | \$ 27,505,405 | \$ 27,505,405 |
| | Other Tier 1 capital | | 235,115 | 235,115 |
| | Tier 2 capital | | 2,194,638 | 2,194,638 |
| | Eligible capital | | 29,935,158 | 29,935,158 |
| Risk-weighted assets | Credit risk | Standardized approach | 184,900,099 | 184,900,099 |
| | | Internal rating based approach | - | - |
| | | Securitization | - | - |
| | Operational risk | Basic indicator approach | 9,483,113 | 9,483,113 |
| | | Standardized/alternative standardized approach | - | - |
| | | Advanced measurement approach | - | - |
| | Market risk | Standardized approach | 9,171,150 | 9,171,150 |
| | | Internal model approach | - | - |
| | Total risk-weighted assets | | 203,554,362 | 203,554,362 |
| Capital adequacy ratio | | | 14.71% | 14.71% |
| Ratio of common equity to risk-weighted assets | | | 13.51% | 13.51% |
| Ratio of Tier 1 capital to risk-weighted assets | | | 13.63% | 13.63% |
| Leverage ratio | | | 7.99% | 7.99% |

Note 1: Eligible capital, risk-weighted assets total exposures are calculated under the “Regulations Governing the Capital Adequacy Ratio of Banks” and “Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks.”

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.
- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

According to the Banking Law and other related regulations, in order to improve the financial foundation of banks, the Bank's standalone and consolidated capital adequacy ratio shall not be lower than 10.5%. The ratio of Tier 1 capital shall not be lower than 8.5%. The ratio of common equity shall not be lower than 7.0%. Should any actual ratios be lower than the requirements, the central competent authority has the right to constrain the earnings distribution.

46. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND DISCLOSURE OF RELATED INFORMATION OF INDUSTRY REGULATIONS OF MATURITY ANALYSIS OF ASSETS AND LIABILITIES

- a. Asset quality: See Table 2.
- b. Concentration of credit extensions

December 31, 2022

| Rank | Company Name | Credit Extensions Balance | % of Net Asset Value |
|-------------|--|----------------------------------|-----------------------------|
| 1 | A Group (wireless telecommunication) | \$ 7,472,591 | 19.81 |
| 2 | B Group (real estate development) | 4,106,536 | 10.89 |
| 3 | C Group (unclassified other financial service) | 3,258,090 | 8.64 |
| 4 | D Group (unclassified other financial service) | 2,946,000 | 7.81 |
| 5 | E Group (other holdings) | 2,509,837 | 6.65 |
| 6 | F Group (glass and glass made product manufacturing) | 2,495,115 | 6.61 |
| 7 | G Group (other holdings) | 2,397,388 | 6.36 |
| 8 | H Group (other holdings) | 2,193,282 | 5.81 |
| 9 | I Group (non-hazardous waste disposal) | 2,128,382 | 5.64 |
| 10 | J Group (real estate development) | 2,010,000 | 5.33 |

December 31, 2021

| Rank | Company Name | Credit Extensions Balance | % of Net Asset Value |
|-------------|--|----------------------------------|-----------------------------|
| 1 | A Group (real estate development) | \$ 6,256,678 | 17.20 |
| 2 | B Group (real estate development) | 3,973,750 | 10.92 |
| 3 | F Group (glass and glass made product manufacturing) | 3,404,716 | 9.36 |
| 4 | C Group (unclassified other financial service) | 3,311,005 | 9.10 |
| 5 | K Group (real estate lease industry) | 3,180,000 | 8.74 |
| 6 | D Group (unclassified other financial service) | 2,940,000 | 8.08 |
| 7 | L Group (real estate development) | 2,432,955 | 6.69 |
| 8 | I Group (non-hazardous waste disposal) | 2,226,820 | 6.12 |
| 9 | M Group (mixed concrete development) | 2,195,533 | 6.03 |
| 10 | N Group (unclassified other financial service) | 2,070,000 | 5.69 |

Note 1: The list shows top 10 rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: Group enterprise refers to a group of corporate entities as defined by Article 6 of “Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.”

Note 3: Total amount of credit, endorsement or other transactions is the sum of various loans (including import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans and overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances and guarantees.

c. Interest rate sensitivity

Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
December 31, 2022

| Items | 0 to 90 Days (Included) | 91 to 180 Days (Included) | 181 Days to One Year (Included) | Over One Year | Total |
|--|--------------------------------|----------------------------------|--|----------------------|----------------|
| Interest rate-sensitive assets | \$ 161,086,901 | \$ 19,727,518 | \$ 17,766,308 | \$ 36,239,475 | \$ 234,820,202 |
| Interest rate-sensitive liabilities | 92,312,215 | 57,417,125 | 32,550,981 | 41,773,598 | 224,053,919 |
| Interest rate-sensitive gap | 68,774,686 | (37,689,607) | (14,784,673) | (5,534,123) | 10,766,283 |
| Net worth | | | | | 34,148,984 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 104.81% |
| Ratio of interest rate sensitivity gap to net worth | | | | | 31.53% |

December 31, 2021

| Items | 0 to 90 Days (Included) | 91 to 180 Days (Included) | 181 Days to One Year (Included) | Over One Year | Total |
|--|----------------------------|------------------------------|---------------------------------------|---------------|----------------|
| Interest rate-sensitive assets | \$ 152,300,462 | \$ 20,291,583 | \$ 18,349,678 | \$ 24,096,996 | \$ 215,038,719 |
| Interest rate-sensitive liabilities | 65,201,377 | 63,211,840 | 45,089,611 | 35,110,497 | 208,613,325 |
| Interest rate-sensitive gap | 87,099,085 | (42,920,257) | (26,739,933) | (11,013,501) | 6,425,394 |
| Net worth | | | | | 32,391,717 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 103.08% |
| Ratio of interest rate sensitivity gap to net worth | | | | | 19.84% |

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank and excluded contingent assets and contingent liabilities items.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

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

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

**Interest Rate Sensitivity Balance Sheet (U.S. Dollars)
December 31, 2022**

(In Thousands of U.S. Dollars)

| Items | 0 to 90 Days (Included) | 91 to 180 Days (Included) | 181 Days to One Year (Included) | Over One Year | Total |
|--|----------------------------|------------------------------|---------------------------------------|---------------|--------------|
| Interest rate-sensitive assets | \$ 1,172,542 | \$ 26,403 | \$ 21,613 | \$ 1,900,035 | \$ 3,120,593 |
| Interest rate-sensitive liabilities | 2,235,135 | 674,590 | 75,064 | 1,108 | 2,985,897 |
| Interest rate-sensitive gap | (1,062,593) | (648,187) | (53,451) | 1,898,927 | 134,696 |
| Net worth | | | | | 104,988 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 104.51% |
| Ratio of interest rate sensitivity gap to net worth | | | | | 128.30% |

December 31, 2021

(In Thousands of U.S. Dollars)

| Items | 0 to 90 Days (Included) | 91 to 180 Days (Included) | 181 Days to One Year (Included) | Over One Year | Total |
|--|----------------------------|------------------------------|---------------------------------------|---------------|--------------|
| Interest rate-sensitive assets | \$ 1,133,803 | \$ 21,691 | \$ - | \$ 1,414,647 | \$ 2,570,141 |
| Interest rate-sensitive liabilities | 1,080,612 | 1,217,122 | 120,832 | 508 | 2,419,074 |
| Interest rate-sensitive gap | 53,191 | (1,195,431) | (120,832) | 1,414,139 | 151,067 |
| Net worth | | | | | 126,544 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 106.24% |
| Ratio of interest rate sensitivity gap to net worth | | | | | 119.38% |

Note 1: The above amounts included only U.S. dollar amounts held by the Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

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

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars).

d. Profitability

(In %)

| Items | | For the Year Ended December 31, 2022 | For the Year Ended December 31, 2021 |
|------------------------|-------------------|--------------------------------------|--------------------------------------|
| Return on total assets | Before income tax | 1.56 | 0.63 |
| | After income tax | 1.50 | 0.57 |
| Return on equity | Before income tax | 14.15 | 5.60 |
| | After income tax | 13.59 | 5.12 |
| Net income ratio | | 55.54 | 33.40 |

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets.

Note 2: Return on equity = Income before (after) income tax ÷ Average equity.

Note 3: Net income ratio = Income after income tax ÷ Total net revenue.

Note 4: Income before (after) income tax represents income for the years ended December 31, 2022 and 2021.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2022

| | Total | Remaining Period to Maturity | | | | | |
|----------------------------------|----------------|------------------------------|---------------|---------------|---------------|-----------------|----------------|
| | | 0-10 Days | 11-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year |
| Main capital inflow on maturity | \$ 273,295,197 | \$ 50,934,431 | \$ 23,848,323 | \$ 31,301,922 | \$ 29,335,816 | \$ 17,512,260 | \$ 120,362,445 |
| Main capital outflow on maturity | 320,137,975 | 21,909,078 | 35,212,611 | 69,786,020 | 50,936,725 | 63,573,718 | 78,719,823 |
| Gap | (46,842,778) | 29,025,353 | (11,364,288) | (38,484,098) | (21,600,909) | (46,061,458) | 41,642,622 |

December 31, 2021

| | Total | Remaining Period to Maturity | | | | | |
|----------------------------------|----------------|------------------------------|---------------|---------------|---------------|-----------------|----------------|
| | | 0-10 Days | 11-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year |
| Main capital inflow on maturity | \$ 252,962,571 | \$ 49,606,865 | \$ 13,769,195 | \$ 24,172,783 | \$ 31,312,899 | \$ 25,351,214 | \$ 108,749,615 |
| Main capital outflow on maturity | 290,582,062 | 22,516,947 | 28,684,600 | 58,640,450 | 41,329,378 | 69,994,808 | 69,415,879 |
| Gap | (37,619,491) | 27,089,918 | (14,915,405) | (34,467,667) | (10,016,479) | (44,643,594) | 39,333,736 |

Note: The Bank amounts refer to the total NTD amounts of the overall Bank.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2022

(In Thousands of U.S. Dollars)

| | Total | Remaining Period to Maturity | | | | |
|----------------------------------|--------------|------------------------------|------------|-------------|-----------------|-------------|
| | | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year |
| Main capital inflow on maturity | \$ 5,070,231 | \$ 2,672,783 | \$ 752,403 | \$ 355,202 | \$ 376,849 | \$ 912,994 |
| Main capital outflow on maturity | 5,290,561 | 2,461,429 | 1,477,700 | 379,100 | 262,792 | 709,540 |
| Gap | (220,330) | 211,354 | (725,297) | (23,898) | 114,057 | 203,454 |

December 31, 2021

(In Thousands of U.S. Dollars)

| | Total | Remaining Period to Maturity | | | | |
|----------------------------------|--------------|------------------------------|------------|-------------|-----------------|-------------|
| | | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year |
| Main capital inflow on maturity | \$ 4,367,803 | \$ 1,828,104 | \$ 961,934 | \$ 405,965 | \$ 348,921 | \$ 822,879 |
| Main capital outflow on maturity | 4,496,465 | 1,915,031 | 1,073,733 | 646,113 | 332,035 | 529,553 |
| Gap | (128,662) | (86,927) | (111,799) | (240,148) | 16,886 | 293,326 |

Note 1: The Bank amounts refer to the total USD amounts of the overall Bank.

Note 2: If the overseas assets are at least 10% of the total assets, there should be additional disclosures.

Maturity Analysis of Overseas Assets and Liabilities (U.S. Dollars)
December 31, 2022

(In Thousands of U.S. Dollars)

| | Total | Remaining Period to Maturity | | | | |
|----------------------------------|--------------|------------------------------|------------|-------------|-----------------|-------------|
| | | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year |
| Main capital inflow on maturity | \$ 1,711,882 | \$ 1,262,655 | \$ 204,457 | \$ 59,657 | \$ 35,173 | \$ 149,940 |
| Main capital outflow on maturity | 1,716,968 | 854,907 | 400,021 | 73,929 | 52,483 | 335,628 |
| Gap | (5,086) | 407,748 | (195,564) | (14,272) | (17,310) | (185,688) |

December 31, 2021

(In Thousands of U.S. Dollars)

| | Total | Remaining Period to Maturity | | | | |
|----------------------------------|--------------|------------------------------|------------|-------------|-----------------|-------------|
| | | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year |
| Main capital inflow on maturity | \$ 1,727,352 | \$ 1,110,761 | \$ 299,055 | \$ 42,184 | \$ 65,770 | \$ 209,582 |
| Main capital outflow on maturity | 1,718,524 | 792,860 | 400,188 | 197,111 | 94,077 | 234,288 |
| Gap | 8,828 | 317,901 | (101,133) | (154,927) | (28,307) | (24,706) |

47. CASH FLOWS INFORMATION

Changes in Liabilities from Financing Activities

For the year ended December 31, 2022

| | January 1, 2022 | Cash Inflow (Outflow) | None Cash | | December 31, 2022 |
|-----------------------------|----------------------|--------------------------|------------------|-----------------|----------------------|
| | | | Add Leasing | Other | |
| Bank debentures payable | \$ 15,000,000 | \$ (1,400,000) | \$ - | \$ - | \$ 13,600,000 |
| Lease liabilities | 190,235 | (98,627) | 94,964 | 8,436 | 195,008 |
| Other financial liabilities | 2,314,610 | 555,614 | - | - | 2,870,224 |
| Other liabilities | 245,682 | 10,366 | - | (10) | 256,038 |
| | <u>\$ 17,750,527</u> | <u>\$ (932,647)</u> | <u>\$ 94,964</u> | <u>\$ 8,426</u> | <u>\$ 16,921,270</u> |

For the year ended December 31, 2021

| | January 1, 2021 | Cash Inflow (Outflow) | None Cash | | December 31, 2021 |
|-----------------------------|----------------------|--------------------------|------------------|-----------------|----------------------|
| | | | Add Leasing | Other | |
| Bank debentures payable | \$ 16,400,000 | \$ (1,400,000) | \$ - | \$ - | \$ 15,000,000 |
| Lease liabilities | 253,261 | (96,711) | 31,037 | 2,648 | 190,235 |
| Other financial liabilities | 2,848,008 | (533,398) | - | - | 2,314,610 |
| Other liabilities | <u>61,836</u> | <u>183,846</u> | <u>-</u> | <u>-</u> | <u>245,682</u> |
| | <u>\$ 19,563,105</u> | <u>\$ (1,846,263)</u> | <u>\$ 31,037</u> | <u>\$ 2,648</u> | <u>\$ 17,750,527</u> |

48. OTHERS

The Bank has evaluated the economic impact of the COVID-19. Until the issue date of the financial statements, the Bank found no significant impact on its financial condition and operations through its relevant risk management and control procedures.

49. ADDITIONAL DISCLOSURES

- a. Related information of significant transactions and investees and
- b. Names, locations, and other information of investees over which the Bank exercises significant influence
 - 1) Financing provided: None
 - 2) Endorsement/guarantee provided: None
 - 3) Marketable securities held: The Bank - not applicable; investees - Table 1 (attached)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT \$300 million or 10% of the paid-in capital: None
 - 5) Acquisition of individual real estate at costs of at least NT \$300 million or 10% of the paid-in capital: None
 - 6) Disposal of individual real estate at costs of at least NT \$300 million or 10% of the paid-in capital: None
 - 7) Allowance of service fees to related parties amounting to at least NT \$5 million: None
 - 8) Receivables from related parties amounting to at least NT \$300 million or 10% of the paid-in capital: None
 - 9) Sale of non-performing loans: None
 - 10) Information of applying for authorization of securitized product type according to the “Regulations of Financial Assets Securitization or Regulations of Real Estate Securitization”: None
 - 11) Other significant transactions which may affect the decisions of users of individual financial reports: None

12) Related information and total stockholding circumstances of “Name, locations and other information of investees on which the Bank exercises significant influence.” - Table 3 (attached)

13) Derivative instrument transactions: Note 8

c. Investment in mainland China: Table 4 (attached)

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 5 (attached)

O-BANK CO., LTD.**MARKETABLE SECURITIES HELD
DECEMBER 31, 2022**

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

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2022 | | | | Note |
|-----------------------------------|--|---------------------------------------|---|--------------------------|-----------------|-----------------------------|--------------|---------------|
| | | | | Stocks/Units (Thousands) | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| IBT Holdings | Stocks EverTrust Bank | Subsidiaries | Investments accounted for using the equity method | 10,714 | US\$ 197,261 | 91.78 | US\$ 197,261 | |
| | Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One” | - | Financial asset at FVTOCI | 3,059 | 25,451 | 1.02 | 25,451 | |
| IBT Management Corp. | Stocks Thunder Tiger Biotechnology Co., Ltd. | - | Financial asset at FVTPL | 1,733 | 47,965 | 7.37 | 47,965 | Note 2 |
| | TaiRx Co., Ltd. | - | Financial asset at FVTPL | 433 | 16,098 | 0.48 | 16,098 | Note 2 |
| | Shihlien China Holding Co., Limited | - | Financial asset at FVTPL | 19,682 | 118,922 | 0.46 | 118,922 | Notes 1 and 2 |
| | Beauty Essentials International Ltd. (Samoa) | - | Financial asset at FVTPL | 25,974 | 25,768 | 2.41 | 25,768 | Note 2 |
| | Houdou Pinshan (Cayman) Co., Ltd. | - | Financial asset at FVTPL | 500 | 8,113 | 2.17 | 8,113 | Note 2 |
| | Arizon RFID Technology (Cayman) Co., Ltd. | - | Financial asset at FVTPL | 212 | 16,634 | 0.32 | 16,634 | Note 2 |
| | Pharmosa Biopharm Inc. | - | Financial asset at FVTPL | 500 | 31,315 | 0.45 | 31,315 | |
| | Shin Kong Financial Holding Co., Ltd. preferred shares B | - | Financial asset at FVTOCI | 400 | 14,360 | 0.18 | 14,360 | |
| IBT VII Venture Capital Co., Ltd. | Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One” | - | Financial asset at FVTOCI | 14,000 | 116,480 | 4.67 | 116,480 | |
| | Stocks TaiRx Co., Ltd. | - | Financial asset at FVTPL | 3,435 | 127,755 | 3.81 | 127,755 | Note 2 |
| | Meridigen Corp. | - | Financial asset at FVTPL | 500 | 10,861 | 0.55 | 10,861 | |
| | Fencosteel Tech Co., Ltd. | - | Financial asset at FVTPL | 1,298 | 46,118 | 3.09 | 46,118 | |
| | Shihlien China Holding Co., Limited | - | Financial asset at FVTPL | 41,635 | 251,568 | 0.96 | 251,568 | Notes 1 and 2 |
| | New Applied Materials Co., Ltd. | - | Financial asset at FVTPL | 634 | 122,250 | 0.79 | 122,250 | Note 2 |
| | BioResource International, Inc. | - | Financial asset at FVTPL | 1,105 | 97,346 | 7.81 | 97,346 | Note 2 |
| | Chipwell Tech Corporation | - | Financial asset at FVTPL | 308 | 3,632 | 1.45 | 3,632 | Note 2 |
| | Biocontrol Gene Vaccine Co., Ltd. | - | Financial asset at FVTPL | 1,008 | 385 | 0.98 | 385 | Note 2 |
| | Reber Genedics Co., Ltd. | - | Financial asset at FVTPL | 461 | 4,996 | 1.16 | 4,996 | Note 2 |
| | Kaohsiung Rapid Transit Corporation All Rights Reserved. | - | Financial asset at FVTPL | 3,845 | 51,961 | 1.38 | 51,961 | Note 2 |
| | Evergreen Steel Corp. | - | Financial asset at FVTPL | 247 | 12,745 | 0.06 | 12,745 | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2022 | | | Note |
|----------------------|--|---------------------------------------|-----------------------------|--------------------------|-----------------|-----------------------------|----------|
| | | | | Stocks/Units (Thousands) | Carrying Amount | Percentage of Ownership (%) | |
| | Otobrite Electronics Inc. | - | Financial asset at FVTPL | 25 | \$ 1,034 | 0.07 | |
| | Apex Dynamics, Inc. | - | Financial asset at FVTPL | 24 | 4,440 | 0.03 | \$ 1,034 |
| | Revivegen Environmental Technology Co., Ltd. | - | Financial asset at FVTPL | 120 | 3,966 | 0.35 | 4,440 |
| | Evergreen Aviation Technologies Corp. | - | Financial asset at FVTPL | 650 | 52,754 | 0.18 | 3,966 |
| | Power Win Taiwan Co., Ltd. | - | Financial asset at FVTPL | 291 | 10,488 | 1.26 | 52,754 |
| | Chenfeng Optronics Corporation | - | Financial asset at FVTPL | 1,000 | 31,000 | 1.06 | 10,488 |
| | T-Conn Precision Corporation | - | Financial asset at FVTPL | 11 | 614 | 0.03 | 31,000 |
| | Lin Bioscience, Inc. | - | Financial asset at FVTPL | 6 | 1,042 | 0.01 | 614 |
| | BTL Inc. | - | Financial asset at FVTPL | 10 | 854 | 0.04 | 1,042 |
| | Arizon RFID Technology (Cayman) Co., Ltd. | - | Financial asset at FVTPL | 212 | 16,602 | 0.32 | 854 |
| | Pharmosa Biopharm Inc. | - | Financial asset at FVTPL | 500 | 31,315 | 0.45 | 16,602 |
| | Mesh Cooperative Ventures Fund LP | - | Financial asset at FVTOCI | 18,000 | 19,072 | 2.46 | 31,315 |
| | Shin Kong Financial Holding Co., Ltd. preferred shares B | - | Financial asset at FVTOCI | 125 | 4,488 | 0.06 | 19,072 |
| | | | | | | | 4,488 |

Note 1: The holding company is registered in Hong Kong. The registered capital stock and number of stocks are in Hong Kong dollars and Hong Kong stocks.

Note 2: The securities are transferred within the group and are listed in the financial asset at FVTOCI when they are combined.

(Concluded)

O-BANK CO., LTD.

NON-PERFORMING LOANS AND ACCOUNTS RECEIVABLE
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars or in %)

| Period | Items | December 31, 2022 | | | | | December 31, 2021 | | | | |
|--|-----------------------------------|---|--------------------------------------|---|----------------------------------|---|---------------------------------|---|---|---|----------------------------|
| | | Nonperforming Loans (Note 1) | Outstanding Loan Balance | Ratio of Nonperforming Loans (Note 2) | Allowance for Possible Losses | Coverage Ratio (Note 3) | Nonperforming Loans (Note 1) | Outstanding Loan Balance | Ratio of Nonperforming Loans (Note 2) | Allowance for Possible Losses | Coverage Ratio (Note 3) |
| Corporate banking | Secured | \$ 394,638 | \$ 86,004,278 | 0.46% | \$ 1,319,937 | 334.47% | \$ 403,576 | \$ 71,506,153 | 0.56% | \$ 1,017,517 | 252.13% |
| | Unsecured | 237,315 | 74,343,072 | 0.32% | 1,162,592 | 489.89% | 231,441 | 60,333,924 | 0.38% | 866,270 | 374.29% |
| Consumer banking | Housing mortgage (Note 4) | 18,941 | 10,929,538 | 0.17% | 165,683 | 874.73% | - | 13,360,217 | - | 200,760 | - |
| | Cash card | - | - | - | - | - | - | - | - | - | - |
| | Small-scale credit loans (Note 5) | - | 2,511,881 | - | 31,202 | - | - | 1,931,948 | - | 26,515 | - |
| Total lending business | Secured | 2,823 | 4,353,546 | 0.06% | 44,052 | 1,560.47% | - | 5,235,713 | - | 52,704 | - |
| | Other (Note 6) | 14,470 | 10,717,494 | 0.14% | 159,842 | 1,104.64% | 14,843 | 6,678,039 | 0.22% | 133,907 | 902.16% |
| Credit cards | Unsecured | 668,187 | 188,859,809 | 0.35% | 2,883,308 | 431.51% | 649,860 | 159,045,994 | 0.41% | 2,297,673 | 353.56% |
| | | Nonperforming Receivables | Outstanding Receivable Balance | Ratio of Nonperforming Receivables | Allowance for Possible Losses | Coverage Ratio | Nonperforming Receivables | Outstanding Receivable Balance | Ratio of Nonperforming Receivables | Allowance for Possible Losses | Coverage Ratio |
| Factored accounts receivable without recourse (Note 7) | | - | 1,477,269 | - | 15,239 | - | - | 1,568,952 | - | 16,499 | - |
| Exempt amount - due to debt negotiation and performance (Note 8) | | Exempt from Reporting the Total Balance of Overdue Loans | | Exempt from Reporting the Total Balance of Overdue Loans | | Exempt from Reporting the Total Balance of Overdue Loans | | Exempt from Reporting the Total Balance of Overdue Loans | | Exempt from Reporting the Total Balance of Overdue Loans | |
| Debt settlement plan and rehabilitative program (Note 9) | | \$ - | | \$ - | | \$ - | | \$ - | | \$ - | |
| | | 114,712 | | 114,712 | | 98,026 | | 98,026 | | - | |

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans."

Note 2: Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 3: Ratio of Nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.

Note 4: Ratio of Nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

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

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

Note 7: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 8: Small-amount pure credit loans that must be governed by the Bank of China Ref. No. 09440010950 dated December 19, 2005 and are not credit cards or cash cards.

Note 9: "Others" in consumer finance refers to other secured or unsecured consumer loans that are not "residential property mortgage", "cash cards", "small amount pure credit loans", excluding credit cards.

Note 10: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), factored accounts receivable without recourse are reported as nonperforming receivables within three months after the factoring or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 11: According to the letter of the Bank of China Ref. No. 09510001270 dated April 25, 2006, the letters of credit and the information disclosure requirements as required by the "Unsecured Debt Negotiation Mechanism for Consumer Financial Cases of the Republic of China Banking Association" should include supplemental disclosures of related matters.

Note 12: According to the letter of the Bank of China Ref. No. 09700318940 dated September 15, 2008 and the letter of the Bank of China Ref. No. 10500134790 dated September 20, 2016 regarding the "Consumer Debt Clearance Regulations" for pre-negotiation, rehabilitation and liquidation cases, credit reporting and the information disclosure requirements should include supplemental disclosures of related matters.

O-BANK CO., LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES OVER WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

| Investee Company | Location | Main Business | Percentage of Ownership (%) | Carrying Amount | Investment Gain (Loss) | Consolidated Investment | | | Note |
|---|---------------------|---|-----------------------------|-----------------|------------------------|-------------------------|------------------------------|-----------------------------|-----------------------------|
| | | | | | | Stocks (Thousands) | Pro-forma Share of Ownership | Total Stocks (Thousands) | Percentage of Ownership (%) |
| <u>Financial institution</u> | | | | | | | | | |
| Investments accounted for using the equity method | | | | | | | | | |
| Infinite Finance Co., Ltd. | Taipei City, Taiwan | Leasing company | 44.48 | \$ 6,230,729 | \$ 4,554 | 156,193 | - | 156,193 | 44.48 |
| Beijing Sunshine Consumer Finance Co., Ltd. | Beijing City, China | Financing business | 20.00 | 1,001,042 | 115,816 | 200,000 | - | 200,000 | 20.00 |
| China Bills Finance Corp. | Taipei City, Taiwan | Bonds underwriting, dealing and brokerage of securities | 28.37 | 6,168,856 | 295,294 | 382,532 | - | 382,532 | 28.48 |
| IBT Holdings Corp. | California, America | Holding company | 100.00 | 6,119,382 | 260,893 | 10,869 | - | 10,869 | 100.00 |
| IBT Management Corp. | Taipei City, Taiwan | Investment consulting | 100.00 | 280,939 | 13,373 | 13,400 | - | 13,400 | 100.00 |
| IBT VII Venture Capital Co., Ltd. | Taipei City, Taiwan | Investment | 100.00 | 798,896 | 72,377 | 65,000 | - | 65,000 | 100.00 |
| Financial assets at FVTOCI | | | | | | | | | |
| Taiwan Mobile Payment Co., Ltd. | Taipei City, Taiwan | Information Software Services Industry | 0.50 | 1,593 | - | 300 | - | 300 | 0.50 |
| <u>Non-financial institution</u> | | | | | | | | | |
| Financial assets at FVTOCI | | | | | | | | | |
| Dio Investment Ltd. | Cayman Island | Coffee retail | 8.82 | 33,609 | - | 6,997 | - | 6,997 | 8.82 |
| Shengzhuang Holdings Limited | Cayman Island | Chemical material manufacturing | 2.18 | 4,393 | - | 244 | - | 244 | 2.18 |

O-BANK CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(New Taiwan Dollars and U.S. Dollars in Thousands, Unless Stated Otherwise)

O-Bank

| Investee Company Name | Main Businesses and Products | Total Amount of Paid-in Capital (Note 1) | Investment Type | Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (Note 1) | Investment Flows (Note 1) | | Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (Note 1) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 1) | Carrying Amount as of December 31, 2022 (Note 1) | Accumulated Inward Remittance of Earnings as of December 31, 2022 |
|---|------------------------------|--|-----------------|--|---------------------------|--------|--|--|---------------------------------|--|---|
| | | | | | Outflow | Inflow | | | | | |
| Suzhou Dio F&B Management Co., Ltd. | Coffee retailing | \$ 445,203 (US\$ 14,491) | Note 2 c. | \$ 61,445 (US\$ 2,000) | \$ - | \$ - | \$ 61,445 (US\$ 2,000) | 2.60 | \$ - | \$ 26,887 | \$ - |
| Ou Suomiluo Food Co., Ltd. | Coffee retailing | 44,175 (RMB 10,000) | Note 2 c. | 15,362 (US\$ 500) | - | - | 15,362 (US\$ 500) | 2.09 | - | 6,722 | - |
| Beijing Shengzhuang Co., Ltd. | Cosmetic OEM | 239,871 (RMB 54,300) | Note 2 c. | 61,445 (US\$ 2,000) | - | - | 61,445 (US\$ 2,000) | 2.18 | - | 4,393 | - |
| Beijing Sunshine Consumer Finance Co., Ltd. | Financing business | 4,417,510 (RMB 1,000,000) | Note 2 d. | 883,502 (RMB 200,000) | - | - | 883,502 (RMB 200,000) | 20.00 | 115,816 | 1,011,042 | - |

| Accumulated Investment in Mainland China as of December 31, 2022 (Note 1) | Investment Amounts Authorized by Investment Commission, MOEA (Note 1) | Upper Limit on Investment |
|---|---|---------------------------|
| \$138,252 (US\$4,500) \$883,502 (RMB200,000) | \$138,252 (US\$4,500) \$883,502 (RMB200,000) | Note 4 |

(Continued)

| Investee Company Name | Main Businesses and Products | Total Amount of Paid-in Capital (Note 1) | Investment Type | Accumulated Outflow of Investment from January 1, 2022 (Note 1) | Investment Flows (Note 1) | | Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (Note 1) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 1) | Carrying Amount as of December 31, 2022 (Note 1) | Accumulated Inward Remittance of Earnings as of December 31, 2022 |
|--|-------------------------------|---|-----------------|--|------------------------------|-------------------------------|---|--|------------------------------------|---|---|
| | | | | | Outflow | Inflow | | | | | |
| IBT International Leasing Corp. | Leasing | \$ 2,519,261 (US\$ 82,000) | Note 2 d. | \$ 1,622,159 (US\$ 52,800) | \$ 164,151 (US\$ 5,343) | \$ 1,786,310 (US\$ 58,143) | \$ - (Note 7) | 100.00 (Note 7) | \$ 338,416 (Notes 3 and 7) | \$ - | \$ 335,081 (RMB 75,853) |
| Shihlien Chemical Industrial Jiangsu Co. | Production of glass materials | 24,578,160 (US\$ 800,000) | Note 2 c. | 136,931 (US\$ 4,457) | - | 136,931 (US\$ 4,457) | - | - | - | - | - |
| Shihlien Brine Huaian Co. | Production of glass materials | 983,126 (US\$ 32,000) | Note 2 c. | 11,644 (US\$ 379) | - | 11,644 (US\$ 379) | - | - | - | - | - |

| Accumulated Investment in Mainland China as of December 31, 2022 (Note 1) | Investment Amounts Authorized by Investment Commission, MOEA (Note 1) | Upper Limit on Investment |
|---|--|---------------------------|
| - | - | - |

(Continued)

| Investee Company Name | Main Businesses and Products | Total Amount of Paid-in Capital (Note 1) | Investment Type | Accumulated Outflow of Investment from January 1, 2022 (Notes 1 and 9) | Investment Flows (Note 1) | | Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (Note 1) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 1) | Carrying Amount as of December 31, 2022 (Note 1) | Accumulated Inward Remittance of Earnings as of December 31, 2022 |
|---|--|--|-----------------|--|---------------------------|--------|--|--|---------------------------------|--|---|
| | | | | | Outflow | Inflow | | | | | |
| Shanghai Douniushi F&B Management Co., Ltd. | Restaurant retailing | \$ 146,240 (US\$ 4,760) | Note 2 c. | \$ 2,212 (US\$ 72) | \$ - | \$ - | \$ 2,212 (US\$ 72) | 2.17 | \$ - | \$ 1,161 | \$ - |
| Topping Cuisine International Holding, Ltd. | Food retailing | 232,088 (US\$ 7,554) | Note 2 c. | 13,026 (US\$ 424) | - | - | 13,026 (US\$ 424) | 1.63 | - | 6,839 | - |
| Shanghai Dou Mao Food Management Co., Ltd. | Trading | 6,145 (US\$ 200) | Note 2 c. | 215 (US\$ 7) | - | - | 215 (US\$ 7) | 2.17 | - | 113 | - |
| Beauty Essential International, Ltd. | Cosmetic retailing | 92,168 (US\$ 3,000) | Note 2 c. | 21,137 (US\$ 688) | - | - | 21,137 (US\$ 688) | 2.41 | - | 24,726 | - |
| Meike information technology | Cosmetic retailing information technology | 82,951 (US\$ 2,700) | Note 2 c. | 891 (US\$ 29) | - | - | 891 (US\$ 29) | 0.44 | - | 1,042 | - |
| Shihlien Chemical Industrial Jiangsu Co. | Production of glass materials | 24,578,160 (US\$ 800,000) | Note 2 c. | 82,921 (US\$ 2,699) | - | - | 82,921 (US\$ 2,699) | 0.40 | - | 109,621 | - |
| Shihlien Brine Huanan Co. | Production of glass materials | 983,126 (US\$ 32,000) | Note 2 c. | 7,035 (US\$ 229) | - | - | 7,035 (US\$ 229) | 0.46 | - | 9,301 | - |
| Arizon RFID Technology Co., Ltd. | RFID antenna design and manufacture/RFID electronic label packaging/RFID reader design and manufacture | 858,278 (RMB 194,290) | Note 2 c. | - | (US\$ 16,375 533) | - | (US\$ 16,375 533) | 0.32 | - | 16,634 | - |

| Accumulated Investment in Mainland China as of December 31, 2022 (Note 1) | Investment Amounts Authorized by Investment Commission, MOEA (Note 1) | Upper Limit on Investment |
|---|---|---------------------------|
| \$143,812 (US\$4,681) | \$143,812 (US\$4,681) | \$168,556 (Note 5) |

(Continued)

| Investee Company Name | Main Businesses and Products | Total Amount of Paid-in Capital (Note 1) | Investment Type | Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (Note 1) | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (Note 1) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 1) | Carrying Amount as of December 31, 2022 (Note 1) | Accumulated Inward Remittance of Earnings as of December 31, 2022 |
|--|--|--|-----------------|--|----------------------------|--------------------------|--|--|---------------------------------|--|---|
| | | | | | Outflow | Inflow | | | | | |
| Shihlien Chemical Industrial Jiangsu Co. | Production of glass materials | \$ 24,578,160 (US\$ 800,000) | Note 2 c. | \$ - | \$ 142,944 (US\$ 4,653) | \$ - | \$ 142,944 (US\$ 4,653) | 0.66 | \$ - | \$ 184,588 | \$ - |
| Shihlien Brine Huaian Co. | Production of glass materials | 983,126 (US\$ 32,000) | Note 2 c. | - | 9,937 (US\$ 323) | - | 9,937 (US\$ 323) | 0.75 | - | 11,782 | - |
| Arizon RFID Technology Co., Ltd. | RFID antenna design and manufacture/RFID electronic label packaging/RFID reader design and manufacture | 858,278 (RMB 194,290) | Note 2 c. | - | 16,375 (US\$ 533) | - | 16,375 (US\$ 533) | 0.32 | - | 16,602 | - |
| IBT International Leasing Corp. | Leasing | 2,519,261 (US\$ 82,000) | Note 2 d. | 374,817 (US\$ 12,200) | - | 374,817 (US\$ 12,200) | - | - | 5,489 (Notes 3 and 7) | - | - |

| Accumulated Investment in Mainland China as of December 31, 2022 (Note 1) | Investment Amounts Authorized by Investment Commission, MOEA (Note 1) | Upper Limit on Investment |
|---|---|---------------------------|
| \$169,256 (US\$5,509) | \$169,256 (US\$5,509) | \$479,338 (Note 5) |

Note 1: The amount is after the exchange rate adjustment for the year ended December 31, 2022.

Note 2: There were five investment approaches stated as follows.

- Investment in mainland China by remittance via a third country.
- Indirect investment in mainland China via setting a company in a third country.
- Indirect investment in mainland China via investing in a current company in a third country. (Via investing Dio Investment, Ltd., Shengzhuang Holding, Ltd., Shilien China Holding Co., Limited, Topping Cuisine International Holding, Ltd., Beauty Essential International, Ltd., Arizon RFID Technology (Cayman) Co., Ltd. and YFY RFID CO. LIMITED (HK)).
- Direct investment in mainland China.
- Others.

Note 3: Audited by other CPA.

Note 4: The Bank got the recognition from the Industrial Development Bureau, Industry of Economic Affairs in April 2020, so the Bank is not under "the regulation of investing or technology-cooperation in China".

Note 5: The original investment is within the limit.

Note 6: IBT Management Corp. has obtained the verification letter of part of investment from the Investment Review Committee of the Ministry of Economic Affairs, and the remittance amount is mainly based on the verification letter.

Note 7: IBT Leasing Co., Ltd. holds 95% stock of IBT Tianjin International Leasing Corp. directly and 5% indirectly through IBT VII Venture Capital Co., Ltd. In April 2022, IBT Leasing Co., Ltd. acquired 5% equity of IBT Tianjin International Leasing Corp. held by IBT VII Venture Capital Co., Ltd., and the transferred amount was NT\$156,264 thousand (equivalent to US\$5,343 thousand). Before the transfer transaction is completed, the accumulated investment amount of IBT Tianjin International Leasing Corp., which included the investment profit and loss, is composed of 95% directly held by IBT Leasing Co., Ltd. and 5% indirectly through IBT VII Venture Capital Co., Ltd. After the completion of the transfer transaction, it is expressed as 100% held by IBT Leasing Co., Ltd. In December 2022, IBT Leasing Co., Ltd. merged. After the merger, Infinite Finance Co., Ltd. directly held the entire equity of IBT Tianjin International Leasing Corp.

(Concluded)

TABLE 5**O-BANK****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

| Name of Major Shareholders | Shares | |
|--------------------------------|------------------|-----------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| Ming Shan Investment Co., Ltd. | 386,271,554 | 12.74 |
| Yi Chang Investment Co., Ltd. | 292,340,997 | 9.64 |
| Taixuan Investment Co., Ltd. | 287,135,501 | 9.47 |

Note 1: The major shareholder's information on this table is on the last business day at the end of the quarter from the Taiwan Central Depository and Clearing Co., Ltd. The shareholding included shares that the company has completed the delivery of the common stock and preferred stock without physical registration (including treasury shares) of more than 5%. The share capital recorded in the Bank's financial report and the actual number of shares has been actually delivered without physical registration. Differences, if any, may be due to the basis of preparation and calculation.

Note 2: If shareholders transfer the shareholding to a trust, the trustee will open the trust account to separate the account. Shareholders' handling of insider shareholdings with more than 10% of their shares shall be in accordance with the Securities Exchange Act. However, their shareholdings include their own shares plus their delivery to the trust and the use of decision-making shares in the trust property. Information on insider equity declaration refers to the Public Information Observatory.

Note 3: The number of shares is the total number of common stocks and preferred stocks.

Note 4: Shareholding ratio (%) = The total number of shares held by the shareholder ÷ The total number of shares that have been delivered without physical registration. It is calculated to the second decimal place and rounded off after the third decimal place.

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