

**E.SUN Commercial Bank, Ltd. and
Subsidiaries**

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

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
E.SUN Commercial Bank, Ltd.

Introduction

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

Scope of Review

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

Conclusion

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

The engagement partners on the reviews resulting in this independent auditors' review report are Chen-Hsiu Yang and Kuan-Hao Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 11, 2022

Notice to Readers

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

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Note 6)	\$ 93,581,671	3	\$ 85,011,381	3	\$ 59,390,605	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7 and 39)	161,813,101	5	125,370,528	4	129,832,966	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 39)	429,831,604	13	406,120,795	13	584,711,715	19
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 39 and 42)	339,262,831	10	331,946,892	10	320,174,615	11
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 10, 14, 39 and 42)	338,466,333	10	308,219,235	10	44,887,443	2
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 11)	-	-	-	-	798,432	-
RECEIVABLES, NET (Notes 12 and 38)	117,389,451	3	108,589,280	4	103,123,155	4
CURRENT TAX ASSETS (Notes 4 and 38)	112,953	-	238,479	-	179,546	-
DISCOUNTS AND LOANS, NET (Notes 13, 14, 38 and 39)	1,917,409,827	55	1,768,641,241	55	1,723,385,471	57
OTHER FINANCIAL ASSETS, NET (Note 15)	5,117,617	-	6,508,506	-	3,386,887	-
PROPERTIES AND EQUIPMENT, NET (Note 16)	33,698,659	1	33,265,727	1	32,698,292	1
RIGHT-OF-USE ASSETS, NET (Note 17)	6,647,907	-	6,772,103	-	6,781,244	-
INVESTMENT PROPERTIES, NET (Note 18)	2,107,150	-	2,096,113	-	2,005,428	-
INTANGIBLE ASSETS, NET (Note 19)	6,077,382	-	6,134,220	-	6,136,106	-
DEFERRED TAX ASSETS (Note 4)	3,353,684	-	2,294,370	-	2,103,727	-
OTHER ASSETS, NET (Notes 17, 20 and 38)	<u>12,785,618</u>	<u>-</u>	<u>4,908,271</u>	<u>-</u>	<u>4,151,524</u>	<u>-</u>
TOTAL	<u>\$ 3,467,655,788</u>	<u>100</u>	<u>\$ 3,196,117,141</u>	<u>100</u>	<u>\$ 3,023,747,156</u>	<u>100</u>
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS (Note 21)	\$ 90,006,586	3	\$ 83,481,158	3	\$ 76,074,003	3
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 22)	-	-	14,021,010	-	12,107,230	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 26)	127,118,868	4	61,199,462	2	57,542,036	2
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 9, 10 and 23)	17,319,141	1	16,648,639	1	11,440,173	-
PAYABLES (Notes 24 and 38)	31,290,165	1	23,557,174	1	28,059,287	1
CURRENT TAX LIABILITIES (Notes 4 and 38)	1,429,140	-	1,692,108	-	1,226,730	-
DEPOSITS AND REMITTANCES (Notes 25 and 38)	2,855,818,182	82	2,698,070,807	84	2,555,180,979	85
BANK DEBENTURES (Note 26)	35,550,000	1	34,270,000	1	32,670,000	1
OTHER FINANCIAL LIABILITIES (Notes 18, 27 and 38)	119,033,729	3	65,225,761	2	55,568,027	2
PROVISIONS (Note 28)	1,101,507	-	1,081,140	-	1,009,947	-
LEASE LIABILITIES (Note 17)	3,760,809	-	3,841,071	-	3,778,603	-
DEFERRED TAX LIABILITIES (Note 4)	1,752,069	-	1,332,936	-	1,300,853	-
OTHER LIABILITIES (Notes 30 and 38)	<u>3,547,198</u>	<u>-</u>	<u>3,579,589</u>	<u>-</u>	<u>3,455,528</u>	<u>-</u>
Total liabilities	<u>3,287,727,394</u>	<u>95</u>	<u>3,008,000,855</u>	<u>94</u>	<u>2,839,413,396</u>	<u>94</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK						
Capital stock						
Common stock	<u>103,637,000</u>	<u>3</u>	<u>98,937,000</u>	<u>3</u>	<u>98,937,000</u>	<u>3</u>
Capital surplus						
Additional paid-in capital from share issuance in excess of par value	26,973,959	1	26,382,800	1	26,382,800	1
From treasury stock transactions	483	-	483	-	483	-
Others	<u>325,362</u>	<u>-</u>	<u>595,513</u>	<u>-</u>	<u>462,720</u>	<u>-</u>
Total capital surplus	<u>27,299,804</u>	<u>1</u>	<u>26,978,796</u>	<u>1</u>	<u>26,846,003</u>	<u>1</u>
Retained earnings						
Legal reserve	49,846,034	2	44,398,657	1	44,398,657	1
Special reserve	1,133,012	-	302,853	-	302,853	-
Unappropriated earnings	<u>10,260,877</u>	<u>-</u>	<u>18,160,055</u>	<u>1</u>	<u>14,250,969</u>	<u>1</u>
Total retained earnings	<u>61,239,923</u>	<u>2</u>	<u>62,861,565</u>	<u>2</u>	<u>58,952,479</u>	<u>2</u>
Other equity	<u>(12,411,901)</u>	<u>(1)</u>	<u>(830,159)</u>	<u>-</u>	<u>(557,563)</u>	<u>-</u>
Total equity attributable to owners of the Bank	179,764,826	5	187,947,202	6	184,177,919	6
NON-CONTROLLING INTERESTS	<u>163,568</u>	<u>-</u>	<u>169,084</u>	<u>-</u>	<u>155,841</u>	<u>-</u>
Total equity	<u>179,928,394</u>	<u>5</u>	<u>188,116,286</u>	<u>6</u>	<u>184,333,760</u>	<u>6</u>
TOTAL	<u>\$ 3,467,655,788</u>	<u>100</u>	<u>\$ 3,196,117,141</u>	<u>100</u>	<u>\$ 3,023,747,156</u>	<u>100</u>

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 31 and 38)	\$ 14,486,302	104	\$ 8,751,419	63	\$ 35,810,360	95	\$ 25,786,413	65
INTEREST EXPENSE (Notes 31 and 38)	(6,815,515)	(49)	(2,284,320)	(16)	(13,089,984)	(35)	(7,067,125)	(18)
NET INTEREST	7,670,787	55	6,467,099	47	22,720,376	60	18,719,288	47
NET REVENUES AND GAINS OTHER THAN INTEREST								
Service fee income, net (Notes 32 and 38)	4,215,582	30	4,712,375	34	12,856,041	34	13,571,648	34
Gains on financial assets and liabilities at fair value through profit or loss (Note 33)	449,796	3	1,530,291	11	(28,681)	-	4,924,619	13
Realized gains on financial assets at fair value through other comprehensive income (Note 9)	978,426	7	902,457	7	1,401,567	4	1,494,523	4
Foreign exchange gains, net	529,659	4	125,022	1	540,662	1	578,075	1
Impairment losses on assets	(2,352)	-	(9,183)	-	(1,728)	-	(30,200)	-
Other noninterest gains, net (Note 38)	68,425	1	71,889	-	215,824	1	190,533	1
Total net revenues and gains other than interest	6,239,536	45	7,332,851	53	14,983,685	40	20,729,198	53
TOTAL NET REVENUES	13,910,323	100	13,799,950	100	37,704,061	100	39,448,486	100
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES (Note 13)	(616,144)	(5)	(770,054)	(5)	(1,493,555)	(4)	(1,083,154)	(2)
OPERATING EXPENSES (Notes 4, 16, 17, 18, 19, 29, 34 and 38)								
Employee benefits	(3,106,191)	(22)	(3,343,964)	(24)	(9,537,574)	(25)	(10,081,773)	(26)
Depreciation and amortization	(896,310)	(6)	(883,135)	(7)	(2,705,720)	(7)	(2,545,503)	(6)
General and administrative	(3,692,148)	(27)	(3,208,403)	(23)	(10,174,880)	(27)	(9,498,532)	(24)
Total operating expenses	(7,694,649)	(55)	(7,435,502)	(54)	(22,418,174)	(59)	(22,125,808)	(56)
INCOME BEFORE INCOME TAX	5,599,530	40	5,594,394	41	13,792,332	37	16,239,524	42
INCOME TAX EXPENSE (Notes 4 and 35)	(1,152,247)	(8)	(668,338)	(5)	(3,032,754)	(8)	(2,317,034)	(6)
NET INCOME FOR THE PERIOD	4,447,283	32	4,926,056	36	10,759,578	29	13,922,490	36

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E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 35)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	\$ (1,653,296)	(12)	\$ (660,457)	(5)	\$ (3,443,736)	(9)	\$ 614,692	1
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	348,016	3	38,165	-	278,024	1	11,459	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	38,140	-	(16,940)	-	66,825	-	(2,176)	-
Items that will not be reclassified subsequently to profit or loss, net of income tax	(1,267,140)	(9)	(639,232)	(5)	(3,098,887)	(8)	623,975	1
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on the translation of financial statements of foreign operations	1,762,368	13	(106,108)	(1)	3,593,382	10	(650,603)	(2)
Unrealized losses on investments in debt instruments at fair value through other comprehensive income	(3,186,959)	(23)	(338,243)	(2)	(13,375,022)	(36)	(909,792)	(2)
Income tax relating to items that may be reclassified subsequently to profit or loss	6,554	-	48,745	-	804,302	2	240,967	1
Items that may be reclassified subsequently to profit or loss, net of income tax	(1,418,037)	(10)	(395,606)	(3)	(8,977,338)	(24)	(1,319,428)	(3)
Other comprehensive loss for the period, net of income tax	(2,685,177)	(19)	(1,034,838)	(8)	(12,076,225)	(32)	(695,453)	(2)
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 1,762,106	13	\$ 3,891,218	28	\$ (1,316,647)	(3)	\$ 13,227,037	34
NET INCOME								
ATTRIBUTABLE TO:								
Owners of the Bank	\$ 4,445,216	32	\$ 4,919,672	36	\$ 10,746,465	29	\$ 13,907,332	36
Non-controlling interests	2,067	-	6,384	-	13,113	-	15,158	-
	\$ 4,447,283	32	\$ 4,926,056	36	\$ 10,759,578	29	\$ 13,922,490	36

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E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME (LOSS)								
ATTRIBUTABLE TO:								
Owners of the Bank	\$ 1,759,697	13	\$ 3,884,834	28	\$ (1,330,451)	(3)	\$ 13,211,973	34
Non-controlling interests	<u>2,409</u>	<u>-</u>	<u>6,384</u>	<u>-</u>	<u>13,804</u>	<u>-</u>	<u>15,064</u>	<u>-</u>
	<u>\$ 1,762,106</u>	<u>13</u>	<u>\$ 3,891,218</u>	<u>28</u>	<u>\$ (1,316,647)</u>	<u>(3)</u>	<u>\$ 13,227,037</u>	<u>34</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 36)								
Basic	<u>\$ 0.43</u>		<u>\$ 0.47</u>		<u>\$ 1.04</u>		<u>\$ 1.34</u>	

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

(Concluded)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Bank						Other Equity				Non-controlling Interests (Note 37)	Total Equity
	Capital Stock (Note 37)		Capital Surplus (Note 37)	Retained Earnings (Notes 9, 35 and 37)			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 9 and 35)	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss			
	Shares (In Thousands)	Common Stock		Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2022	9,893,700	\$ 98,937,000	\$ 26,978,796	\$ 44,398,657	\$ 302,853	\$ 18,160,055	\$ (2,666,984)	\$ 2,488,252	\$ (651,427)	\$ 169,084	\$ 188,116,286	
Appropriation of 2021 earnings												
Legal reserve	-	-	-	5,447,377	-	(5,447,377)	-	-	-	-	-	
Special reserve	-	-	-	-	830,159	(830,159)	-	-	-	-	-	
Cash dividends	-	-	-	-	-	(7,172,933)	-	-	-	-	(7,172,933)	
Stock dividends	470,000	4,700,000	-	-	-	(4,700,000)	-	-	-	-	-	
Share-based payment arrangements involving ESFHC's common stock	-	-	321,008	-	-	-	-	-	-	-	321,008	
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	(19,320)	(19,320)	
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(495,174)	-	495,174	-	-	-	
Net income for the nine months ended September 30, 2022	-	-	-	-	-	10,746,465	-	-	-	13,113	10,759,578	
Other comprehensive income (loss) for the nine months ended September 30, 2022, net of income tax	-	-	-	-	-	-	2,874,153	(15,229,093)	278,024	691	(12,076,225)	
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	-	10,746,465	2,874,153	(15,229,093)	278,024	13,804	(1,316,647)	
BALANCE AT SEPTEMBER 30, 2022	10,363,700	\$ 103,637,000	\$ 27,299,804	\$ 49,846,034	\$ 1,133,012	\$ 10,260,877	\$ 207,169	\$ (12,245,667)	\$ (373,403)	\$ 163,568	\$ 179,928,394	
BALANCE AT JANUARY 1, 2021	9,524,100	\$ 95,241,000	\$ 26,394,914	\$ 39,753,711	\$ 302,853	\$ 15,485,503	\$ (2,054,518)	\$ 3,184,890	\$ (651,070)	\$ 140,777	\$ 177,798,060	
Appropriation of 2020 earnings												
Legal reserve	-	-	-	4,644,946	-	(4,644,946)	-	-	-	-	-	
Cash dividends	-	-	-	-	-	(7,142,426)	-	-	-	-	(7,142,426)	
Stock dividends	369,600	3,696,000	-	-	-	(3,696,000)	-	-	-	-	-	
Share-based payment arrangements involving ESFHC's common stock	-	-	451,089	-	-	-	-	-	-	-	451,089	
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	341,506	-	(341,506)	-	-	-	
Net income for the nine months ended September 30, 2021	-	-	-	-	-	13,907,332	-	-	-	15,158	13,922,490	
Other comprehensive income (loss) for the nine months ended September 30, 2021, net of income tax	-	-	-	-	-	-	(520,407)	(186,411)	11,459	(94)	(695,453)	
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	13,907,332	(520,407)	(186,411)	11,459	15,064	13,227,037	
BALANCE AT SEPTEMBER 30, 2021	9,893,700	\$ 98,937,000	\$ 26,846,003	\$ 44,398,657	\$ 302,853	\$ 14,250,969	\$ (2,574,925)	\$ 2,656,973	\$ (639,611)	\$ 155,841	\$ 184,333,760	

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 13,792,332	\$ 16,239,524
Adjustments for:		
Depreciation expenses	2,177,950	2,038,334
Amortization expenses	527,770	507,169
Expected credit losses/bad-debt expenses	1,479,371	1,072,502
Losses (gains) on financial assets and liabilities at fair value through profit or loss	28,681	(4,924,619)
Interest expense	13,089,984	7,067,125
Interest revenue	(35,810,360)	(25,786,413)
Dividend income	(1,356,406)	(904,951)
Provision for losses on guarantees	2,701	24,770
Salary expenses on share-based payments	321,008	451,089
Gains on disposal of properties and equipment	(5,061)	(22,062)
Gains on disposal of investments	(45,161)	(589,572)
Others	(6,106)	(3,744)
Net changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	(1,173,047)	(4,891,988)
Financial assets at fair value through profit or loss	121,780,692	117,449,891
Financial assets at fair value through other comprehensive income	(9,577,934)	(61,639,236)
Investments in debt instruments at amortized cost	(25,711,985)	(28,612,207)
Receivables	(6,312,248)	(527,823)
Discounts and loans	(150,258,522)	(104,419,191)
Other financial assets	1,390,900	835,138
Other assets	(360,887)	(398,709)
Deposits from the Central Bank and other banks	6,525,428	21,105,017
Financial liabilities at fair value through profit or loss	(81,078,685)	(1,492,863)
Securities sold under repurchase agreements	670,502	134,925
Payables	4,982,727	5,312,926
Deposits and remittances	157,747,375	62,086,941
Other financial liabilities	27,211,273	(6,157,597)
Provision for employee benefits	-	(285,377)
Other liabilities	(50,578)	107,402
Cash generated from (used in) operations	39,981,714	(6,223,599)
Interest received	35,712,318	29,835,558
Dividends received	1,379,412	883,013
Interest paid	(11,354,966)	(8,855,103)
Income tax paid	(2,890,774)	(1,755,979)
Net cash generated from operating activities	62,827,704	13,883,890

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E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for properties and equipment	\$ (1,729,260)	\$ (3,119,982)
Proceeds from disposal of properties and equipment	36,252	72,266
Increase in refundable deposits	(7,516,229)	-
Decrease in refundable deposits	-	2,137,335
Payments for intangible assets	(161,545)	(234,187)
Payments for right-of-use assets	(103)	(1,527,204)
Net cash used in investing activities	(9,370,885)	(2,671,772)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	1,365,789	-
Decrease in short-term borrowings	-	(131,721)
Increase in due to the Central Bank and other banks	-	4,062,890
Decrease in due to the Central Bank and other banks	(14,021,010)	-
Proceeds from issue of bank debentures	11,100,000	-
Repayments of bank debentures	(9,820,000)	(1,300,000)
Repayments of long-term borrowings	(9,202)	-
Increase in guarantee deposits received	24,999,538	-
Decrease in guarantee deposits received	-	(2,688,955)
Repayments of the principal portion of lease liabilities	(823,454)	(803,460)
Cash dividends paid	(7,172,933)	(7,142,426)
Cash dividends paid to non-controlling interests	(19,320)	-
Net cash generated from (used in) financing activities	5,599,408	(8,003,672)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(15,216,411)	3,942,928
NET INCREASE IN CASH AND CASH EQUIVALENTS	43,839,816	7,151,374
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	104,486,305	70,022,639
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 148,326,121	\$ 77,174,013

(Continued)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	September 30	
	2022	2021
RECONCILIATIONS OF THE AMOUNTS IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THE EQUIVALENT ITEMS REPORTED IN THE CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2022 AND 2021		
Cash and cash equivalents in the consolidated balance sheets	\$ 93,581,671	\$ 59,390,605
Due from the Central Bank and call loans to other banks in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	54,744,450	16,984,976
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	-	798,432
Cash and cash equivalents at the end of the period	<u>\$ 148,326,121</u>	<u>\$ 77,174,013</u>

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

(Concluded)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

1. ORGANIZATION AND OPERATIONS

E.SUN Commercial Bank, Ltd. (the “Bank”) engages in banking activities permitted by the Banking Act of the Republic of China (ROC).

As of September 30, 2022, the Bank had 152 units, including a business department, an international banking department, a trust department, a credit card and payment division, an offshore banking unit (OBU), an insurance agent department, 8 overseas branches, and 138 domestic branches.

The operations of the Bank’s Trust Department consist of planning, managing and operating a trust business. These operations are regulated under the Banking Act and Trust Enterprise Act of the ROC.

On December 10, 2001, the Bank’s stockholders resolved the establishment of E.SUN Financial Holding Company, Ltd. (ESFHC) through a share swap. Thus, ESFHC acquired the shares of the Bank, E.SUN Bills Finance Corp. (E.SUN Bills) and E.SUN Securities Corp. (E.SUN Securities). The board of directors designated January 28, 2002 as the effective date of the related share swap. After the share swap, the Bank became a 100% subsidiary of ESFHC. Also, on January 28, 2002, the trading of the Bank’s stock on the Taiwan Stock Exchange (TWSE) was stopped, and ESFHC’s stock started to be traded on the TWSE.

To integrate resources, enhance operating effectiveness, strengthen the Bank’s equity structure, and ensure its long-term development, the stockholders resolved the Bank’s merger with E.SUN Bills on August 25, 2006, with the Bank as the surviving entity. The effective date of this merger is December 25, 2006.

The Bank acquired the assets, liabilities and business of Chiayi The Fourth Credit Cooperative and Chu Nan Credit-Cooperative Association on November 3, 2012 and July 9, 2011, respectively.

To expand economies of scale, improve integrated marketing, reduce operating costs and develop operating synergy, the stockholders resolved the Bank’s merger with E.SUN Insurance Broker Co., Ltd. (ESIB) on August 21, 2015, with the Bank as the surviving entity. The effective date of this merger is March 25, 2016.

Union Commercial Bank PLC. (UCB) was founded in March 1994, under the Laws of the Kingdom of Cambodia. UCB is engaged in banking activities permitted by the Laws of the Kingdom of Cambodia. The Bank acquired 70% equity interest of UCB on August 28, 2013, and on December 29, 2015, the Bank acquired from non-controlling interests for additional 5% shares of UCB, which increased its continuing interest from 70% to 75%. The Bank acquired residual 25% equity interest of UCB on August 25, 2017.

In January 2016, E.SUN Bank (China), Ltd. (ESBC) began its formal launch after acquiring the approval of the Financial Supervisory Commission (FSC) and the China Bank Regulatory Commission. The registered capital of ESBC is CNY two billion, and ESBC has been opened in Shenzhen, China on March 11, 2016. ESBC is engaged in banking activities permitted by the laws of mainland China.

To expand business in electronic commerce, the Bank’s board of directors resolved the acquisition of 7,875 thousand common shares of BankPro E-Service Technology Co., Ltd. (BankPro) on November 13, 2015. This acquisition was approved by the authorities and settled on January 11, 2016, and BankPro was included in the consolidated financial statements from the acquisition date.

BankPro is engaged in retail sale of computer software, software design service, data processing service, digital information supply service and business consultant.

The operating units of the Bank and its subsidiaries (collectively, the “Company”) maintain their accounts in their respective functional currencies. The consolidated financial statements are presented in New Taiwan dollars.

For the nine months ended September 30, 2022 and 2021, the average number of employees of the Company (ESBC, UCB and BankPro excluded) was 8,422 and 8,729, respectively. For the nine months ended September 30, 2022 and 2021, the average number of employees of ESBC, UCB and BankPro was 941 and 947, respectively.

For more information on the consolidated entities, please refer to Table 1 (attached).

2. APPROVAL OF FINANCIAL STATEMENTS

The board of directors of the Bank, in their meeting on November 11, 2022, approved and authorized the consolidated financial statements for issue.

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

- a. Influences of the Company initially applied amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

- b. Not yet applied new IFRSs endorsed by the FSC for application starting from 2023

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

- c. Not yet applied new IFRSs announced by IASB but not yet endorsed and issued into effect by the FSC

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in the interim consolidated financial statements is less than those required in a complete set of annual consolidated financial statements.

b. Basis of preparation

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

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

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

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (UCB (including UCB's subsidiary), ESBC, and BankPro).

The accounting policies of the Bank and its subsidiaries are consistent.

All significant intercompany transactions and balances have been eliminated for consolidation purposes. The Bank's financial statements include the accounts of its Head Office, OBU, and all branches. All intra-bank transactions and balances have been eliminated.

Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

d. Other significant accounting policies

Except for those described below, please refer to the consolidated financial statements as of December 31, 2021 for details of summary of the significant accounting policies.

1) Post-employment benefits

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

2) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgements and key sources of estimation uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2021. Please refer to Note 5 to the consolidated financial statements as of December 31, 2021 for the details of critical accounting judgements and key sources of estimation uncertainty.

The Company considers the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. 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.

6. CASH AND CASH EQUIVALENTS

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	\$ 15,602,675	\$ 17,691,684	\$ 15,292,845
Checks for clearing	2,363,313	7,259,513	1,915,573
Due from banks	75,647,002	59,931,352	42,197,434
Cash in transit	<u>3,508</u>	<u>146,713</u>	<u>18,917</u>
	93,616,498	85,029,262	59,424,769
Less: Allowance for possible losses	<u>(34,827)</u>	<u>(17,881)</u>	<u>(34,164)</u>
	<u>\$ 93,581,671</u>	<u>\$ 85,011,381</u>	<u>\$ 59,390,605</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of September 30, 2022 and 2021 are shown in the consolidated statements of cash flows. Reconciliations as of December 31, 2021 are stated below:

	December 31, 2021
Cash and cash equivalents, ending balance in the consolidated balance sheets	\$ 85,011,381
Due from the Central Bank and call loans to other banks in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>19,474,924</u>
Cash and cash equivalents, ending balance in the consolidated statements of cash flows	<u>\$ 104,486,305</u>

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS

	September 30, 2022	December 31, 2021	September 30, 2021
Deposit reserves - account A	\$ 24,058,325	\$ 29,641,472	\$ 39,155,216
Deposit reserves - account B	61,366,582	56,784,785	54,550,372
Reserves for deposits - foreign currency deposits	809,574	733,759	710,583
Due from the Central Bank - other	17,219,234	16,141,834	16,986,743
Deposit in the Central Bank - deposits of government agencies	<u>5,837</u>	<u>7,217</u>	<u>7,784</u>
Call loans to banks	<u>58,417,513</u>	<u>22,107,264</u>	<u>18,468,173</u>
	161,877,065	125,416,331	129,878,871
Less: Allowance for possible losses	<u>(63,964)</u>	<u>(45,803)</u>	<u>(45,905)</u>
	<u>\$ 161,813,101</u>	<u>\$ 125,370,528</u>	<u>\$ 129,832,966</u>

As required by law, the deposit reserves are calculated by applying the prescribed rates to the average monthly balances of various types of deposit accounts. The deposit reserves - account B is subject to withdrawal restrictions, but deposit reserves - account A and foreign-currency deposit reserves may be withdrawn anytime.

Under the “Directions for a National Treasury Agent Bank Acting on Behalf of the Central Bank of the Republic of China Handling National Treasury Matters,” the Bank redeposits 60% of the receipts of deposit of government agencies in the Central Bank of the Republic of China, and the amount is subject to withdrawal restrictions.

Refer to Note 39 for information relating to deposit reserves pledged as security.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>			
Negotiable certificates of deposit	\$ 96,330,443	\$ 150,682,911	\$ 368,445,989
Commercial paper	75,614,044	102,968,285	69,631,289
Treasury bills	16,981,932	16,974,413	9,994,566
Corporate bonds	66,965,131	69,377,840	70,846,482
Bank debentures	49,540,331	49,211,752	50,954,504
Government bonds	-	49,413	-
Listed stocks	401,990	1,405,137	1,039,188
Currency swap contracts	87,343,086	6,795,858	5,030,229
Interest rate swap contracts	29,375,756	6,854,657	7,267,938
Currency option contracts	3,902,792	862,308	568,521
Forward contracts	1,155,783	191,105	111,238
Futures exchange margins	95,624	56,963	58,725
Non-deliverable forward contracts	2,039,177	436,564	511,741
Metal commodity swap contracts	280	3,246	1,692
Cross-currency swap contracts	58,975	250,343	248,689
Total return swap contracts	-	-	924
Credit default swap contracts	26,260	-	-
	<u>\$ 429,831,604</u>	<u>\$ 406,120,795</u>	<u>\$ 584,711,715</u>
<u>Held-for-trading financial liabilities</u>			
Currency swap contracts	\$ 50,993,779	\$ 8,704,446	\$ 4,695,864
Interest rate swap contracts	22,305,128	3,343,434	4,001,950
Currency option contracts	4,978,773	1,012,080	746,442
Forward contracts	1,231,968	237,722	167,780
Non-deliverable forward contracts	855,473	332,445	412,636
Cross-currency swap contracts	1,349,324	118,998	115,126
Credit default swap contracts	7,693	-	6
Metal commodity swap contracts	619	622	-
Total return swap contracts	-	-	1,156
Interest rate option contracts	92,510	-	-
	<u>81,815,267</u>	<u>13,749,747</u>	<u>10,140,960</u>
<u>Financial liabilities designated as at fair value through profit or loss</u>			
Bank debentures (Note 26)	45,303,601	47,449,715	47,401,076
	<u>\$ 127,118,868</u>	<u>\$ 61,199,462</u>	<u>\$ 57,542,036</u>

Refer to Note 39 for information relating to financial assets mandatorily classified as at fair value through profit or loss pledged as security.

The Company engages in derivative transactions mainly to accommodate customers' needs, manage its exposure positions and hedge against its exchange rate and interest rate exposures as well as its credit risks as a bondholder.

The contract (nominal) amounts of derivative transactions by the Company as of September 30, 2022, December 31, 2021 and September 30, 2021 were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Currency swap contracts	\$ 1,839,430,948	\$ 1,726,383,860	\$ 1,350,588,099
Interest rate swap contracts	928,963,392	556,286,337	488,038,599
Currency option contracts	377,272,315	203,125,623	176,266,559
Interest rate option contracts	12,000,000	-	-
Forward contracts	59,122,776	28,730,324	27,309,868
Non-deliverable forward contracts	43,869,723	70,101,658	77,496,751
Cross-currency swap contracts	20,561,947	25,804,441	25,269,702
Metal commodity swap contracts	13,900	74,842	55,613
Credit default swap contracts	2,833,850	-	3,747
Total return swap contracts	-	-	557,320

The open positions of futures transactions of the Company as of September 30, 2022, December 31, 2021 and September 30, 2021 were as follows:

		September 30, 2022			
Items	Products	Buy/Sell	Open Position	Contract Amount or Premium Paid (Charged)	Fair Value
			Number of Contracts		
Futures contracts	Commodity futures	Buy	8	\$ 26,063	\$ 25,969
	Commodity futures	Sell	20	58,133	50,387
	Interest rate futures	Buy	22	69,846	82,375
	Interest rate futures	Sell	69	406,374	419,304
		December 31, 2021			
Items	Products	Buy/Sell	Open Position	Contract Amount or Premium Paid (Charged)	Fair Value
			Number of Contracts		
Futures contracts	Commodity futures	Buy	10	\$ 39,230	\$ 41,550
	Commodity futures	Sell	32	77,430	82,379
		September 30, 2021			
Items	Products	Buy/Sell	Open Position	Contract Amount or Premium Paid (Charged)	Fair Value
			Number of Contracts		
Futures contracts	Commodity futures	Buy	21	\$ 57,855	\$ 57,421
	Commodity futures	Sell	38	84,144	85,000

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

	September 30, 2022	December 31, 2021	September 30, 2021
Investments in equity instruments at FVTOCI	\$ 12,989,218	\$ 20,009,657	\$ 13,389,460
Investments in debt instruments at FVTOCI	<u>326,273,613</u>	<u>311,937,235</u>	<u>306,785,155</u>
	<u>\$ 339,262,831</u>	<u>\$ 331,946,892</u>	<u>\$ 320,174,615</u>

a. Investments in equity instruments at FVTOCI

	September 30, 2022	December 31, 2021	September 30, 2021
Listed shares	\$ 11,781,919	\$ 18,879,990	\$ 12,149,153
Unlisted shares	<u>1,207,299</u>	<u>1,129,667</u>	<u>1,240,307</u>
	<u>\$ 12,989,218</u>	<u>\$ 20,009,657</u>	<u>\$ 13,389,460</u>

These investments in equity instruments are not held for trading. Instead, they are held for long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

For the nine months ended September 30, 2022 and 2021, the Company sold shares of stocks for \$11,879,798 thousand and \$8,548,705 thousand, respectively, for the return on investment positions and risk management. The related other equity - unrealized losses of \$495,174 thousand and unrealized gains of \$341,506 thousand on financial assets at FVTOCI were transferred to retained earnings, respectively.

Dividend income of \$1,356,406 thousand and \$904,951 thousand were recognized in profit or loss for the nine months ended September 30, 2022 and 2021, respectively. The dividends related to investments held at the end of the reporting period were \$1,318,456 thousand and \$618,499 thousand, respectively.

b. Investments in debt instruments at FVTOCI

	September 30, 2022	December 31, 2021	September 30, 2021
Bank debentures	\$ 162,994,327	\$ 146,330,146	\$ 135,856,665
Government bonds	53,001,714	59,836,806	75,996,172
Corporate bonds	102,470,739	98,257,668	87,607,560
Overseas bonds	7,451,514	7,225,017	6,418,813
Negotiable certificates of deposit	319,198	278,728	837,672
Discounted note	<u>36,121</u>	<u>8,870</u>	<u>68,273</u>
	<u>\$ 326,273,613</u>	<u>\$ 311,937,235</u>	<u>\$ 306,785,155</u>

As of September 30, 2022, December 31, 2021 and September 30, 2021, the investments in debt instruments at FVTOCI, which amounted to \$15,547,056 thousand, \$17,043,122 thousand and \$12,295,849 thousand, respectively, had been sold under repurchase agreements.

Refer to Note 42 for information relating to their credit risk management and impairment.

Refer to Note 39 for information relating to investments in debt instruments at FVTOCI pledged as security.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	September 30, 2022	December 31, 2021	September 30, 2021
Overseas bonds	\$ 29,976,681	\$ 12,518,061	\$ 12,009,233
Bank debentures	47,596,619	29,132,322	25,227,700
Corporate bonds	13,893,701	10,459,485	7,536,818
Negotiable certificates of deposit	238,278,160	256,124,601	125,397
Government bonds	8,574,270	-	-
Securitization products	<u>169,323</u>	<u>-</u>	<u>-</u>
	338,488,754	308,234,469	44,899,148
Less: Allowance for impairment loss	<u>(22,421)</u>	<u>(15,234)</u>	<u>(11,705)</u>
	<u>\$ 338,466,333</u>	<u>\$ 308,219,235</u>	<u>\$ 44,887,443</u>

As of September 30, 2022 and December 31, 2021, the investments in debt instruments at amortized cost, which amounted to \$2,940,487 thousand and \$911,582 thousand, respectively, had been sold under repurchase agreements.

Refer to Note 42 for information relating to their credit risk management and impairment.

Refer to Note 39 for information relating to investments in debt instruments at amortized cost pledged as security.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$798,432 thousand under resell agreements as of September 30, 2021, would subsequently be sold for \$798,583 thousand.

12. RECEIVABLES, NET

	September 30, 2022	December 31, 2021	September 30, 2021
Receivables on credit cards	\$ 92,241,758	\$ 83,514,302	\$ 81,891,419
Accounts receivable factored without recourse	12,999,159	12,904,407	12,721,020
Accrued interest	7,008,769	4,744,638	4,152,337
Accounts receivable	2,923,310	1,861,853	2,295,116
Acceptances	1,776,314	1,342,125	1,616,885
Receivables on digital stimulus vouchers redemption	-	4,159,925	-
Others	<u>2,318,449</u>	<u>2,132,932</u>	<u>2,324,212</u>
	119,267,759	110,660,182	105,000,989
Less: Allowance for possible losses	<u>(1,878,308)</u>	<u>(2,070,902)</u>	<u>(1,877,834)</u>
	<u>\$ 117,389,451</u>	<u>\$ 108,589,280</u>	<u>\$ 103,123,155</u>

The changes in allowance for possible losses of receivables were as follows:

For the nine months ended September 30, 2022

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2022	\$ 51,463	\$ 6,430	\$ 346,356	\$ 404,249	\$ 1,666,653	\$ 2,070,902
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(97)	845	(748)	-	-	-
Credit-impaired financial assets	(349)	(3,424)	3,773	-	-	-
12-month ECL	4,418	(2,133)	(2,285)	-	-	-
Derecognition of financial assets in the reporting period	(2,521)	(571)	(15,516)	(18,608)	-	(18,608)
New financial assets purchased or originated	7,767	4,154	17,298	29,219	-	29,219
Difference of impairment loss under regulations	-	-	-	-	(359,106)	(359,106)
Write-offs	-	-	(343,569)	(343,569)	-	(343,569)
Recovery of written-off receivables	-	-	338,157	338,157	-	338,157
Change in model or risk parameters	60,594	21,112	67,527	149,233	-	149,233
Change in exchange rates or others	123	15	1,732	1,870	10,210	12,080
Balance at September 30, 2022	<u>\$ 121,398</u>	<u>\$ 26,428</u>	<u>\$ 412,725</u>	<u>\$ 560,551</u>	<u>\$ 1,317,757</u>	<u>\$ 1,878,308</u>

For the nine months ended September 30, 2021

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2021	\$ 178,715	\$ 25,811	\$ 361,116	\$ 565,642	\$ 1,272,922	\$ 1,838,564
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(242)	512	(270)	-	-	-
Credit-impaired financial assets	(1,304)	(15,259)	16,563	-	-	-
12-month ECL	14,756	(8,316)	(6,440)	-	-	-
Derecognition of financial assets in the reporting period	(8,374)	(1,492)	(12,232)	(22,098)	-	(22,098)
New financial assets purchased or originated	4,002	754	10,696	15,452	-	15,452
Difference of impairment loss under regulations	-	-	-	-	217,077	217,077
Write-offs	-	-	(360,328)	(360,328)	-	(360,328)
Recovery of written-off receivables	-	-	328,498	328,498	-	328,498
Change in model or risk parameters	(137,162)	4,177	22,011	(110,974)	-	(110,974)
Change in exchange rates or others	(17)	(1)	(91)	(109)	(28,248)	(28,357)
Balance at September 30, 2021	<u>\$ 50,374</u>	<u>\$ 6,186</u>	<u>\$ 359,523</u>	<u>\$ 416,083</u>	<u>\$ 1,461,751</u>	<u>\$ 1,877,834</u>

The changes in gross carrying amount of receivables were as follows:

For the nine months ended September 30, 2022

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance at January 1, 2022	\$ 107,920,525	\$ 133,734	\$ 2,605,923	\$ 110,660,182
Transfers to				
Lifetime ECL	(133,350)	134,803	(1,453)	-
Credit-impaired financial assets	(529,072)	(67,897)	596,969	-
12-month ECL	59,543	(46,030)	(13,513)	-
Derecognition of financial assets in the reporting period	(10,971,554)	(10,219)	(384,970)	(11,366,743)
New financial assets purchased or originated	20,087,156	53,157	116,025	20,256,338
Write-offs	-	-	(343,569)	(343,569)
Change in exchange rates or others	<u>61,244</u>	<u>144</u>	<u>163</u>	<u>61,551</u>
Balance at September 30, 2022	<u>\$ 116,494,492</u>	<u>\$ 197,692</u>	<u>\$ 2,575,575</u>	<u>\$ 119,267,759</u>

For the nine months ended September 30, 2021

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance at January 1, 2021	\$ 101,041,722	\$ 159,613	\$ 2,648,775	\$ 103,850,110
Transfers to				
Lifetime ECL	(91,668)	92,390	(722)	-
Credit-impaired financial assets	(594,174)	(89,833)	684,007	-
12-month ECL	86,475	(53,151)	(33,324)	-
Derecognition of financial assets in the reporting period	(16,471,703)	(12,026)	(364,694)	(16,848,423)
New financial assets purchased or originated	18,256,101	27,024	95,997	18,379,122
Write-offs	-	-	(360,328)	(360,328)
Change in exchange rates or others	<u>(19,434)</u>	<u>(23)</u>	<u>(35)</u>	<u>(19,492)</u>
Balance at September 30, 2021	<u>\$ 102,207,319</u>	<u>\$ 123,994</u>	<u>\$ 2,669,676</u>	<u>\$ 105,000,989</u>

13. DISCOUNTS AND LOANS, NET

	September 30, 2022	December 31, 2021	September 30, 2021
Loans			
Short-term	\$ 301,400,449	\$ 309,127,045	\$ 312,847,139
Medium-term	509,171,474	436,923,515	422,498,825
Long-term	1,125,822,413	1,040,601,661	1,005,407,831
Overdue loans	2,623,052	2,189,227	2,292,463
Bills negotiated and discounts	<u>2,356,904</u>	<u>1,857,307</u>	<u>1,905,736</u>
	1,941,374,292	1,790,698,755	1,744,951,994
Less: Allowance for possible losses	(23,988,658)	(22,123,971)	(21,566,216)
Less: Adjustment of premium or discount	<u>24,193</u>	<u>66,457</u>	<u>(307)</u>
	<u>\$ 1,917,409,827</u>	<u>\$ 1,768,641,241</u>	<u>\$ 1,723,385,471</u>

Refer to Note 39 for information relating to discounts and loans pledged as security.

As of September 30, 2022, December 31, 2021 and September 30, 2021, the loan and credit balances of the Bank, for which the accrual of interest revenues was discontinued, amounted to \$2,602,163 thousand, \$2,134,217 thousand and \$2,186,628 thousand, respectively. The unrecognized interest revenues on these loans and credits of the Bank were \$30,714 thousand and \$26,131 thousand for the nine months ended September 30, 2022 and 2021, respectively.

The changes in allowance for possible losses of discount and loans were as follows:

For the nine months ended September 30, 2022

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2022	\$ 1,107,559	\$ 1,159,549	\$ 2,685,341	\$ 4,952,449	\$ 17,171,522	\$ 22,123,971
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(21,764)	42,193	(20,429)	-	-	-
Credit-impaired financial assets	(7,046)	(78,543)	85,589	-	-	-
12-month ECL	89,069	(41,977)	(47,092)	-	-	-
Derecognition of financial assets in the reporting period	(359,321)	(44,229)	(229,953)	(633,503)	-	(633,503)
New financial assets purchased or originated	713,821	294,320	296,627	1,304,768	-	1,304,768
Difference of impairment loss under regulations	-	-	-	-	313,325	313,325
Write-offs	-	-	(651,632)	(651,632)	-	(651,632)
Recovery of written-off credits	-	-	498,670	498,670	-	498,670
Change in model or risk parameters	168,223	141,568	361,802	671,593	-	671,593
Change in exchange rates or others	45,592	1,140	1,672	48,404	313,062	361,466
Balance at September 30, 2022	<u>\$ 1,736,133</u>	<u>\$ 1,474,021</u>	<u>\$ 2,980,595</u>	<u>\$ 6,190,749</u>	<u>\$ 17,797,909</u>	<u>\$ 23,988,658</u>

For the nine months ended September 30, 2021

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2021	\$ 3,536,235	\$ 1,092,418	\$ 3,728,502	\$ 8,357,155	\$ 12,251,566	\$ 20,608,721
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(23,693)	45,749	(22,056)	-	-	-
Credit-impaired financial assets	(15,812)	(153,443)	169,255	-	-	-
12-month ECL	467,019	(392,984)	(74,035)	-	-	-
Derecognition of financial assets in the reporting period	(769,437)	(67,025)	(376,112)	(1,212,574)	-	(1,212,574)
New financial assets purchased or originated	375,109	139,324	174,604	689,037	-	689,037
Difference of impairment loss under regulations	-	-	-	-	4,665,636	4,665,636
Write-offs	-	-	(670,950)	(670,950)	-	(670,950)
Recovery of written-off credits	-	-	690,567	690,567	-	690,567
Change in model or risk parameters	(2,596,708)	186,114	(736,997)	(3,147,591)	-	(3,147,591)
Change in exchange rates or others	(4,530)	(216)	(857)	(5,603)	(51,027)	(56,630)
Balance at September 30, 2021	<u>\$ 968,183</u>	<u>\$ 849,937</u>	<u>\$ 2,881,921</u>	<u>\$ 4,700,041</u>	<u>\$ 16,866,175</u>	<u>\$ 21,566,216</u>

The changes in gross carrying amount of discount and loans were as follows:

For the nine months ended September 30, 2022

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired Financial Assets)	Total
Balance at January 1, 2022	\$ 1,776,479,581	\$ 6,530,761	\$ 7,688,413	\$ 1,790,698,755
Transfers to				
Lifetime ECL	(1,580,735)	1,827,976	(247,241)	-
Credit-impaired financial assets	(1,995,378)	(361,064)	2,356,442	-
12-month ECL	784,378	(256,185)	(528,193)	-
Derecognition of financial assets in the reporting period	(531,308,470)	(1,103,327)	(1,474,815)	(533,886,612)
New financial assets purchased or originated	680,010,937	1,097,303	554,197	681,662,437
Write-offs	-	-	(651,632)	(651,632)
Change in exchange rates or others	<u>3,532,689</u>	<u>16,273</u>	<u>2,382</u>	<u>3,551,344</u>
Balance at September 30, 2022	<u>\$ 1,925,923,002</u>	<u>\$ 7,751,737</u>	<u>\$ 7,699,553</u>	<u>\$ 1,941,374,292</u>

For the nine months ended September 30, 2021

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired Financial Assets)	Total
Balance at January 1, 2021	\$ 1,628,484,018	\$ 4,313,659	\$ 8,238,531	\$ 1,641,036,208
Transfers to				
Lifetime ECL	(1,947,161)	2,110,665	(163,504)	-
Credit-impaired financial assets	(2,292,739)	(653,804)	2,946,543	-
12-month ECL	1,408,339	(982,472)	(425,867)	-
Derecognition of financial assets in the reporting period	(493,441,193)	(1,200,147)	(1,900,008)	(496,541,348)
New financial assets purchased or originated	601,178,896	480,282	391,727	602,050,905
Write-offs	-	-	(670,950)	(670,950)
Change in exchange rates or others	<u>(915,311)</u>	<u>(3,581)</u>	<u>(3,929)</u>	<u>(922,821)</u>
Balance at September 30, 2021	<u>\$ 1,732,474,849</u>	<u>\$ 4,064,602</u>	<u>\$ 8,412,543</u>	<u>\$ 1,744,951,994</u>

The bad-debt expenses and provision for losses on commitments and guarantees were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Provision for possible losses on due from banks	\$ 251	\$ 3,472	\$ 13,211	\$ 16,082
Provision (reversal of provision) for possible losses on call loans to other banks	11,534	21,543	13,192	(50,892)
Provision (reversal of provision) for possible losses on receivables	53,667	40,264	(199,262)	99,457
Provision for possible losses on discounts and loans	551,766	684,134	1,656,183	994,508
Provision for possible losses on remittance	-	(10)	(10)	-
Provision (reversal of provision) for possible losses on guarantees	(816)	20,180	2,701	24,770
Provision (reversal of provision) for possible losses on financing commitments	<u>(258)</u>	<u>471</u>	<u>7,540</u>	<u>(771)</u>
	<u>\$ 616,144</u>	<u>\$ 770,054</u>	<u>\$ 1,493,555</u>	<u>\$ 1,083,154</u>

The FSC stipulated that banks 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. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Bank was in compliance with the FSC's provision requirement for both types of credit assets.

14. UNCONSOLIDATED STRUCTURED ENTITIES

- a. The Bank holds the following unconsolidated structured entities. The fund is from the Bank and an external third-party.

Type of Structured Entity	Characteristic and Purpose	Equity Owned by the Bank
Assets securitization products and asset-based loan	Investment in assets securitization product and asset-based loan to gain profit	Investment in asset-backed securities issued by unconsolidated structured entities and principal of loans

- b. As of September 30, 2022, the carrying amounts of the unconsolidated structured entities recognized by the Bank were as below:

	September 30, 2022
<u>Assets securitization products and asset-based loan</u>	
Investments in debt instruments at amortized cost	\$ 167,749
Discounts and loans	<u>738,856</u>
	<u>\$ 906,605</u>

The maximum exposure to possible loss is the carrying amount of the assets held.

15. OTHER FINANCIAL ASSETS, NET

	September 30, 2022	December 31, 2021	September 30, 2021
Due from banks	\$ 5,117,617	\$ 6,508,499	\$ 3,386,887
Other	<u>-</u>	<u>7</u>	<u>-</u>
	<u>\$ 5,117,617</u>	<u>\$ 6,508,506</u>	<u>\$ 3,386,887</u>

Due from banks were deposits for operating reserve and time deposits with maturities longer than three months.

16. PROPERTIES AND EQUIPMENT, NET

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Carrying amount</u>			
Land	\$ 14,393,574	\$ 14,369,786	\$ 14,192,109
Buildings	12,794,168	12,908,487	12,895,085
Computers	2,652,114	2,830,988	2,814,870
Transportation equipment	446,031	401,417	408,344
Miscellaneous equipment	1,511,285	1,364,674	1,317,377
Prepayments for properties and equipment	<u>1,901,487</u>	<u>1,390,375</u>	<u>1,070,507</u>
	<u>\$ 33,698,659</u>	<u>\$ 33,265,727</u>	<u>\$ 32,698,292</u>

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Prepayments	Total
<u>Cost</u>							
Balance, January 1, 2022	\$ 14,369,786	\$ 18,614,172	\$ 6,749,894	\$ 968,679	\$ 3,904,066	\$ 1,390,375	\$ 45,996,972
Addition	-	156,866	301,074	77,217	185,631	1,007,015	1,727,803
Disposal	(14,027)	(24,594)	(146,229)	(61,301)	(153,833)	-	(399,984)
Net exchange difference	42,936	142,012	27,539	6,016	81,935	1,727	302,165
Reclassification and others	<u>(5,121)</u>	<u>111,839</u>	<u>96,023</u>	<u>25,968</u>	<u>103,347</u>	<u>(497,630)</u>	<u>(165,574)</u>
Balance, September 30, 2022	<u>\$ 14,393,574</u>	<u>\$ 19,000,295</u>	<u>\$ 7,028,301</u>	<u>\$ 1,016,579</u>	<u>\$ 4,121,146</u>	<u>\$ 1,901,487</u>	<u>\$ 47,461,382</u>
Balance, January 1, 2021	\$ 14,229,849	\$ 14,900,076	\$ 6,172,650	\$ 962,699	\$ 3,772,781	\$ 4,102,780	\$ 44,140,835
Addition	-	1,881,892	463,476	38,032	68,376	660,736	3,112,512
Disposal	(31,516)	(40,238)	(178,213)	(34,256)	(25,265)	-	(309,488)
Net exchange difference	(6,224)	(37,551)	(8,734)	(2,757)	(24,098)	(659)	(80,023)
Reclassification and others	<u>-</u>	<u>1,734,019</u>	<u>145,747</u>	<u>-</u>	<u>19,136</u>	<u>(3,692,350)</u>	<u>(1,793,448)</u>
Balance, September 30, 2021	<u>\$ 14,192,109</u>	<u>\$ 18,438,198</u>	<u>\$ 6,594,926</u>	<u>\$ 963,718</u>	<u>\$ 3,810,930</u>	<u>\$ 1,070,507</u>	<u>\$ 45,070,388</u>

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Total
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2022	\$ -	\$ (5,705,685)	\$ (3,918,906)	\$ (567,262)	\$ (2,539,392)	\$ (12,731,245)
Disposal	-	16,308	146,121	61,064	145,300	368,793
Depreciation expenses	-	(490,976)	(583,447)	(60,078)	(166,975)	(1,301,476)
Net exchange difference	-	(27,607)	(19,955)	(4,272)	(48,794)	(100,628)
Reclassification and others	-	1,833	-	-	-	1,833
Balance, September 30, 2022	<u>\$ -</u>	<u>\$ (6,206,127)</u>	<u>\$ (4,376,187)</u>	<u>\$ (570,548)</u>	<u>\$ (2,609,861)</u>	<u>\$ (13,762,723)</u>
Balance, January 1, 2021	\$ -	\$ (5,124,788)	\$ (3,426,713)	\$ (532,692)	\$ (2,367,348)	\$ (11,451,541)
Disposal	-	22,327	178,211	33,488	25,258	259,284
Depreciation expenses	-	(445,643)	(537,073)	(57,771)	(163,374)	(1,203,861)
Net exchange difference	-	4,991	5,519	1,601	11,911	24,022
Balance, September 30, 2021	<u>\$ -</u>	<u>\$ (5,543,113)</u>	<u>\$ (3,780,056)</u>	<u>\$ (555,374)</u>	<u>\$ (2,493,553)</u>	<u>\$ (12,372,096)</u>

The construction project with respect to the superficieses in Minsheng Section, Songshan District, Taipei City, had been handed over to the Company during the second quarter of 2021 and was reclassified from the prepayments for properties and equipment to buildings and right-of-use assets, which amounted to \$1,721,599 thousand and \$1,479,201 thousand, respectively, based on the Company's purpose and nature of ownership; please refer to Note 17.

Depreciation is calculated by the straight-line method over service lives estimated as follows:

Buildings	
Main buildings	20 to 50 years
Equipment installed in buildings	10 to 15 years
Computers	3 to 8 years
Transportation equipment	4 to 10 years
Miscellaneous equipment	1.5 to 20 years

17. LEASE ARRANGEMENTS

a. Right-of-use assets, net

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Carrying amounts</u>			
Land and superficieses royalties	\$ 3,792,242	\$ 3,825,350	\$ 3,893,732
Buildings	2,842,796	2,931,534	2,872,200
Office equipment	7,616	10,166	11,173
Transportation equipment	<u>5,253</u>	<u>5,053</u>	<u>4,139</u>
	<u>\$ 6,647,907</u>	<u>\$ 6,772,103</u>	<u>\$ 6,781,244</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Additions to right-of-use assets			\$ 714,674	\$ 3,150,587
Depreciation charge for right-of-use assets				
Land and superficieses				
royalties	\$ 19,999	\$ 20,114	\$ 59,996	\$ 21,766
Buildings	247,343	254,691	769,693	767,531
Office equipment	1,123	1,092	3,355	3,087
Transportation equipment	972	1,161	2,964	3,723
	<u>\$ 269,437</u>	<u>\$ 277,058</u>	<u>\$ 836,008</u>	<u>\$ 796,107</u>

The Company has been subleasing part of its acquired superficieses and above-ground buildings under operating leases. The related right-of-use assets are presented as investment properties. Please refer to Note 18. The amounts disclosed above with respect to the right-of-use assets do not include right-of-use assets that meet the definition of investment properties.

Except for the additions, depreciation and sublease recognized above, the Company had no impairment of right-of-use assets during the nine months ended September 30, 2022 and 2021.

b. Lease liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
Carrying amounts	<u>\$ 3,760,809</u>	<u>\$ 3,841,071</u>	<u>\$ 3,778,603</u>

Range of discount rates for lease liabilities was as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Land	1.09%	1.09%	1.09%
Buildings	0.37%-7.50%	0.37%-7.50%	0.37%-7.50%
Office equipment	0.70%-2.98%	0.37%-2.98%	0.37%-2.98%
Transportation equipment	0.73%-2.98%	0.35%-7.50%	0.35%-7.50%

c. Material lease-in activities and terms

The Company has entered into certain lease contracts with other companies or individuals for the business halls and office space that are required to be rented for operating activities. Rentals are calculated based on the actual number of rented flats and are payable monthly, quarterly or semi-annually. As of September 30, 2022, December 31, 2021 and September 30, 2021, refundable deposits on these leases totaled \$745,205 thousand, \$751,389 thousand and \$751,568 thousand, respectively.

The Company acquired the superficieses right of Minsheng Section in Songshan District, Taipei City during the second quarter of 2021. The right will be valid until October 2067.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 18.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Expenses relating to short-term leases	<u>\$ 1,507</u>	<u>\$ 9,889</u>	<u>\$ 23,657</u>	<u>\$ 22,141</u>
Expenses relating to low-value asset leases	<u>\$ 141</u>	<u>\$ 87</u>	<u>\$ 314</u>	<u>\$ 223</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ (91)</u>	<u>\$ -</u>	<u>\$ 4,957</u>	<u>\$ 63</u>
Total cash outflow for leases			<u>\$ (852,382)</u>	<u>\$ (825,887)</u>

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

18. INVESTMENT PROPERTIES, NET

	September 30, 2022	December 31, 2021	September 30, 2021
Land	\$ 386,161	\$ 381,040	\$ 381,040
Buildings	1,673,505	1,666,804	1,624,388
Right-of-use assets	<u>47,484</u>	<u>48,269</u>	<u>-</u>
	<u>\$ 2,107,150</u>	<u>\$ 2,096,113</u>	<u>\$ 2,005,428</u>

Right-of-use assets included in investment properties are part of the acquired superficies and above-ground buildings subleased under operating leases.

Except for depreciation expenses recognized, the company had no significant addition, disposal, and impairment on investment properties during the nine months ended September 30, 2022 and 2021.

Investment properties (except for land) are depreciated through 36 to 50 years on a straight-line basis.

As of September 30, 2022, December 31, 2021 and September 30, 2021, the fair values of investment properties were \$3,419,770 thousand, \$3,348,327 thousand and \$3,144,792 thousand, respectively. The fair value was classified in Level 3 and was determined using the valuation of discounted cash flow analysis method from external real estate appraiser joint firm (that were not the Company's related parties), and the comparison of price of the comparable property from external appraisal company and the Company's appraisal center.

The revenues generated from the investment properties are summarized as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Rental income from investment properties	\$ 13,763	\$ 11,228	\$ 39,234	\$ 33,766
Direct operating expenses of investment properties that generate rental income	(14,023)	(13,236)	(42,049)	(39,944)
Direct operating expenses of investment properties that do not generate rental income	<u>(138)</u>	<u>(138)</u>	<u>(415)</u>	<u>(415)</u>
	<u>\$ (398)</u>	<u>\$ (2,146)</u>	<u>\$ (3,230)</u>	<u>\$ (6,593)</u>

Lease agreements on premises occupied by other companies or individuals are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods. As of September 30, 2022, December 31, 2021 and September 30, 2021, refundable deposits on these leases totaled \$16,488 thousand, \$16,051 thousand and \$15,780 thousand, respectively (part of guarantee deposits received). The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Year 1	\$ 62,587	\$ 61,334	\$ 40,158
Year 2	52,659	51,981	20,921
Year 3	28,700	46,404	20,406
Year 4	7,029	10,189	9,244
Year 5	4,053	1,184	1,001
Over 5 years	<u>73</u>	<u>-</u>	<u>-</u>
	<u>\$ 155,101</u>	<u>\$ 171,092</u>	<u>\$ 91,730</u>

19. INTANGIBLE ASSETS, NET

	September 30, 2022	December 31, 2021	September 30, 2021
Goodwill	\$ 4,507,965	\$ 4,426,526	\$ 4,430,077
Computer software	1,012,724	1,207,580	1,200,369
Banking licenses	506,444	441,695	444,518
Core deposits	14,411	16,445	17,123
Developed technology	23,259	27,364	28,732
Customer relationship	<u>12,579</u>	<u>14,610</u>	<u>15,287</u>
	<u>\$ 6,077,382</u>	<u>\$ 6,134,220</u>	<u>\$ 6,136,106</u>

	Goodwill	Computer Software	Banking Licenses	Core Deposits	Developed Technology	Customer Relationship	Total
Balance, January 1, 2022	\$ 4,426,526	\$ 1,207,580	\$ 441,695	\$ 16,445	\$ 27,364	\$ 14,610	\$ 6,134,220
Separate acquisition	-	164,479	-	-	-	-	164,479
Amortization expenses	-	(519,600)	-	(2,034)	(4,105)	(2,031)	(527,770)
Reclassification	-	155,265	-	-	-	-	155,265
Net exchange difference	<u>81,439</u>	<u>5,000</u>	<u>64,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,188</u>
Balance, September 30, 2022	<u>\$ 4,507,965</u>	<u>\$ 1,012,724</u>	<u>\$ 506,444</u>	<u>\$ 14,411</u>	<u>\$ 23,259</u>	<u>\$ 12,579</u>	<u>\$ 6,077,382</u>
Balance, January 1, 2021	\$ 4,442,999	\$ 1,152,830	\$ 454,791	\$ 19,157	\$ 32,836	\$ 17,318	\$ 6,119,931
Separate acquisition	-	234,621	-	-	-	-	234,621
Amortization expenses	-	(499,000)	-	(2,034)	(4,104)	(2,031)	(507,169)
Reclassification	-	314,187	-	-	-	-	314,187
Net exchange difference	<u>(12,922)</u>	<u>(2,269)</u>	<u>(10,273)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,464)</u>
Balance, September 30, 2021	<u>\$ 4,430,077</u>	<u>\$ 1,200,369</u>	<u>\$ 444,518</u>	<u>\$ 17,123</u>	<u>\$ 28,732</u>	<u>\$ 15,287</u>	<u>\$ 6,136,106</u>

The above intangible assets with limited useful lives are amortized on a straight-line basis by the useful lives as follows:

Computer software	3 to 10 years
Core deposits	16 years
Developed technology	11 years
Customer relationship	11 to 17 years

In testing assets for impairment, the Company uses as recoverable amounts (a) value in use for an operating segment defined as a CGU and (b) net fair value for an investment property. Goodwill on the acquisition of UCB (the subsidiary), BankPro (the subsidiary), the Kaohsiung Business Bank Co., Ltd., Chu Nan Credit-Cooperative Association and Chiayi The Fourth Credit Cooperative was allocated to operating segments (CGUs with allocated goodwill). The Company estimates the next five years' cash flows of a CGU by taking into consideration the actual performance of each CGU, business cycle, etc. under the going-concern assumption. The discounted present value of cash flows is used to determine the value in use of each CGU. The discount rates for future cash flows of CGUs were determined using the capital asset pricing model (CAPM). The testing for asset impairment showed that no impairment losses had been incurred.

20. OTHER ASSETS, NET

	September 30, 2022	December 31, 2021	September 30, 2021
Refundable deposits, net	\$ 11,596,196	\$ 4,079,967	\$ 3,440,407
Prepaid expenses	687,515	452,360	564,831
Defined benefit assets	494,622	365,495	94,410
Others	<u>7,285</u>	<u>10,449</u>	<u>51,876</u>
	<u>\$ 12,785,618</u>	<u>\$ 4,908,271</u>	<u>\$ 4,151,524</u>

21. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	September 30, 2022	December 31, 2021	September 30, 2021
Call loans from banks	\$ 60,566,088	\$ 78,059,351	\$ 68,710,999
Deposits from Chunghwa Post Co., Ltd.	22,276,985	2,276,985	2,276,177
Call loans from the Central Bank	3,809,760	1,384,450	1,393,300
Banks overdrafts	824,375	213,519	1,172,559
Deposits from banks	2,501,948	1,520,217	2,495,588
Deposits from the Central Bank	<u>27,430</u>	<u>26,636</u>	<u>25,380</u>
	<u>\$ 90,006,586</u>	<u>\$ 83,481,158</u>	<u>\$ 76,074,003</u>

22. DUE TO THE CENTRAL BANK AND OTHER BANKS

	September 30, 2022	December 31, 2021	September 30, 2021
Due to the Central Bank	<u>\$ -</u>	<u>\$ 14,021,010</u>	<u>\$ 12,107,230</u>

23. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$17,319,141 thousand, \$16,648,639 thousand and \$11,440,173 thousand under repurchase agreements as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively, would subsequently be purchased for \$17,391,199 thousand, \$16,686,012 thousand and \$11,468,855 thousand, respectively.

24. PAYABLES

	September 30, 2022	December 31, 2021	September 30, 2021
Checks for clearing	\$ 2,363,313	\$ 7,259,513	\$ 1,915,573
Accrued interest	4,678,349	1,943,109	1,812,111
Accounts payable	2,536,631	1,410,356	4,582,232
Accrued expenses	3,450,063	4,940,805	4,134,234
Factored accounts payable	4,129,853	1,590,393	2,564,954
Acceptances	1,786,942	1,356,990	1,595,739
Payable on credit cards	885,051	877,542	691,688
Collections payable	7,430,838	683,530	6,851,678
Tax payable	284,460	342,090	246,970
Others	<u>3,744,665</u>	<u>3,152,846</u>	<u>3,664,108</u>
	<u>\$ 31,290,165</u>	<u>\$ 23,557,174</u>	<u>\$ 28,059,287</u>

25. DEPOSITS AND REMITTANCES

	September 30, 2022	December 31, 2021	September 30, 2021
Deposits			
Checking	\$ 12,563,086	\$ 18,652,239	\$ 12,633,310
Demand	754,436,230	803,556,709	772,172,751
Savings - demand	715,133,304	700,429,954	673,308,667
Time	997,357,372	830,967,461	756,421,938
Negotiable certificates of deposit	8,020,589	28,801,536	31,942,135
Savings - time	352,584,752	300,717,348	295,533,935
Treasury deposits	14,229,053	13,225,790	11,766,372
Remittances	<u>1,493,796</u>	<u>1,719,770</u>	<u>1,401,871</u>
	<u>\$ 2,855,818,182</u>	<u>\$ 2,698,070,807</u>	<u>\$ 2,555,180,979</u>

26. BANK DEBENTURES

Details of bank debentures issued by the Bank were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Subordinated bonds issued on June 28, 2012; 1.68% interest payable annually; principal repayable on maturity (10 years after the issue date).	\$ -	\$ 2,720,000	\$ 2,720,000
Two types of subordinated bonds issued on August 27, 2012; interest rate at (a) 1.50% for type A bond and (b) 1.62% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	-	3,500,000	3,500,000
Two types of subordinated bonds issued on May 24, 2013; interest rate at (a) 1.55% for type A bond and (b) 1.70% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	1,500,000	1,500,000	1,500,000
Two types of subordinated bonds issued on March 7, 2014; interest rate at (a) 1.80% for type A bond and (b) 1.95% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	2,200,000	2,200,000	2,200,000

(Continued)

	September 30, 2022	December 31, 2021	September 30, 2021
Two types of subordinated bonds issued on April 30, 2015; interest rate at (a) 1.80% for type A bond and (b) 2.10% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	\$ 4,500,000	\$ 5,000,000	\$ 5,000,000
Two types of subordinated bonds issued on September 29, 2015; interest rate at (a) 1.65% for type A bond and (b) 2.00% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	3,650,000	3,750,000	3,750,000
Two types of subordinated bonds issued on March 30, 2018; interest rate at (a) 1.30% for type A bond and (b) 1.55% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	4,000,000	4,000,000	4,000,000
Bonds issued on August 13, 2019; interest rate at 0.65%; interest payable annually; principal repayable on maturity (3 years after the issue date).	-	3,000,000	3,000,000
Noncumulative perpetual subordinated bonds issued on January 8, 2020; interest rate at 1.45%; interest payable annually; the Bank may redeem the bond after 5 years and one month from the issue date.	4,000,000	4,000,000	4,000,000
Bonds issued on March 19, 2020; interest rate at 0.58%; interest payable annually; principal repayable on maturity (5 years after the issue date).	3,000,000	3,000,000	3,000,000
Two types of bonds issued on October 28, 2021; interest rate at (a) 0.37% for type A bond and (b) 0.47% for type B bond; interest payable annually for both bond types; principal repayable on maturity (3 years for type A bond and 7 years for type B bond after the issue date).	1,600,000	1,600,000	-
Bonds issued on March 18, 2022; interest rate at 0.71%; interest payable annually; principal repayable on maturity (5 years after the issue date).	1,100,000	-	-
			(Continued)

	September 30, 2022	December 31, 2021	September 30, 2021
Two types of subordinated bonds issued on June 15, 2022; interest rate at (a) 1.90% for type A bond and (b) 2.10% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	\$ 2,700,000	\$ -	\$ -
Bonds issued on July 27, 2022; interest rate at 1.60%; interest payable annually; principal repayable on maturity (3 years after the issue date).	<u>7,300,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 35,550,000</u>	<u>\$ 34,270,000</u>	<u>\$ 32,670,000</u> (Concluded)

The Bank designated the bank debentures as at fair value through profit or loss, which are summarized below:

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured USD-denominated subordinated bonds issued on May 27, 2015	\$ 3,425,425	\$ 3,260,716	\$ 3,280,713
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on May 27, 2015	1,863,527	2,267,118	2,254,116
Unsecured USD-denominated subordinated bonds issued on October 28, 2015	2,529,254	2,419,752	2,438,747
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on October 28, 2015	976,171	1,193,531	1,179,966
Unsecured USD-denominated subordinated bonds issued on January 22, 2016	9,709,483	9,194,851	9,268,261
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on January 22, 2016	6,613,663	7,186,673	7,147,139
Unsecured USD-denominated subordinated bonds issued on June 6, 2016	3,155,248	3,283,492	3,332,258
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on June 6, 2016	2,642,194	2,943,007	2,877,459
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on December 29, 2016	2,540,401	2,808,747	2,749,309
Unsecured USD-denominated bonds issued on May 19, 2017	1,906,285	2,019,482	2,031,589 (Continued)

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured USD-denominated bonds issued on November 21, 2017	\$ 4,189,665	\$ 4,459,863	\$ 4,509,510
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on February 12, 2018	<u>5,752,285</u>	<u>6,412,483</u>	<u>6,332,009</u>
	<u>\$ 45,303,601</u>	<u>\$ 47,449,715</u>	<u>\$ 47,401,076</u> (Concluded)

On May 27, 2015, the Bank issued unsecured subordinated bank debentures amounting to US\$85,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On May 27, 2015, the Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$85,000 thousand with no maturity date and with a 4.97% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may redeem all the bonds after 15 years from the issue date.

On October 28, 2015, the Bank issued unsecured subordinated bank debentures amounting to US\$63,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On October 28, 2015, the Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$43,000 thousand with no maturity date and with a 5.10% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may redeem all the bonds after 15 years from the issue date.

On January 22, 2016, the Bank issued unsecured subordinated bank debentures amounting to US\$240,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On January 22, 2016, the Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$240,000 thousand with no maturity date and with a 5.10% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may redeem all the bonds after 15 years from the issue date.

On June 6, 2016, the Bank issued unsecured subordinated bank debentures amounting to US\$95,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On June 6, 2016, the Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$95,000 thousand with no maturity date and with a 4.41% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may redeem all the bonds after 15 years from the issue date.

On December 29, 2016, the Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$90,000 thousand with no maturity date and with a 4.85% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may redeem all the bonds after 15 years from the issue date.

On May 19, 2017, the Bank issued unsecured bank debentures amounting to US\$60,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures, the Bank may either redeem the bonds at an agreed-upon price after five years from the issue date and each year afterward, or make bond repayments on the maturity date.

On November 21, 2017, the Bank issued unsecured bank debentures amounting to US\$135,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures, the Bank may either redeem the bonds at an agreed-upon price after five years from the issue date and each year afterward, or make bond repayments on the maturity date.

On February 12, 2018, the Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$200,000 thousand with no maturity date and with a 4.75% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may redeem all the bonds after 15 years from the issue date.

To hedge against its exposure to interest rate risk due to the issuance of the above bank debentures, the Bank entered into interest rate swap (IRS) contracts, which are measured at fair value. The changes in fair value of the IRS contracts are recognized in profit or loss. To eliminate an accounting mismatch, the Bank also designated the bank debentures as at fair value through profit or loss.

To improve the Bank's capital adequacy ratio and strengthen equity structure, on March 10, 2022, the FSC approved the issuance of long-term subordinated bank debentures amounting to NT\$5 billion (or foreign currency equivalent), as of September 30, 2022, bank debentures amounting to NT\$2.7 billion has been issued.

To support sustainable business development and the government's green finance policy, on September 20, 2022, the FSC approved the issuance of unsecured bank debentures amounting to NT\$30 billion (or foreign currency equivalent) with no more than 40 years to maturity and can be issued in installments.

To strengthen operating capital and capital structure, on November 11, 2022, the Bank's board of directors approved the issuance of unsecured foreign currency bank debentures and offshore structured products amounting to US\$50,000 thousand (or foreign currency equivalent) with no more than 30 years to maturity and can be issued in installments within 10 years. For the issuance of the bank debentures, the Bank's application is subject for approval by the FSC.

As of the date the consolidated financial statements were authorized for issue, bank debentures amounting to NT\$32.3 billion has not yet been issued.

27. OTHER FINANCIAL LIABILITIES

	September 30, 2022	December 31, 2021	September 30, 2021
Principal of structured products	\$ 89,585,778	\$ 62,374,505	\$ 51,978,820
Guarantee deposits received	26,941,977	1,942,439	2,515,378
Long-term borrowings	374,173	335,037	337,179
Short-term borrowings	<u>2,131,801</u>	<u>573,780</u>	<u>736,650</u>
	<u>\$ 119,033,729</u>	<u>\$ 65,225,761</u>	<u>\$ 55,568,027</u>

28. PROVISIONS

	September 30, 2022	December 31, 2021	September 30, 2021
Provision for losses on financing commitment	\$ 584,454	\$ 568,384	\$ 504,822
Provision for losses on guarantees	354,948	349,586	341,648
Others	<u>162,105</u>	<u>163,170</u>	<u>163,477</u>
	<u>\$ 1,101,507</u>	<u>\$ 1,081,140</u>	<u>\$ 1,009,947</u>

The changes in provision for losses on guarantees and financing commitments are summarized below:

For the nine months ended September 30, 2022

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2022	\$ 95,148	\$ 99,444	\$ 4,171	\$ 198,763	\$ 719,207	\$ 917,970
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(53)	1,566	(1,513)	-	-	-
Credit-impaired financial instruments	-	(2)	2	-	-	-
12-month ECL	1,751	(1,715)	(36)	-	-	-
Derecognition of financial instruments in the reporting period	(29,078)	(8,460)	(46)	(37,584)	-	(37,584)
New financial instruments purchased or originated	27,893	155	202	28,250	-	28,250
Difference of impairment loss under regulations	-	-	-	-	64,259	64,259
Change in model or risk parameters	12,008	(56,813)	121	(44,684)	-	(44,684)
Change in exchange rates or others	<u>121</u>	<u>1</u>	<u>-</u>	<u>122</u>	<u>11,069</u>	<u>11,191</u>
Balance at September 30, 2022	<u>\$ 107,790</u>	<u>\$ 34,176</u>	<u>\$ 2,901</u>	<u>\$ 144,867</u>	<u>\$ 794,535</u>	<u>\$ 939,402</u>

For the nine months ended September 30, 2021

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2021	\$ 421,939	\$ 1,685	\$ 3,228	\$ 426,852	\$ 397,535	\$ 824,387
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(30)	30	-	-	-	-
Credit-impaired financial instruments	(3)	(1)	4	-	-	-
12-month ECL	1,580	(1,517)	(63)	-	-	-
Derecognition of financial instruments in the reporting period	(56,388)	(155)	(838)	(57,381)	-	(57,381)
New financial instruments purchased or originated	33,614	67	79	33,760	-	33,760
Difference of impairment loss under regulations	-	-	-	-	361,920	361,920
Change in model or risk parameters	(315,553)	865	388	(314,300)	-	(314,300)
Change in exchange rates or others	(38)	-	-	(38)	(1,878)	(1,916)
Balance at September 30, 2021	<u>\$ 85,121</u>	<u>\$ 974</u>	<u>\$ 2,798</u>	<u>\$ 88,893</u>	<u>\$ 757,577</u>	<u>\$ 846,470</u>

29. POST-EMPLOYMENT BENEFIT PLAN

a. Defined contribution plan

The pension mechanism under the Labor Pension Act (the Act) is deemed a defined contribution plan. Under the Act, the Company makes monthly contribution equal to 6% of each employee's monthly salary to employees' pension accounts in the Bureau of Labor Insurance.

The Company recognized expenses of \$295,954 thousand and \$287,629 thousand in the consolidated statements of comprehensive income for the nine months ended September 30, 2022 and 2021, respectively, in accordance with the defined contribution plan.

b. Defined benefit plan

The Company has a defined benefit pension plan for all regular employees. Under this plan, the pension is calculated on the basis of an employee's seniority accumulated since the hire date in accordance with the Labor Standards Act.

The Company makes monthly contributions, equal to 2% of salaries and wages, to a pension fund. The fund is deposited in the Bank of Taiwan in the name of the Supervisory Committee of Workers' Retirement Preparation Fund, which manages the fund. The difference between the contributions and the pension costs based on actuarial calculations is deposited in a financial institution in the name of the employees' pension fund administration committee. Starting from July 1, 2005, the Company has made monthly contributions to the pension fund by the foregoing pension calculation for the employees that choose to continue being subject to the Labor Standards Act.

The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau) and the Company has no right to influence the investment policy and strategy. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay post-employment benefits for employees who conform to post-employment requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year.

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) 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.
- 2) 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 plan's debt investments.
- 3) 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.

For the nine months ended September 30, 2022 and 2021, the pension expenses under defined benefit plan recognized in the consolidated statements of comprehensive income amounted to \$10,699 thousand and \$16,970 thousand, respectively.

30. OTHER LIABILITIES

	September 30, 2022	December 31, 2021	September 30, 2021
Advance receipts	\$ 2,841,486	\$ 2,916,570	\$ 2,785,669
Deferred revenue	673,859	649,316	627,330
Others	<u>31,853</u>	<u>13,703</u>	<u>42,529</u>
	<u>\$ 3,547,198</u>	<u>\$ 3,579,589</u>	<u>\$ 3,455,528</u>

31. NET INTEREST

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Interest revenue				
From discounts and loans	\$ 10,694,691	\$ 7,042,798	\$ 26,808,881	\$ 20,717,114
From investments	2,691,302	1,112,083	6,470,072	3,199,512
From revolving interests of credit cards	490,003	463,547	1,445,807	1,460,241
From due from banks and call loans to other banks	434,845	104,469	797,706	321,766
Others	<u>175,461</u>	<u>28,522</u>	<u>287,894</u>	<u>87,780</u>
	<u>14,486,302</u>	<u>8,751,419</u>	<u>35,810,360</u>	<u>25,786,413</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Interest expense				
From deposits	\$ (5,863,570)	\$ (1,900,243)	\$ (11,111,991)	\$ (5,889,485)
From due to the Central Bank and other banks	(378,299)	(115,385)	(721,274)	(336,165)
From issuing bank debentures	(143,086)	(126,240)	(397,410)	(378,772)
From lease liabilities	(9,633)	(10,367)	(29,875)	(29,247)
Others	(420,927)	(132,085)	(829,434)	(433,456)
	<u>(6,815,515)</u>	<u>(2,284,320)</u>	<u>(13,089,984)</u>	<u>(7,067,125)</u>
	<u>\$ 7,670,787</u>	<u>\$ 6,467,099</u>	<u>\$ 22,720,376</u>	<u>\$ 18,719,288</u>
				(Concluded)

32. SERVICE FEE INCOME, NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Service fee income				
From credit cards	\$ 2,340,300	\$ 2,030,660	\$ 6,663,756	\$ 6,142,903
From trust business	968,046	1,838,960	3,478,729	5,430,958
From insurance	945,302	674,437	2,456,629	1,780,874
From loans	465,381	472,042	1,543,836	1,222,928
Others	<u>515,938</u>	<u>631,825</u>	<u>1,604,062</u>	<u>1,835,954</u>
	<u>5,234,967</u>	<u>5,647,924</u>	<u>15,747,012</u>	<u>16,413,617</u>
Service charge				
From agency	(509,932)	(459,595)	(1,466,626)	(1,308,636)
From credit cards	(153,451)	(171,635)	(452,772)	(586,740)
From cross-bank transactions	(83,751)	(72,999)	(244,125)	(231,934)
From computer processing	(78,799)	(69,108)	(207,246)	(213,185)
Others	<u>(193,452)</u>	<u>(162,212)</u>	<u>(520,202)</u>	<u>(501,474)</u>
	<u>(1,019,385)</u>	<u>(935,549)</u>	<u>(2,890,971)</u>	<u>(2,841,969)</u>
	<u>\$ 4,215,582</u>	<u>\$ 4,712,375</u>	<u>\$ 12,856,041</u>	<u>\$ 13,571,648</u>

33. GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Three Months Ended September 30, 2022				
	Dividend Income	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 8,928	\$ 475,159	\$ 5,457,357	\$ 67,419,105	\$ 73,360,549
Held-for-trading financial liabilities	-	-	(5,758,575)	(69,733,495)	(75,492,070)
Financial liabilities designated as at fair value through profit or loss	-	(582,684)	-	3,164,001	2,581,317
	<u>\$ 8,928</u>	<u>\$ (107,525)</u>	<u>\$ (301,218)</u>	<u>\$ 849,611</u>	<u>\$ 449,796</u>

For the Three Months Ended September 30, 2021					
	Dividend Income	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 16,811	\$ 1,131,149	\$ 2,756,325	\$ (6,956,155)	\$ (3,051,870)
Held-for-trading financial liabilities	-	-	(1,764,436)	6,264,508	4,500,072
Financial liabilities designated as at fair value through profit or loss	-	(521,964)	-	604,053	82,089
	<u>\$ 16,811</u>	<u>\$ 609,185</u>	<u>\$ 991,889</u>	<u>\$ (87,594)</u>	<u>\$ 1,530,291</u>
For the Nine Months Ended September 30, 2022					
	Dividend Income	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 24,504	\$ 1,855,479	\$ 13,529,689	\$ 131,998,072	\$ 147,407,744
Held-for-trading financial liabilities	-	-	(11,417,228)	(143,525,118)	(154,942,346)
Financial liabilities designated as at fair value through profit or loss	-	(1,675,944)	-	9,181,865	7,505,921
	<u>\$ 24,504</u>	<u>\$ 179,535</u>	<u>\$ 2,112,461</u>	<u>\$ (2,345,181)</u>	<u>\$ (28,681)</u>
For the Nine Months Ended September 30, 2021					
	Dividend Income	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 26,582	\$ 3,522,290	\$ 8,842,133	\$ (17,719,383)	\$ (5,328,378)
Held-for-trading financial liabilities	-	-	(5,461,832)	14,884,847	9,423,015
Financial liabilities designated as at fair value through profit or loss	-	(1,563,997)	158	2,393,821	829,982
	<u>\$ 26,582</u>	<u>\$ 1,958,293</u>	<u>\$ 3,380,459</u>	<u>\$ (440,715)</u>	<u>\$ 4,924,619</u>

34. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Employee benefits				
Salaries	\$ 2,596,678	\$ 2,862,103	\$ 7,999,254	\$ 8,533,948
Insurance	196,196	179,172	629,985	611,689
Excessive interest from preferential rates	-	48,553	26,744	148,224
Post-employment benefits	101,884	99,756	306,653	304,599
Others	211,433	154,380	574,938	483,313
Depreciation expenses	722,103	704,761	2,177,950	2,038,334
Amortization expenses	174,207	178,374	527,770	507,169

Under the Articles of Incorporation of the Bank, the Bank accrued employees' compensation and remuneration of directors at the rates 3% and no higher than 0.6%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors (after offsetting accumulated deficit). For the nine months ended September 30, 2022 and 2021, the employees' compensation were \$408,346 thousand and \$497,641 thousand, respectively; and the remuneration of directors were \$57,000 thousand and \$84,000 thousand, respectively.

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

The employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020 that have been approved by the board of directors on March 11, 2022 and 2021, respectively, were as follows:

	For the Year Ended December 31			
	Amounts Approved		Amounts Recognized	
	2021	2020	2021	2020
Employees' compensation - cash	\$ 636,352	\$ 553,275	\$ 636,352	\$ 563,955
Remuneration of directors - cash	68,000	60,000	89,000	95,000

The differences between the approved amounts of employees' compensation and remuneration of directors and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020, respectively, were resulted from a change in the accounting estimate. The differences were recognized in profit or loss for 2022 and 2021, respectively.

Information on the approved amounts of employees' compensation and remuneration of directors is available at the Market Observation Post System website of the TWSE (<http://emops.twse.com.tw>).

35. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Current tax				
Current period	\$ 899,926	\$ 696,474	\$ 2,892,237	\$ 2,476,014
Additional income tax on unappropriated earnings	-	-	373	-
Prior year's adjustments	(3,183)	-	(82,556)	(75)
	<u>896,743</u>	<u>696,474</u>	<u>2,810,054</u>	<u>2,475,939</u>
Deferred tax				
Current period	<u>255,504</u>	<u>(28,136)</u>	<u>222,700</u>	<u>(158,905)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,152,247</u>	<u>\$ 668,338</u>	<u>\$ 3,032,754</u>	<u>\$ 2,317,034</u>

b. Income tax recognized directly in equity

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Current tax				
Disposals of investment in equity instruments at fair value through other comprehensive income	\$ (16,626)	\$ -	\$ (19,790)	\$ -
Deferred tax				
Disposals of investment in equity instruments at fair value through other comprehensive income	<u>16,626</u>	<u>-</u>	<u>19,790</u>	<u>-</u>
Income tax recognized directly in equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

c. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
<u>Deferred tax</u>				
In respect of the current period				
Income tax relating to items that will not be reclassified subsequently to profit or loss				
Fair value changes of financial assets in equity instruments at fair value through other comprehensive income	\$ (38,140)	\$ 16,940	\$ (66,825)	\$ 2,176
Income tax relating to items that may be reclassified subsequently to profit or loss				
Exchange differences on the translation of financial statements of foreign operations	352,405	(21,222)	718,538	(130,102)
Fair value changes of financial assets in debt instruments at fair value through other comprehensive income	<u>(358,959)</u>	<u>(27,523)</u>	<u>(1,522,840)</u>	<u>(110,865)</u>
Income tax benefit recognized in other comprehensive income	<u>\$ (44,694)</u>	<u>\$ (31,805)</u>	<u>\$ (871,127)</u>	<u>\$ (238,791)</u>

d. The Bank's income tax returns through 2017 had been assessed by the tax authorities.

36. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share were as follows:

	Amount (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (Dollars)
<u>For the three months ended September 30, 2022</u>			
Basic earnings per share			
Net income	\$ <u>4,445,216</u>	<u>10,363,700</u>	\$ <u>0.43</u>
<u>For the three months ended September 30, 2021</u>			
Basic earnings per share			
Net income	\$ <u>4,919,672</u>	<u>10,363,700</u>	\$ <u>0.47</u>
<u>For the nine months ended September 30, 2022</u>			
Basic earnings per share			
Net income	\$ <u>10,746,465</u>	<u>10,363,700</u>	\$ <u>1.04</u>
<u>For the nine months ended September 30, 2021</u>			
Basic earnings per share			
Net income	\$ <u>13,907,332</u>	<u>10,363,700</u>	\$ <u>1.34</u>

The number of shares outstanding was retrospectively adjusted to reflect the effects of the stock dividends distributed in the year following earnings appropriation. The basic earnings per share after income tax were retrospectively adjusted as follows:

Unit: NT\$ Per Share

	<u>Before Retrospective Adjustment</u>		<u>After Retrospective Adjustment</u>	
	<u>For the Three Months Ended September 30, 2021</u>	<u>For the Nine Months Ended September 30, 2021</u>	<u>For the Three Months Ended September 30, 2021</u>	<u>For the Nine Months Ended September 30, 2021</u>
Basic earnings per share	\$ <u>0.50</u>	\$ <u>1.41</u>	\$ <u>0.47</u>	\$ <u>1.34</u>

37. EQUITY

a. Capital stock

Common stock

	September 30, 2022	December 31, 2021	September 30, 2021
Authorized number of shares (in thousands)	10,363,700	9,893,700	9,893,700
Authorized capital	<u>\$ 103,637,000</u>	<u>\$ 98,937,000</u>	<u>\$ 98,937,000</u>
Number of shares issued (in thousands)	10,363,700	9,893,700	9,893,700
Common stock issued	<u>\$ 103,637,000</u>	<u>\$ 98,937,000</u>	<u>\$ 98,937,000</u>
Common stock issued			
Public offering	\$ 54,000,123	\$ 51,551,185	\$ 51,551,185
Private placement	<u>49,636,877</u>	<u>47,385,815</u>	<u>47,385,815</u>
	<u>\$ 103,637,000</u>	<u>\$ 98,937,000</u>	<u>\$ 98,937,000</u>

Common stock issued has a NT\$10 par value. Each share has one voting right and the right to receive dividends.

The stockholders resolved to use the 2020 unappropriated earnings of \$3,696,000 thousand as stock dividends consisting of 369,600 thousand shares on April 23, 2021, and thereby resolved to increase authorized capital to \$98,937,000 thousand. This issuance was approved by the Ministry of Economic Affairs (MOEA).

The stockholders resolved to use the 2021 unappropriated earnings of \$4,700,000 thousand as stock dividends consisting of 470,000 thousand shares on April 22, 2022, and thereby resolved to increase authorized capital to \$103,637,000 thousand. This issuance was approved by the MOEA.

b. Capital surplus

Under the Articles of Incorporation of ESFHC, the employees of ESFHC's subsidiaries could be included in the distribution of employees' compensation. Thus, the Bank recognized the estimated distribution of shares to the Bank's employees under both salary expenses and capital surplus at \$325,362 thousand and \$462,720 thousand for the nine months ended September 30, 2022 and 2021, respectively. Material differences between the estimated amounts and the amounts approved by ESFHC's board of directors before the date the annual consolidated financial statements are authorized for issue are adjusted in the year which the amounts is recognized. If there is a change in the approved amounts after the annual consolidated financial statements were authorized for issue, the differences are recognized in the next fiscal year as a change in accounting estimate. The distributions of employees' stock compensation of 2021 and 2020 approved by the ESFHC's board of directors to the Bank's employees was \$591,159 thousand and \$490,773 under both salary expenses and capital surplus, respectively. The differences between the approved amounts of employees' compensation recognized in the consolidated financial statements resulted from a change in the accounting estimate was adjusted in profit or loss for the years ended December 31, 2022 and 2021.

Under related regulations, capital surplus must be used to offset deficit except capital surplus arising from the issuance of shares (issuance in excess of par value, capital surplus from issuance of common stock for combination and treasury stock transactions) and donation may be used to distribute cash dividends or transfer to common stock. However, any capital surplus transferred to common stock should be within a certain percentage of paid-in capital prescribed by law.

c. Special reserve

	September 30, 2022	December 31, 2021	September 30, 2021
Reclassification of the trading loss reserve and default loss reserve	\$ 83,866	\$ 83,866	\$ 83,866
The debit balance of other equity	830,159	-	-
Fintech development employee transfer or placement expenditure	<u>218,987</u>	<u>218,987</u>	<u>218,987</u>
	<u>\$ 1,133,012</u>	<u>\$ 302,853</u>	<u>\$ 302,853</u>

Under FSC guidelines, the Bank reclassified the trading loss reserve accrued until December 31, 2010 to special reserve. This special reserve must be used to offset deficit except if the Bank has no deficit and the special reserve exceeds 50% of the Bank's paid-in capital, half of the excess may be used to issue new shares. Furthermore, when the special reserve exceeds the Bank's paid-in capital, the Bank may, under the FSC's approval, reclassify the excess back to unappropriated earnings.

According to Rule No. 1090150022 issued by the FSC and the directive titled "Questions and Answers for Special Reserve," the Bank should appropriate to or reverse from its special reserve certain specified amounts. If a contra equity account is reversed, the reversed portion of reserve could be distributed as dividends.

According to Order No. 10510001510 issued by the FSC, a special reserve should be appropriated between 0.5% and 1% of net income after tax when banks appropriate earnings of 2016 through 2018. The special reserve had been appropriated under the stipulation. According to Order No. 10802714560 issued by the FSC, since 2019, the Bank is allowed to reverse the special reserve at the amount of the costs of employee transfer and arrangement and education training for enhancing and cultivating employee competency to respond the need of financial technology development or business development.

d. Appropriation of earnings

Under the Bank's Articles of Incorporation, where the Bank made a profit in a fiscal year, the profit shall be first utilized for paying all taxes, offsetting deficit of previous years, setting aside a legal reserve and special reserve in accordance with related regulations, setting aside a special reserve if needed, and then any remaining profit together with reversal of special reserve and prior years' unappropriated earnings, the board of directors shall draw up the appropriation of earnings motion for the approval of stockholders.

To strengthen the financial structure, the Bank shall keep adequate capital in accordance with the Banking Act of ROC and related regulations of the authorities and distribute cash dividends and (or) stock dividends according to its operating plan. However, unless and until the accumulated legal reserve equals the paid-in capital, the maximum cash dividends which may be distributed shall not exceed the legal limit.

Under the Company Act, appropriation of earnings to the legal reserve shall be made until the reserve equals the Bank's paid-in capital. This reserve should only be used to offset deficit. When the reserve exceeds 25% of the Bank's paid-in capital, the excess may be used to issue new shares or distribute cash dividends. In addition, the Banking Act limits the appropriation of cash dividends to 15% of the Bank's paid-in capital. But when the legal reserve equals the Bank's paid-in capital, this 15% limit may be waived.

Under related regulations, a special reserve is appropriated from the balance of the retained earnings at an amount from the net income and unappropriated earnings that is equal to the debit balance of accounts in the stockholders' equity section. The special reserve should be appropriated from the prior years' unappropriated earnings to the extent of the debit balance accumulated from prior years and such special reserve should not be appropriated. Afterward, if there is any reversal of the decrease in other stockholders' equity, the Bank is allowed to appropriate retained earnings from the reversal amount.

The appropriations of earnings for 2021 and 2020 that were approved in the stockholders' meetings on April 22, 2022 and April 23, 2021, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$ 5,447,377	\$ 4,644,946		
Special reserve	830,159	-		
Cash dividends	7,172,933	7,142,426	\$0.73	\$0.75
Stock dividends	4,700,000	3,696,000	0.48	0.39

Information on earnings appropriation or deficit offsetting is available at the Market Observation Post System website of the TWSE (<http://emops.twse.com.tw>).

e. Non-controlling interests

	For the Nine Months Ended September 30	
	2022	2021
Balance, January 1	\$ 169,084	\$ 140,777
Cash dividends distributed by subsidiary	(19,320)	-
Attributable to non-controlling interests:		
Net income	13,113	15,158
Exchange differences on the translation of financial statements of foreign operations	<u>691</u>	<u>(94)</u>
Balance, September 30	<u>\$ 163,568</u>	<u>\$ 155,841</u>

38. RELATED-PARTY TRANSACTIONS

E.SUN Financial Holding Company, Ltd. (ESFHC) is the parent company of the Bank and the ultimate controller of the E.SUN Group. All transactions, balances, income and expenses between the Bank and the subsidiaries (related parties of the Bank) are eliminated on a consolidated basis. In addition to those mentioned in Table 2 and in other notes, the significant related-party transactions are summarized as follows:

a. Related parties

Related Party	Relationship with the Company
E.SUN Financial Holding Company, Ltd. (ESFHC)	Parent company
E.SUN Securities Co., Ltd. (E.SUN Securities), E.SUN Venture Capital Co., Ltd. (ESVC) and E.SUN Securities Investment Consulting Corp.	Sister companies
E.SUN Foundation and E.SUN Volunteer & Social Welfare Foundation	Related parties in substance
Others	Key management of the parent company (ESFHC) and the Company and other related parties

b. Significant transactions between the Company and related parties

1) Loans

	Highest Balance (Note)	Ending Balance	Interest Revenue	Ending Interest Rate (%)
<u>For the nine months ended September 30, 2022</u>				
Key management	\$ 355,349	\$ 307,204	\$ 3,137	
Others	<u>3,618,464</u>	<u>3,192,783</u>	<u>30,565</u>	
	<u>\$ 3,973,813</u>	<u>\$ 3,499,987</u>	<u>\$ 33,702</u>	1.52-2.22
<u>For the nine months ended September 30, 2021</u>				
Key management	\$ 448,646	\$ 361,022	\$ 3,063	
Others	<u>3,974,948</u>	<u>2,777,709</u>	<u>23,621</u>	
	<u>\$ 4,423,594</u>	<u>\$ 3,138,731</u>	<u>\$ 26,684</u>	0.80-1.85

2) Deposits

	Highest Balance (Note)	Ending Balance	Interest Expense	Ending Interest Rate (%)
For the nine months ended September 30, 2022				
ESFHC	\$ 9,296,614	\$ 588,075	\$ 3,348	
Sister companies	10,089,525	2,886,387	6,151	
Key management	896,937	355,755	872	
Others	<u>2,550,331</u>	<u>1,641,114</u>	<u>6,649</u>	
	<u>\$ 22,833,407</u>	<u>\$ 5,471,331</u>	<u>\$ 17,020</u>	0-5.30
For the nine months ended September 30, 2021				
ESFHC	\$ 10,750,676	\$ 2,159,428	\$ 1,361	
Sister companies	10,041,786	4,028,313	4,699	
Key management	662,789	432,371	1,109	
Others	<u>2,224,504</u>	<u>1,491,665</u>	<u>12,487</u>	
	<u>\$ 23,679,755</u>	<u>\$ 8,111,777</u>	<u>\$ 19,656</u>	0-6.34

Note: The sum of the respective highest balances of each account for the nine months ended September 30, 2022 and 2021.

3) Lease arrangements - the Bank as lessor

The Bank leases out investment properties to its associate - ESFHC and sister companies under operating leases with lease terms of 4 to 5 years.

Unearned revenues (part of other liabilities) were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
ESFHC	\$ 30	\$ 30	\$ 30
Sister companies	<u>856</u>	<u>1,122</u>	<u>1,122</u>
	<u>\$ 886</u>	<u>\$ 1,152</u>	<u>\$ 1,152</u>

Future lease payment receivables were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
ESFHC	\$ 13,861	\$ 18,571	\$ 20,141
Sister companies	<u>33,844</u>	<u>18,747</u>	<u>21,029</u>
	<u>\$ 47,705</u>	<u>\$ 37,318</u>	<u>\$ 41,170</u>

Rental income (part of other noninterest gains, net) was as follows:

		For the Nine Months Ended September 30	
		2022	2021
ESFHC		\$ 4,485	\$ 4,485
Sister companies		<u>6,728</u>	<u>6,468</u>
		<u>\$ 11,213</u>	<u>\$ 10,953</u>
	September 30, 2022	December 31, 2021	September 30, 2021
4) Accounts receivable (part of receivables)			
Sister companies	<u>\$ 76,502</u>	<u>\$ -</u>	<u>\$ 60,242</u>
5) Interest receivable (part of receivables)			
Key management	\$ 220	\$ 217	\$ 220
Others	<u>2,134</u>	<u>1,599</u>	<u>1,428</u>
	<u>\$ 2,354</u>	<u>\$ 1,816</u>	<u>\$ 1,648</u>
6) Consolidated tax return receivables (part of current tax assets)			
ESFHC	<u>\$ 99,205</u>	<u>\$ 157,875</u>	<u>\$ 154,487</u>
7) Prepaid expense (part of other assets)			
Sister companies	<u>\$ 3,020</u>	<u>\$ 3,020</u>	<u>\$ 3,020</u>
8) Accounts payable (part of payables)			
Sister companies	<u>\$ -</u>	<u>\$ 351,699</u>	<u>\$ 203,986</u>
9) Interest payable (part of payables)			
ESFHC	\$ 837	\$ 15	\$ 58
Sister companies	1,392	283	253
Key management	211	147	171
Others	<u>2,038</u>	<u>1,169</u>	<u>1,184</u>
	<u>\$ 4,478</u>	<u>\$ 1,614</u>	<u>\$ 1,666</u>
10) Remuneration of directors (part of payables)			
ESFHC	<u>\$ 57,000</u>	<u>\$ 89,000</u>	<u>\$ 84,000</u>

	September 30, 2022	December 31, 2021	September 30, 2021
11) Consolidated tax return payables (part of current tax liabilities)			
ESFHC	\$ <u>872,922</u>	\$ <u>1,255,368</u>	\$ <u>794,708</u>
12) Guarantee deposits received (part of other financial liabilities)			
ESFHC	\$ 1,562	\$ 1,562	\$ 1,562
Sister companies	<u>2,407</u>	<u>2,273</u>	<u>2,273</u>
	\$ <u>3,969</u>	\$ <u>3,835</u>	\$ <u>3,835</u>

The Bank's parent company, ESFHC, has filed consolidated corporate tax returns, i.e., including the Bank's income tax return, from 2003, as allowed by certain tax regulations.

	For the Nine Months Ended September 30	
	2022	2021
13) Service fee income (part of service fee income, net)		
ESFHC	\$ -	\$ 3,050
Sister companies	<u>137</u>	<u>137</u>
	\$ <u>137</u>	\$ <u>3,187</u>
14) Rental income from operating assets (part of other noninterest gains, net)		
ESFHC	\$ 173	\$ 228
Sister companies	<u>2,649</u>	<u>3,490</u>
	\$ <u>2,822</u>	\$ <u>3,718</u>
15) Donation (part of general and administrative expenses)		
E.SUN Volunteer & Social Welfare Foundation	\$ <u>31,282</u>	\$ <u>27,115</u>
16) Other (part of employee benefits, general and administrative expenses)		
ESFHC	\$ 36,000	\$ 49,000
Sister companies	<u>13,590</u>	<u>10,207</u>
	\$ <u>49,590</u>	\$ <u>59,207</u>

The above donation is for E.SUN Volunteer & Social Welfare Foundation's social welfare charity.

17) There were no directors as credit guarantors as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

- 18) In August 2012, E.SUN Volunteer & Social Welfare Foundation entrusted some properties to the Bank. The Bank charged \$437 thousand and \$372 thousand (part of service fee income, net) accordingly for the nine months ended September 30, 2022 and 2021, respectively.

The Bank has operating lease contracts with related parties, which cover certain office spaces within the Bank's building. The monthly or quarterly rentals, which had been prepaid by the lessees, were based on rentals for buildings near the Bank.

The interest rates shown above are similar to, or approximate, those offered to third parties. However, the interest rates for savings deposits given to managers of the Bank are the same as the interest rates of employees' savings deposits within a certain amount.

Under the Banking Act, 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.

c. Remuneration of key management

The remuneration of the directors and other key management for the nine months ended September 30, 2022 and 2021 are summarized as follows:

	For the Nine Months Ended September 30	
	2022	2021
Salaries and other short-term employment benefits	\$ 244,900	\$ 206,665
Post-employment benefits	1,814	1,666
Interest arising from the employees' preferential rates in excess of normal rates	<u>109</u>	<u>429</u>
	<u><u>\$ 246,823</u></u>	<u><u>\$ 208,760</u></u>

39. PLEDGED ASSETS

- a. In addition to those mentioned in other notes, pledged securities were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets at fair value through profit or loss (face value)	\$ 25,305,000	\$ 25,200,000	\$ 25,200,000
Investments in debt instruments at amortized cost (face value)	5,313,903	4,505,711	3,703,497
Investments in debt instruments at fair value through other comprehensive income (face value)	<u>6,660,979</u>	<u>3,619,098</u>	<u>3,638,183</u>
	<u><u>\$ 37,279,882</u></u>	<u><u>\$ 33,324,809</u></u>	<u><u>\$ 32,541,680</u></u>

As of September 30, 2022, December 31, 2021 and September 30, 2021, the foregoing bonds and securities, with aggregate face value of \$20,305,000 thousand, \$20,200,000 thousand, and \$20,200,000 thousand, respectively, had been provided as collaterals for day-term overdraft to comply with the clearing system requirement of the Central Bank (CB) of the Republic of China for real-time gross settlement (RTGS). The unused overdraft amount at day's end can also be treated as the Bank's liquidity reserve. For covering its call loans from the CB, the Bank had provided collaterals consisting of securities with aggregate face values of \$5,000,000 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021. It had also provided other securities as collaterals for operating reserve and for meeting the requirements for judiciary provisional seizure.

- b. To expand its capital sourcing and enhance its liquidity position, the Bank's Los Angeles Branch obtained access privileges at the Discount Window of the Federal Reserve Bank of San Francisco. The information on the securities and loans pledged by the Branch for this access was as follows:

(In Thousands of U.S. Dollars)		
Date	Pledged Amount	Collateral Value
September 30, 2022	<u>\$ 185,000</u>	<u>\$ 166,962</u>
December 31, 2021	<u>\$ 103,000</u>	<u>\$ 97,912</u>
September 30, 2021	<u>\$ 103,000</u>	<u>\$ 98,183</u>

- c. In response to the public policy to help those severely affected by COVID-19 pandemic, the Bank offers loans to SMEs and has applied for project financing from the Central Bank. As of December 31, 2021 and September 30, 2021, up to \$15,000,000 thousand, in the Bank's deposit reserves - account B were provided as collaterals to the Central Bank in accordance with the relevant regulations.
- d. As of September 30, 2022, December 31, 2021 and September 30, 2021, UCB has provided US\$6,042 thousand, US\$4,805 thousand and US\$2,002 thousand, respectively, due from the National Bank of Cambodia as collaterals for guarantees of both loan and settlement accounts in the National Bank of Cambodia in accordance with relevant regulations.

40. CONTINGENCIES AND COMMITMENTS

In addition to those mentioned in other notes, the contingencies and commitments were as follows:

- a. E.SUN Bank

As of September 30, 2022, agreements on the acquisition and decoration of buildings and various purchases related to the improvements of existing premises occupied by the Bank's branches amounted to approximately \$4,132,690 thousand, and the remaining unpaid amount was approximately \$1,918,273 thousand.

- b. Union Commercial Bank (UCB)

As of September 30, 2022, decoration of buildings and various purchases related to the improvements of existing premises occupied by UCB amounted to approximately \$15,343 thousand, and the remaining unpaid amount was approximately \$470 thousand.

- c. E.SUN Bank (China), Ltd. (ESBC)

As of September 30, 2022, decoration of buildings and various purchases related to the improvements of existing premises occupied by ESBC amounted to approximately \$109,545 thousand, and the remaining unpaid amount was approximately \$46,471 thousand.

41. THE BANK'S AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average balance was calculated at the daily average balances of interest-earning assets and interest-bearing liabilities.

For the Nine Months Ended September 30				
2022			2021	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents and other financial assets - due from banks	\$ 44,139,168	0.79	\$ 45,095,731	0.27
Call loans to banks	44,578,167	1.21	25,177,895	0.95
Due from the Central Bank	59,661,300	0.34	55,170,105	0.20
Financial assets mandatorily classified as at fair value through profit or loss - bonds	124,470,507	1.19	129,619,851	2.43
Financial assets mandatorily classified as at fair value through profit or loss - bills	223,150,619	0.44	486,621,080	0.31
Securities purchased under resell agreements	1,262,377	0.46	2,268,532	0.21
Accounts receivable factored without recourse	8,690,673	1.71	6,856,622	0.90
Discounts and loans	1,827,108,183	1.81	1,623,801,499	1.57
Receivables on credit cards	30,659,708	6.28	30,265,693	6.43
Debt instruments at fair value through other comprehensive income	313,722,058	1.55	278,861,130	1.21
Investments in debt instruments at amortized cost	327,794,320	1.00	26,964,883	1.49
<u>Interest-bearing liabilities</u>				
Deposits from the Central Bank and other banks	81,690,181	1.10	79,767,205	0.44
Due to the Central Bank and other banks	9,423,090	0.10	10,421,526	0.10
Financial liabilities at fair value through profit or loss	47,965,942	4.72	44,916,084	4.72
Securities sold under repurchase agreements	12,432,073	0.21	10,898,135	0.14
Demand deposits	773,533,474	0.14	711,613,211	0.04
Savings - demand deposits	727,199,289	0.15	674,569,326	0.07
Time deposits	863,387,244	1.00	719,089,032	0.57
Savings - time deposits	325,426,442	0.98	300,807,133	0.80
Negotiable certificates of deposit	20,313,695	0.66	24,065,125	0.26
Bank debentures	35,733,370	1.49	32,984,286	1.54
Principal of structured products	71,439,524	0.78	49,801,595	0.51
Lease liabilities	3,487,004	0.73	2,957,621	0.80

42. FINANCIAL INSTRUMENTS

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

Except as detailed in the following table, the management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	September 30, 2022		December 31, 2021		September 30, 2021	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>						
Investments in debt instruments at amortized cost	\$ 338,466,333	\$ 331,551,028	\$ 308,219,235	\$ 308,865,486	\$ 44,887,443	\$ 45,489,779
<u>Financial liabilities</u>						
Bank debentures	35,550,000	35,919,427	34,270,000	36,980,295	32,670,000	35,773,223

Fair value hierarchy as of September 30, 2022

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 331,551,028	\$ 39,930,022	\$ 291,621,006	\$ -
<u>Financial liabilities</u>				
Bank debentures	35,919,427	-	35,919,427	-

Fair value hierarchy as of December 31, 2021

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 308,865,486	\$ 21,111,533	\$ 287,753,953	\$ -
<u>Financial liabilities</u>				
Bank debentures	36,980,295	-	36,980,295	-

Fair value hierarchy as of September 30, 2021

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 45,489,779	\$ 20,423,396	\$ 25,066,383	\$ -
<u>Financial liabilities</u>				
Bank debentures	35,773,223	-	35,773,223	-

The fair values of the financial assets and financial liabilities included in the Level 2 categories above have been determined in accordance with income approaches based on a discounted cash flow analysis.

- b. The valuation techniques and assumptions the Company uses for determining fair values were as follows:

The fair values of financial assets and financial liabilities traded on active markets are determined with reference to quoted market prices. When market prices are not available, valuation techniques are applied. The financial data obtained by the Company for making estimations and assumptions for financial instrument valuation is consistent with those used by other market participants to price financial instruments. The fair value of the unlisted stocks held by the Company is determined by using market approach or asset approach.

The Company estimated the fair value of each forward contract on the basis of the exchange rates quoted by Reuters on each settlement date. Fair values of interest rate swap contracts and cross-currency swap contracts are calculated using the discounted cash flow method, unless the fair values of these two types of contracts are provided by counterparties. Fair values of currency option contracts are based on estimates made using the Black Scholes model, binomial method or Monte Carlo simulation. The fair values of futures contracts are calculated using the prices quoted by the futures exchange.

For valuation of debt instruments with no active market, the fair value is determined on the basis of the discounted cash flow method. The Company uses a discount rate approximating the rate of return of financial instruments with similar terms and characteristics, including the credit risk of the debtors, the residual period during which the fixed interest rate prescribed by contracts is accrued, the residual period for principal repayments, and the type of currency (New Taiwan dollars, U.S. dollars, etc.) to be used for payments. As of September 30, 2022, December 31, 2021 and September 30, 2021, the discount rates used ranged from 0.707% to 1.700%, 0.174% to 1.150% and 0.172% to 0.740%, respectively, for the New Taiwan dollar and from 3.025% to 4.640%, 0.135% to 1.803% and 0.100% to 1.807%, respectively, for the U.S. dollar.

If there are trade prices or prices quoted by major market players, the latest trade prices and quoted prices are used as the basis for evaluating the fair value of debt instruments, which are classified as investments in debt instruments at amortized cost; otherwise, the Company uses the foregoing valuation techniques to determine fair value.

The Company takes credit/debit valuation adjustments into consideration in order to reflect the credit risk resulted from counterparties and the credit quality of the Company when determining fair values of the financial instruments.

- c. The fair value hierarchies of the Company's financial instruments, which were measured at fair value on a recurring basis, as of September 30, 2022, December 31, 2021 and September 30, 2021, were as follows:

	September 30, 2022			
	Total	Level 1	Level 2	Level 3
<u>Financial assets at fair value through profit or loss</u>				
Derivative instruments	\$ 123,997,733	\$ 95,624	\$ 123,902,109	\$ -
Equity instruments	401,990	401,990	-	-
Debt instruments	116,505,462	199,177	116,306,285	-
Others	188,926,419	-	188,926,419	-
<u>Financial assets at fair value through other comprehensive income</u>				
Equity instruments	12,989,218	11,781,919	-	1,207,299
Debt instruments	326,273,613	166,653,709	159,619,904	-

(Continued)

	September 30, 2022			
	Total	Level 1	Level 2	Level 3
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative instruments	\$ 81,815,267	\$ -	\$ 81,815,267	\$ -
Financial liabilities designated as at fair value through profit or loss	45,303,601	-	45,303,601	-
				(Concluded)

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Financial assets at fair value through profit or loss</u>				
Derivative instruments	\$ 15,451,044	\$ 56,963	\$ 15,394,081	\$ -
Equity instruments	1,405,137	1,405,137	-	-
Debt instruments	118,639,005	260,590	118,378,415	-
Others	270,625,609	-	270,625,609	-
<u>Financial assets at fair value through other comprehensive income</u>				
Equity instruments	20,009,657	18,879,990	-	1,129,667
Debt instruments	311,937,235	153,299,813	158,637,422	-
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative instruments	13,749,747	-	13,749,747	-
Financial liabilities designated as at fair value through profit or loss	47,449,715	-	47,449,715	-

	September 30, 2021			
	Total	Level 1	Level 2	Level 3
<u>Financial assets at fair value through profit or loss</u>				
Derivative instruments	\$ 13,799,697	\$ 58,725	\$ 13,740,972	\$ -
Equity instruments	1,039,188	1,039,188	-	-
Debt instruments	121,800,986	172,914	121,628,072	-
Others	448,071,844	-	448,071,844	-
<u>Financial assets at fair value through other comprehensive income</u>				
Equity instruments	13,389,460	12,149,153	-	1,240,307
Debt instruments	306,785,155	143,447,727	163,337,428	-
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative instruments	10,140,960	-	10,140,960	-
Financial liabilities designated as at fair value through profit or loss	47,401,076	-	47,401,076	-

The Company remeasures the classification of fair value hierarchy at the end of each reporting period to determine whether there is a transfer between levels of the fair value hierarchy.

There were no significant transfers between Level 1 and Level 2 for the nine months ended September 30, 2022 and 2021.

d. Reconciliation of the financial instruments classified in Level 3

For the nine months ended September 30, 2022

	Financial Assets in Equity Instruments at Fair Value Through Other Comprehensive Income
Balance at January 1, 2022	\$ 1,129,667
Valuation recognized in other comprehensive income	74,901
Change in exchange rates	<u>2,731</u>
Balance at September 30, 2022	<u>\$ 1,207,299</u>

For the nine months ended September 30, 2021

	Financial Assets in Equity Instruments at Fair Value Through Other Comprehensive Income
Balance at January 1, 2021	\$ 1,052,664
Valuation recognized in other comprehensive income	53,304
Acquisitions	136,000
Disposal	(1,278)
Change in exchange rates	<u>(383)</u>
Balance at September 30, 2021	<u>\$ 1,240,307</u>

e. Valuation process on fair value in Level 3

The Company's risk management division is responsible for conducting independent fair value verification, using independent source data to bring the valuation results close to market conditions, confirming that the data sources are independent, reliable, consistent with other data messages, and representing executable prices, and regularly calibrating valuation models and updating input values and data required for the model, as well as any other necessary fair value adjustments, to ensure that the valuation results are reasonable.

f. Quantitative information on significant unobservable input (Level 3) in fair value

The significant unobservable inputs of the fair value of financial instruments classified in Level 3 on a recurring basis are as follows:

September 30, 2022

	Fair Value	Valuation Techniques	Significant Unobservable Input	Range (Weighted-average)	The Relation Between Inputs and Fair Value
Financial assets at fair value through other comprehensive income					
Investments in equity instruments	\$ 560,952	Market approach	Lack of liquidity discount	10%-20%	The higher the lack of liquidity, the lower the fair value is
	79,538	Asset approach	Lack of liquidity discount; allowance of minority interest	-%-20%; -%-10%	The higher the lack of liquidity or the higher the allowance of minority interest, the lower the fair value is
	566,809	Income approach	Lack of liquidity discount; allowance of minority interest	10%-20%; -%	The higher the lack of liquidity or the higher the allowance of minority interest, the lower the fair value is

December 31, 2021

	Fair Value	Valuation Techniques	Significant Unobservable Input	Range (Weighted-average)	The Relation Between Inputs and Fair Value
Financial assets at fair value through other comprehensive income					
Investments in equity instruments	\$ 955,491	Market approach	Lack of liquidity discount	10%	The higher the lack of liquidity, the lower the fair value is
	174,176	Asset approach	Lack of liquidity discount; allowance of minority interest	10%; 10%	The higher the lack of liquidity or the higher the allowance of minority interest, the lower the fair value is

September 30, 2021

	Fair Value	Valuation Techniques	Significant Unobservable Input	Range (Weighted-average)	The Relation Between Inputs and Fair Value
Financial assets at fair value through other comprehensive income					
Investments in equity instruments	\$ 1,065,374	Market approach	Lack of liquidity discount	10%	The higher the lack of liquidity, the lower the fair value is
	174,933	Asset approach	Lack of liquidity discount; allowance of minority interest	10%; 10%	The higher the lack of liquidity or the higher the allowance of minority interest, the lower the fair value is

g. Sensitivity analysis of fair value hierarchy classified in Level 3

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different results. For financial instruments classified in Level 3, if one parameter changes by 10%, the effects on profit or loss or other comprehensive income for the current period are as follow:

September 30, 2022

	Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period	
	Favorable Changes	Unfavorable Changes
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	\$ 120,730	\$ (120,730)

December 31, 2021

	Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Year	
	Favorable Changes	Unfavorable Changes
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	\$ 112,967	\$ (112,967)

September 30, 2021

	Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period	
	Favorable Changes	Unfavorable Changes
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	\$ 124,031	\$ (124,031)

- h. Information on financial liabilities designated as at fair value through profit or loss was as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Difference between carrying amounts and the amounts due on maturity			
Fair value	\$ 45,303,601	\$ 47,449,715	\$ 47,401,076
Amounts due on maturity	<u>52,761,414</u>	<u>45,447,639</u>	<u>45,214,440</u>
	<u>\$ (7,457,813)</u>	<u>\$ 2,002,076</u>	<u>\$ 2,186,636</u>
			Change in Fair Values Resulting from Credit Risk Variations
Accumulated amount of change			
As of September 30, 2022			<u>\$ 373,403</u>
As of December 31, 2021			<u>\$ 651,427</u>
As of September 30, 2021			<u>\$ 639,611</u>

The change in fair value of bank debentures resulting from credit risk variation is the difference between the total change in fair value and the change in fair value due to market risk variations of these financial instruments. The change in fair value resulting from market risk variations is calculated using the benchmark yield rate plus a fixed credit spread. The fair values of bank debentures are the present values of future cash flows discounted by the benchmark yield rate quoted in the market as of the balance sheet date plus the credit spread estimated using the interest rates of the debt issuers' borrowings with similar maturities.

- i. Information on financial risk management

1) Risk management

The Bank established the risk management division to draw up the principles and policies of risk management to be followed by each department, to coordinate and monitor the enforcement of risk management policies of each department, and to deliberate whether proposals brought up by each risk-based unit to deal with a variety of issues are suitable for the Bank.

2) Credit risk

Credit risk refers to the Company's exposure to financial losses due to inability of customers or counterparties to meet the contractual obligations on financial instruments. Credit risk exists in both on- and off-balance sheet items. The on-balance sheet exposure to credit risks is mainly in loans and the credit card business, due from other banks, call loans to other banks, investment in debt instrument and derivatives. The off-balance sheet exposure to credit risks is mainly in financial guarantees, acceptance, letter of credits and loan commitments.

To ensure its credit risks fall within the acceptable range, the Company has stipulated in the Guidelines for Credit Risk Management that for all the products provided and businesses conducted, including all on- and off-balance sheet transactions in the banking and trading books, the Company should make a detailed analysis to identify existing and potential credit risks. Before launching new products or businesses, the Company ensures compliance with all applicable rules and regulations and identifies relevant credit risks. For sophisticated credit extensions, such as accounts receivable factored without recourse and credit derivative instruments, etc., the Company also requires the use of a certain risk management system described in related rules and guidelines. The assessment of asset qualities and provision for possible losses of the overseas operating units, unless regulated by the local authorities, are in accordance with the Company's risk management policies and guidelines.

The measurement and management of credit risks from the Company's main businesses are as follows:

a) Loans and credit card business (including loan commitment and guarantees)

On each reporting date, the Company assesses the change in the default risk of financial assets, as well as consider 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 situation, credit investigation result, announcement of dishonored checks and negotiation of the debts from other financial institutions, or the debtor has reorganized or is likely to reorganize to determine whether the credit risk has increased significantly.

The Company adopts the 12-month ECLs to evaluate the loss allowance of financial instruments whose credit risk do not increase significantly since initial recognition, and adopt the lifetime ECLs to evaluate the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or of that are credit-impaired.

The Company considers both the 12-month and lifetime probability of default ("PD") of the borrower with the loss given default ("LGD"), multiplying, the exposure at default ("EAD"), as well as the impact of time value, to calculate the 12-month ECLs and lifetime ECLs, respectively.

"PD" refers to the borrower's probability to default and "LGD" refers to losses caused by the default. The Company applies the "PD" and "LGD" to the credit business according to each group's historical information (such as credit loss experience) from internal statistical data, and adjust historical data based on current observable and forward-looking macroeconomic information, then calculate by applying the progressive one factor model respectively. The Company periodically reviews forward-looking macroeconomic information and timely adjusts "PD" for impact of factors such as the COVID-19.

The Company estimates the account balance based on the ways in repayment, and considers the possible survival rate to calculate the EAD. In addition, the Company estimates the 12-month ECLs and lifetime ECLs of loan commitments by considering the portion of the loan commitments expected to be used within 12 months after the reporting date and within expected lifetime based on the guidelines issued by the Bank's Association and Basel Accords to determine the amount of "EAD" for calculating expected credit losses.

The Company 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, the Company determines that the financial assets are defaulted and credit-impaired.

Credit assets are classified into five categories. In addition to normal credit assets that are classified as sound assets, the unsound assets are classified, on the basis of the valuation of collaterals and the length of time the payments become overdue, as special mention, substandard, with collectability high doubtful and uncollectable. The Company also set up policies for the management of doubtful credits and the collection of overdue debts to deal with collection problems.

For risk management purposes, the Company rates credit qualities (by using an internal rating model for credit risk, a credit score table, etc.) in accordance with the nature and scale of a business.

With the use of statistical method and judgment by experts, the Company has developed a credit rating model for clients. The Company reviews the model periodically to examine if the outcome matches reality and adjusts each parameter to optimize the result. Except the petit credits and residential mortgages, which are assessed by using the credit rating model, consumer loans are assessed individually for default risks.

The Company classifies the credit qualities of corporate loans as strong, medium and weak.

The Company evaluates the credit rating of borrowers at least once a year. In addition, to ensure the estimates used are reasonable and to make sure the outcome calculated matches reality, the Company annually conducts validity test and back testing on the models using data on customers' actual defaults.

b) Due from and call loans to other banks

The Company evaluates the credit status of counterparties before deals are closed. The Company grants different limits to the counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating institutes.

c) Investments in debt instruments and derivatives

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

September 30, 2022

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 339,996,524	\$ 338,488,754	\$ 678,485,278
Less: Allowance for impairment loss	<u>(97,766)</u>	<u>(22,421)</u>	<u>(120,187)</u>
Amortized cost	339,898,758	<u>\$ 338,466,333</u>	678,365,091
Adjustment to fair value	<u>(13,625,145)</u>		<u>(13,625,145)</u>
	<u>\$ 326,273,613</u>		<u>\$ 664,739,946</u>

December 31, 2021

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 312,290,287	\$ 308,234,469	\$ 620,524,756
Less: Allowance for impairment loss	<u>(100,203)</u>	<u>(15,234)</u>	<u>(115,437)</u>
Amortized cost	312,190,084	<u>\$ 308,219,235</u>	620,409,319
Adjustment to fair value	<u>(252,849)</u>		<u>(252,849)</u>
	<u>\$ 311,937,235</u>		<u>\$ 620,156,470</u>

September 30, 2021

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 305,990,344	\$ 44,899,148	\$ 350,889,492
Less: Allowance for impairment loss	<u>(91,150)</u>	<u>(11,705)</u>	<u>(102,855)</u>
Amortized cost	305,899,194	<u>\$ 44,887,443</u>	350,786,637
Adjustment to fair value	<u>885,961</u>		<u>885,961</u>
	<u>\$ 306,785,155</u>		<u>\$ 351,672,598</u>

The Company 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 Company's exposure and the external credit ratings are continuously monitored. The Company reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the investment was recognized.

In order to minimize credit risk, the Company has tasked a team to develop and maintain a credit risk grading framework to categorize exposures according to degree of risk of default. The credit rating information may be obtained from independent rating agencies where available and, if not available, the team uses other publicly available financial information to rate the debtors.

The Company considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. The Company's current credit risk grading framework comprises the following categories:

September 30, 2022

Credit Rating	Description	Basis for Recognizing Expected Credit Losses	Expected Credit Loss Rate	Gross Carrying Amount
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL	-%-0.93%	\$ 678,485,278

December 31, 2021

Credit Rating	Description	Basis for Recognizing Expected Credit Losses	Expected Credit Loss Rate	Gross Carrying Amount
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL	-%-0.17%	\$ 620,524,756

September 30, 2021

Credit Rating	Description	Basis for Recognizing Expected Credit Losses	Expected Credit Loss Rate	Gross Carrying Amount
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL	-%-0.17%	\$ 350,889,492

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost grouped by credit rating is reconciled as follows:

For the nine months ended September 30, 2022

	<u>Credit Rating</u>
	Performing (12-month ECL)
Allowance for Impairment Loss	
Balance at January 1, 2022	\$ 115,437
New financial assets purchased	35,955
Derecognition	(11,938)
Change in model or risk parameters	(22,289)
Change in exchange rates or others	<u>3,022</u>
Balance at September 30, 2022	<u>\$ 120,187</u>

For the nine months ended September 30, 2021

	<u>Credit Rating</u>
	Performing (12-month ECL)
Allowance for Impairment Loss	
Balance at January 1, 2021	\$ 73,271
New financial assets purchased	48,897
Derecognition	(13,096)
Change in model or risk parameters	(5,601)
Change in exchange rates or others	<u>(616)</u>
Balance at September 30, 2021	<u>\$ 102,855</u>

The Company identifies and manages credit risks from debt instruments through using external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparties risks.

The other banks with which the Company conducts derivative transactions are mostly considered investment grade. The Company monitors the credit limits (including lending limits) by counterparties. The credits extended to counterparties that are not rated as investment grade are assessed case by case. The credits extended to counterparties who are general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established in normal credit granting processes.

The Company classifies the debt instruments and derivatives into different categories, which are mainly based on the credit ratings provided by external credit agencies (Moody's, S&P, Fitch or Taiwan Ratings).

The Company has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collaterals from the borrowers. To secure the debt, the Company manages and assesses the collaterals following the procedures that determine the scope of collateralization and valuation of collaterals and the process of disposition. In credit contracts, the Company stipulates the security mechanism for debts; the conditions and terms for collaterals; and the terms and conditions of offsetting to state clearly that the Company reserves the right to reduce the granted quota, to reduce the repayment period, to demand immediate settlement or to offset the debts of the borrowers by their deposits in the Company in order to reduce the credit risks. The requirements for collaterals for other non-credit businesses depend on the nature of the financial instruments. Asset-backed securities and similar financial instruments are required to provide a pool of underlying financial assets as collaterals.

To avoid the concentration of credit risks, the Company has included credit limits for a single counterparty and for a single group in its credit-related guidelines. The Company has also included credit limits for an individual (entity) and for related enterprises (group) in the guidelines for investment and regulations for risk control on equity investments. To manage the concentration risk on the assets, the Company set credit limits by industry, conglomerate, country, transactions collateralized by stocks, and other categories and integrated within one system the supervision of concentration of credit risk in these categories.

The Company settles most of its transactions at gross amounts. For further reduction of credit risks, settlement netting is used for some counterparties or some circumstances where the transactions with counterparties are terminated due to defaults.

The maximum exposures of assets on the consolidated balance sheets to credit risks without consideration of guarantees or other credit enforcement instruments approximate the assets' carrying amounts. The maximum exposures of off-balance sheet items to credit risks without consideration of guarantees or other credit enforcement instrument are stated as follows:

September 30, 2022

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Difference of Impairment Loss under Regulations	Total
Maximum exposure to credit risk	\$ 1,299,316,462	\$ 1,137,658	\$ 65,834	\$ -	\$ 1,300,519,954
Allowance for possible losses	(107,790)	(34,176)	(2,901)	-	(144,867)
Difference of impairment loss under regulations	-	-	-	(794,535)	(794,535)
	<u>\$ 1,299,208,672</u>	<u>\$ 1,103,482</u>	<u>\$ 62,933</u>	<u>\$ (794,535)</u>	<u>\$ 1,299,580,552</u>

December 31, 2021

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Difference of Impairment Loss under Regulations	Total
Maximum exposure to credit risk	\$ 1,178,318,384	\$ 1,660,114	\$ 68,817	\$ -	\$ 1,180,047,315
Allowance for possible losses	(95,148)	(99,444)	(4,171)	-	(198,763)
Difference of impairment loss under regulations	-	-	-	(719,207)	(719,207)
	<u>\$ 1,178,223,236</u>	<u>\$ 1,560,670</u>	<u>\$ 64,646</u>	<u>\$ (719,207)</u>	<u>\$ 1,179,129,345</u>

September 30, 2021

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Difference of Impairment Loss under Regulations	Total
Maximum exposure to credit risk	\$ 1,158,808,815	\$ 127,722	\$ 113,947	\$ -	\$ 1,159,050,484
Allowance for possible losses	(85,121)	(974)	(2,798)	-	(88,893)
Difference of impairment loss under regulations	-	-	-	(757,577)	(757,577)
	<u>\$ 1,158,723,694</u>	<u>\$ 126,748</u>	<u>\$ 111,149</u>	<u>\$ (757,577)</u>	<u>\$ 1,158,204,014</u>

The management of the Company believes their abilities to minimize the credit risk exposures of the off-balance sheet items are mainly attributed to their rigorous evaluation of credit extended and the periodic reviews of these credits.

The maximum exposures of consolidated balance sheet items (recognized as financial assets), collateral, master netting arrangements and other credit enforcement instruments are as follows:

September 30, 2022

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangements	Other Credit Enhancements	Total
<u>Credit-impaired financial assets</u>					
Receivables					
Credit cards	\$ 2,497,804	\$ -	\$ -	\$ -	\$ -
Other	77,771	-	-	-	-
Discounts and loans	7,699,553	3,401,724	-	-	3,401,724

December 31, 2021

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangements	Other Credit Enhancements	Total
<u>Credit-impaired financial assets</u>					
Receivables					
Credit cards	\$ 2,532,974	\$ -	\$ -	\$ -	\$ -
Other	72,949	-	-	-	-
Discounts and loans	7,688,413	3,835,340	-	-	3,835,340

September 30, 2021

		Maximum Exposure to Credit Risk Mitigated by			
	Carrying Amount	Collateral	Master Netting Arrangements	Other Credit Enhancements	Total
<u>Credit-impaired financial assets</u>					
Receivables					
Credit cards	\$ 2,591,698	\$ -	\$ -	\$ -	\$ -
Other	77,978	-	-	-	-
Discounts and loans	8,412,543	3,671,477	-	-	3,671,477

Concentration of credit risk exists when counterparties to financial transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Company did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Group or industry, regions and collaterals that were 10% or more of total outstanding loans of the Bank were as follows:

Credit Risk Profile by Group or Industry	September 30, 2022		December 31, 2021		September 30, 2021	
	Amount	%	Amount	%	Amount	%
Natural person	\$ 956,056,320	50	\$ 897,620,361	50	\$ 865,324,016	50
Manufacturing	355,058,288	18	347,834,553	19	338,484,826	19
Finance, insurance and real estate	239,001,521	12	189,689,679	11	187,408,063	11
Credit Risk Profile by Regions	September 30, 2022		December 31, 2021		September 30, 2021	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 1,631,964,141	85	\$ 1,558,897,685	87	\$ 1,519,950,196	87
Credit Risk Profile by Collaterals	September 30, 2022		December 31, 2021		September 30, 2021	
	Amount	%	Amount	%	Amount	%
Unsecured	\$ 503,091,418	26	\$ 451,367,628	25	\$ 446,032,090	26
Secured						
Real estate	1,248,249,587	65	1,161,610,355	65	1,126,878,772	65

Some financial assets held by the Company, such as cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit or loss, securities purchased under resell agreements and refundable deposits, are exposed to low credit risks because the counterparties have rather high credit ratings.

The credit quality of discounts and loans evaluation on a 12-month expected credit loss basis were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Credit rating			
Strong	\$ 1,408,411,972	\$ 1,258,199,636	\$ 981,530,769
Medium	493,593,180	492,556,246	711,538,725
Weak	<u>23,917,850</u>	<u>25,723,699</u>	<u>39,405,355</u>
Carrying amount	1,925,923,002	1,776,479,581	1,732,474,849
Allowance for possible losses	<u>(1,736,133)</u>	<u>(1,107,559)</u>	<u>(968,183)</u>
	<u>\$ 1,924,186,869</u>	<u>\$ 1,775,372,022</u>	<u>\$ 1,731,506,666</u>

3) Market risk

Market risk refers to the risk of fluctuation in the fair values or the future cash flows of the on- and off-balance sheet instruments held by the Company because of market price changes. The risk factors that cause market price changes usually include interest rates, exchange rates, and the prices of equity securities and commodities. Changes in these risk factors will cause risk of fluctuation in the net income or in the value of investment portfolio of the Company.

The main market risks the Company faces are the risks on equity securities, interest rates, and exchange rate risks. The equity securities exposed to market risks mainly include stocks listed on the TWSE or traded on the Taipei Exchange and stock index futures in Taiwan; the instruments exposed to interest rate risk mainly include bonds and interest rate derivatives such as the fixed-for-floating interest rate swap; and the instruments exposed to exchange rate risk mainly include the consolidated positions of the investment held by the Company, such as the derivatives denominated in foreign currency and foreign-currency bonds.

The Bank monitors the market risk positions and the tolerable loss of the Bank in accordance with the goals of risk management and the amount limits authorized by the board of directors. The Bank has set up market risk information systems to effectively monitor the management of amount limits on financial instruments, to evaluate the profit and loss, to conduct sensitivity analysis, stress test and calculation of value at risk (VaR), etc. The result is reported in the meetings of risk management and to the board of directors as their reference for making managerial decisions.

The Company mainly divides the positions exposed to market risks into investment portfolios held for trading and investment portfolios not held for trading. The portfolios are monitored by the Risk Management Division, and the management results are reported regularly to the board of directors and the supervisors of each division.

The business units and the risk management units both identify market risk factors for the Company's exposed positions in order to measure market risks. Market risk factors refer to the factors that affect interest rates, exchange rates and values of held financial instruments such as equity securities, etc. The Company analyzes the impact of risk factors on its holding positions, profit and loss, negative result of stress test, sensitivity, VaR, etc., and measures the levels within which the investment portfolios and equity securities might suffer from interest rate risks, exchange rate risks, etc.

The Risk Management Division reports regularly to the board of directors the achievement of management objectives on market risks, the control of holding positions and profit and loss, the sensitivity analysis, the stress test, the value at risk of equity securities, etc. for their understanding of the Bank's market risk control. The Bank also has sound mechanisms for reporting and set limits and stop-loss regulations for all the transactions. If a trade reaches the stop-loss limit, the stop-loss will be executed immediately. Trades that do not follow the stop-loss rule should be reported to the management for their approval, and the reasons for their noncompliance as well as corresponding strategies should also be presented to the management.

Effect of interest rate benchmark reform

The Company is exposed to the LIBOR (with the highest percentage in USD LIBOR), which is subject to interest rate benchmark reform. The exposures arise on derivatives and non-derivative financial assets and liabilities. The SOFR (Secured Overnight Financing Rate) is expected to replace the USD LIBOR. There are key differences between the USD LIBOR and SOFR. The USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. The 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 the USD LIBOR to the SOFR, adjustments for these differences might need to be applied to the SOFR to enable the two benchmark rates to be economically equivalent.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If bilateral negotiations with the counterparties of the Company are not successfully concluded before the cessation of the LIBOR, there would be 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 Company established a LIBOR transition project plan. This transition project is considering product conversion, contract modification, communication between customers and investors, adjustments to systems and processes, finance and tax implications as well as the risk model, and will be implemented by the corresponding LIBOR transition response team. As of September 30, 2022, the Company is finalizing the amendments of related systems. The Company is continuously discussing with the clients and counterparty about how to revise the contracts which are expected to be impacted. In terms of credit business, the Company has already completed the conversion of credit contracts whose rates ceased at the end of December 2021. The remaining USD credit contracts will complete bilateral negotiations before September 30, 2023. In terms of investments in debt instruments, the Company is continuously negotiating with the counterparties about the contracts which have been identified.

The Company is ceasing to sell financial instruments connected to LIBOR that are not authorized by authorities but will sell those that connect to alternative benchmark interest rate, TAIFX3 or local USD rate, to make sure the rights of clients and the Company will not be negatively impacted.

The following table contains the details of non-derivative financial instruments held by the Company at September 30, 2022, which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Carrying Amount
Financial assets that reference the USD LIBOR	
Financial assets at FVTPL	\$ 25,122,759
Financial assets at FVTOCI	16,806,949
Investments in debt instruments at amortized cost	2,222,318
Discounts and loans	<u>95,302,373</u>
Non-derivative financial assets affected by the interest rate benchmark reform	<u>\$ 139,454,399</u>

The following table contains details of derivative financial instruments held by the Company at September 30, 2022, which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Nominal Amount	Carrying Amount	
		Financial Assets	Financial Liabilities
Derivative financial instruments that reference the USD LIBOR			
Interest rate swaps	\$ 422,294,093	\$ 19,297,921	\$ 15,153,548
Cross-currency swaps	317,480	48,319	-

The Bank uses the VaR model and stress tests to evaluate risks on investment portfolios for trading. The Bank also assesses market risks and evaluates the maximum expected loss of positions through making assumptions on changes in various market conditions. The board of directors set amount limits based on VaR. The whole risk management process is monitored daily by the Risk Management Division.

VaR statistically estimates the potential loss of the positions due to adverse market movements. The Bank may suffer the “maximum potential loss” within a certain confidence interval (99%), so it is still probable that the actual loss is larger than the VaR to some extent. VaR model assumes that the Bank holds the positions at least for the minimum holding periods (10 days) before they can be settled, and that the market fluctuation in these 10 days is similar to that in the past. The Bank evaluates historical market fluctuation based on historical data in the past two years. The Bank evaluates the VaR of its holding positions using the variance/covariance method. The computation will be used for periodic examinations and verification of assumptions and parameters used. However, this evaluation method cannot prevent losses from significant market fluctuations.

Information on the VaR of the Bank was as follows:

For the nine months ended September 30, 2022

Historical Values at Risk (99%, 10-day)	Average	Minimum	Maximum	September 30, 2022
<u>By risk type</u>				
Currency	\$ 3,144,431	\$ 2,207,727	\$ 4,562,202	\$ 2,713,392
Interest	9,111,939	4,831,152	13,969,103	13,809,743
Equity	1,019,555	685,743	1,311,178	685,743
Risk diversification	<u>(6,919,932)</u>	-	-	<u>(9,016,207)</u>
Total risk exposure	<u>\$ 6,355,993</u>			<u>\$ 8,192,671</u>

For the year ended December 31, 2021

Historical Values at Risk (99%, 10-day)	Average	Minimum	Maximum	December 31, 2021	September 30, 2021
<u>By risk type</u>					
Currency	\$ 3,340,311	\$ 2,402,325	\$ 4,155,766	\$ 3,516,984	\$ 2,712,174
Interest	5,288,307	3,518,810	6,988,286	5,170,067	4,842,634
Equity	806,523	649,966	1,236,931	1,236,931	696,221
Risk diversification	<u>(4,005,028)</u>	-	-	<u>(4,579,535)</u>	<u>(3,131,075)</u>
Total risk exposure	<u>\$ 5,430,113</u>			<u>\$ 5,344,447</u>	<u>\$ 5,119,954</u>

Stress test is used to measure the greatest potential losses of the portfolio of risk assets under the worst scenarios. The Risk Management Division performs it, and it includes (a) a stress test on risk factors, in which the stress test is applied to all kinds of risks; and (b) a temporary stress test, in which the stress test is applied to special investment positions or specific investment areas, for example, areas where exchange rates fluctuate dramatically. The results of stress tests are reported to the senior management.

For the information on the foreign-currency financial assets and liabilities with significant effect, please refer to Table 3.

4) Liquidity risk

Liquidity risk refers to the possibility of financial loss resulting from the shortage of funds in meeting the needs of asset acquisition or debt repayment on maturity. Examples are the depositors' withdrawal of deposits before maturity, difficulty in raising funds from other banks or worsening funding conditions due to the fluctuations in specific markets, unstable recovery of money due to credit defaults, deterioration of the convertibility of financial instruments, early termination of interest-sensitive instruments, etc. These situations might result in decrease of cash inflows from loans, trades and investments. In some extreme cases, lack of liquidity may cause decrease of asset values in balance sheets, disposal of assets or other situations in which loan commitments cannot be met. Liquidity risks exist in all banking operations, and are influenced by specific events from industries or markets, including but not limited to credit events, mergers and acquisitions, systematic risks in the industry or natural disasters.

Liquidity risk management is done by the money market division and monitored by the risk management division. The procedures include (a) maintaining daily money market operations and monitoring future cash flows to ensure the meeting of liquidity requirements; (b) holding an appropriate amount of readily convertible and highly liquid assets to prevent from unpredictable events that disrupt cash flows; (c) monitoring the liquidity ratios for the balance sheets in accordance with internal and external policies; and (d) managing security products during their remaining maturity periods. Liquidity risk monitoring and reporting are based on the valuation and prediction of future cash flows from different terms to maturity (maturity gap is used by the Bank as a tool to manage liquidity risk). The prediction of cash flows involves the cash outflows at the maturity date of the financial liabilities and the cash inflows at the receipt date of financial assets.

For maintaining solvency and meeting the needs of emergency assistance arrangements, the Company holds cash and high-quality, liquid interest-bearing assets. The assets held for liquidity risk management include cash and cash equivalents, due from Central Bank and call loans to other banks, financial assets at fair value through profit or loss, discounts and loans, financial assets at fair value through other comprehensive income and debt instruments at amortized cost, etc.

The liquidity reserve ratios of the Bank for September 30, 2022, December 31, 2021 and September 30, 2021 were 30.19%, 33.81% and 33.57%, respectively.

The Company disclosed the analysis of cash outflows from nonderivative financial liabilities by the residual maturities as of the balance sheet date. The amounts of cash outflows are based on contractual cash flows, so some amounts may not correspond to those that shown in the consolidated balance sheets.

September 30, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	\$ 51,183,320	\$ 13,854,275	\$ 3,533,221	\$ 21,395,940	\$ 39,830	\$ 90,006,586
Nonderivative financial liabilities at fair value through profit or loss	-	-	-	291,383	52,470,031	52,761,414
Securities sold under repurchase agreements	2,060,425	5,559,659	271,342	617,533	8,882,240	17,391,199
Payables	27,277,028	2,126,331	715,476	781,475	78,199	30,978,509
Deposits and remittances	1,149,950,216	234,805,785	242,192,978	458,262,787	770,606,416	2,855,818,182
Bank debentures	-	-	-	1,500,000	34,050,000	35,550,000
Lease liabilities	29,027	159,095	289,556	496,464	3,016,970	3,991,112
Other items of cash outflow on maturity	8,470,515	5,705,467	2,096,502	80,042,198	22,719,047	119,033,729

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	\$ 51,151,644	\$ 30,863,439	\$ 952,113	\$ 513,962	\$ -	\$ 83,481,158
Due to the Central Bank and other banks	-	-	-	14,021,010	-	14,021,010
Nonderivative financial liabilities at fair value through profit or loss	-	-	-	508,259	44,939,380	45,447,639
Securities sold under repurchase agreements	4,072,567	3,097,930	551,588	771,427	8,192,500	16,686,012
Payables	21,583,427	752,479	377,740	339,009	146,624	23,199,279
Deposits and remittances	1,054,471,949	242,878,740	258,370,651	413,676,105	728,673,362	2,698,070,807
Bank debentures	-	-	3,220,000	6,600,000	24,450,000	34,270,000
Lease liabilities	110,302	149,431	260,197	458,016	3,144,783	4,122,729
Other items of cash outflow on maturity	5,110,604	3,690,773	289,603	279,659	55,855,122	65,225,761

September 30, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	\$ 49,173,319	\$ 21,990,575	\$ 3,508,596	\$ 1,401,513	\$ -	\$ 76,074,003
Due to the Central Bank and other banks	-	-	-	12,107,230	-	12,107,230
Nonderivative financial liabilities at fair value through profit or loss	-	-	-	255,754	44,958,686	45,214,440
Securities sold under repurchase agreements	100,459	854,300	1,281,982	276,233	8,955,881	11,468,855
Payables	26,286,648	593,047	345,118	444,343	134,820	27,803,976
Deposits and remittances	962,359,385	228,920,263	288,765,307	377,958,796	697,177,228	2,555,180,979
Bank debentures	-	-	-	9,820,000	22,850,000	32,670,000
Lease liabilities	87,757	152,559	276,649	463,511	3,076,677	4,057,153
Other items of cash outflow on maturity	7,918,105	3,435,809	258,768	5,574	43,949,771	55,568,027

The Company assessed the maturity date of contracts to understand the basic elements of all derivative financial instruments shown in the consolidated balance sheets. The amounts used in the maturity analyses of derivative financial liabilities are based on contractual cash flows, so some may not correspond to the amounts shown in the consolidated balance sheets. The maturity analysis of derivative financial liabilities was as follows:

a) Derivative financial liabilities to be settled at net amounts

September 30, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives	\$ 303,858	\$ 284,984	\$ 208,584	\$ 71,556	\$ -	\$ 868,982
Interest derivatives	284	637	834	-	-	1,755

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives	\$ 28,970	\$ 143,425	\$ 162,555	\$ 20,631	\$ -	\$ 355,581
Interest derivatives	4	35	2	-	-	41

September 30, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives	\$ 69,135	\$ 55,156	\$ 139,030	\$ 152,855	\$ -	\$ 416,176

b) Derivative financial liabilities to be settled at gross amounts

September 30, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 166,027,190	\$ 250,456,714	\$ 180,381,613	\$ 169,719,001	\$ 5,467,383	\$ 772,051,901
Cash inflow	157,587,950	231,343,669	163,732,890	157,486,688	5,003,481	715,154,678
Interest derivatives						
Cash outflow	1,220,839	920,644	1,512,997	3,623,430	24,345,319	31,623,229
Cash inflow	5,537,377	152,975	189,500	216,593	8,054,184	14,150,629
Total cash outflow	167,248,029	251,377,358	181,894,610	173,342,431	29,812,702	803,675,130
Total cash inflow	163,125,327	231,496,644	163,922,390	157,703,281	13,057,665	729,305,307
Net cash outflow	\$ 4,122,702	\$ 19,880,714	\$ 17,972,220	\$ 15,639,150	\$ 16,755,037	\$ 74,369,823

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 245,358,741	\$ 310,653,624	\$ 183,685,736	\$ 263,860,542	\$ 24,120,443	\$ 1,027,679,086
Cash inflow	242,148,705	308,129,842	181,884,643	260,531,476	24,019,037	1,016,713,703
Interest derivatives						
Cash outflow	1,212,767	4,418,381	835,494	2,932,764	3,118,579	12,517,985
Cash inflow	907,025	4,146,365	461,784	2,261,976	1,300,643	9,077,793
Total cash outflow	246,571,508	315,072,005	184,521,230	266,793,306	27,239,022	1,040,197,071
Total cash inflow	243,055,730	312,276,207	182,346,427	262,793,452	25,319,680	1,025,791,496
Net cash outflow	\$ 3,515,778	\$ 2,795,798	\$ 2,174,803	\$ 3,999,854	\$ 1,919,342	\$ 14,405,575

September 30, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 213,460,158	\$ 179,866,776	\$ 191,960,257	\$ 114,203,429	\$ 2,529,947	\$ 702,020,567
Cash inflow	211,627,094	178,735,139	190,651,500	113,305,389	2,365,395	696,684,517
Interest derivatives						
Cash outflow	660,561	1,340,805	5,255,718	4,079,602	2,465,718	13,802,404
Cash inflow	400,182	944,757	4,817,665	3,272,927	298,370	9,733,901
Total cash outflow	214,120,719	181,207,581	197,215,975	118,283,031	4,995,665	715,822,971
Total cash inflow	212,027,276	179,679,896	195,469,165	116,578,316	2,663,765	706,418,418
Net cash outflow	\$ 2,093,443	\$ 1,527,685	\$ 1,746,810	\$ 1,704,715	\$ 2,331,900	\$ 9,404,553

The Company conducted the maturity analysis of off-balance sheet items based on the residual maturities as of the consolidated balance sheet date. For the financial guarantee contracts issued, the maximum amounts of the guarantees are included in the earliest periods that the guarantee obligation might have been required to be fulfilled. The amounts used in the maturity analysis of off-balance sheet items are based on contractual cash flows, so some amounts may not correspond to those shown in the consolidated balance sheets.

September 30, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 725,296	\$ 3,011,379	\$ 1,859,704	\$ 10,936,890	\$ 42,525,140	\$ 59,058,409
Credit card commitments	230,609	1,996,987	5,963,823	13,770,328	464,060,620	486,022,367
Letters of credit issued and yet unused	2,409,479	6,122,510	2,542,747	267,921	263,744	11,606,401
Other guarantees	5,801,591	6,872,692	1,693,566	11,138,161	7,015,592	32,521,602

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 848,406	\$ 1,510,135	\$ 3,197,127	\$ 8,448,319	\$ 45,367,989	\$ 59,371,976
Credit card commitments	10,918	13,006	17,928	3,242,956	475,410,582	478,695,390
Letters of credit issued and yet unused	2,454,038	4,458,888	1,261,456	551,496	514,534	9,240,412
Other guarantees	5,064,101	7,428,846	2,083,383	15,384,181	6,222,521	36,183,032

September 30, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 396,233	\$ 2,391,728	\$ 2,812,090	\$ 6,882,866	\$ 40,726,003	\$ 53,208,920
Credit card commitments	7,615	11,775	22,866	306,661	476,345,276	476,694,193
Letters of credit issued and yet unused	2,524,984	6,614,747	1,054,020	450,932	481,665	11,126,348
Other guarantees	4,497,433	7,020,441	2,220,912	15,705,504	6,437,701	35,881,991

j. Transfers of financial assets

Most of the transferred financial assets of the Company that are not derecognized in their entirety are securities sold under repurchase agreements. According to these transactions, the right on cash flow of the transferred financial assets would be transferred to other entities and the associated liabilities of the Company's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. As the Company is restricted to use, sell or pledge the transferred financial assets throughout the term of transaction, and is still exposed to interest rate risks and credit risks on these instruments, the transferred financial assets are not derecognized in their entirety. The details of financial assets that were not derecognized in their entirety and the associated financial liabilities were as follows:

September 30, 2022					
Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Associated Financial Liabilities	Fair Value of Net Position
Investments in debt instruments at FVTOCI - securities sold under repurchase agreements	\$ 15,547,056	\$ 14,531,888	\$ 15,547,056	\$ 14,531,888	\$ 1,015,168
Investments in debt instruments at amortized cost - securities sold under repurchase agreements	2,940,487	2,787,253	2,713,976	2,787,253	(73,277)

December 31, 2021					
Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Associated Financial Liabilities	Fair Value of Net Position
Investments in debt instruments at FVTOCI - securities sold under repurchase agreements	\$ 17,043,122	\$ 15,778,699	\$ 17,043,122	\$ 15,778,699	\$ 1,264,423
Investments in debt instruments at amortized cost - securities sold under repurchase agreements	911,582	869,940	929,579	869,940	59,639

September 30, 2021					
Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Associated Financial Liabilities	Fair Value of Net Position
Investments in debt instruments at FVTOCI - securities sold under repurchase agreements	\$ 12,295,849	\$ 11,440,173	\$ 12,295,849	\$ 11,440,173	\$ 855,676

k. Offsetting financial assets and financial liabilities

The Company is eligible to present certain derivative assets and derivative liabilities on a net basis on the balance sheet since the offsetting criteria are met. Cash collateral has also been paid by part of counterparties for the net amount of the derivative assets and derivative liabilities. The cash collateral does not meet the offsetting criteria, but it can be set off against the net amount of the derivative assets and derivative liabilities in the case of default and insolvency or bankruptcy, in accordance with an associated collateral arrangement.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheet or that are covered by enforceable master netting arrangements or similar agreements.

September 30, 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 Amounts
				Financial Instruments	Cash Collateral Received	
Derivatives	\$ 123,997,733	\$ -	\$ 123,997,733	\$ (54,078,841)	\$ (27,539,152)	\$ 42,379,740
Settlements	360,405	(7,733)	352,672	-	-	352,672
	<u>\$ 124,358,138</u>	<u>\$ (7,733)</u>	<u>\$ 124,350,405</u>	<u>\$ (54,078,841)</u>	<u>\$ (27,539,152)</u>	<u>\$ 42,732,412</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 Amounts
				Financial Instruments	Cash Collateral Pledged	
Derivatives	\$ 81,815,267	\$ -	\$ 81,815,267	\$ (54,078,841)	\$ (10,099,387)	\$ 17,637,039
Repurchase agreements	17,346,337	-	17,346,337	(17,255,512)	-	90,825
Settlements	106,276	(7,733)	98,543	-	-	98,543
	<u>\$ 99,267,880</u>	<u>\$ (7,733)</u>	<u>\$ 99,260,147</u>	<u>\$ (71,334,353)</u>	<u>\$ (10,099,387)</u>	<u>\$ 17,826,407</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 Amounts
				Financial Instruments	Cash Collateral Received	
Derivatives	\$ 15,451,044	\$ -	\$ 15,451,044	\$ (7,529,927)	\$ (2,889,087)	\$ 5,032,030
Settlements	49,467	-	49,467	(49,467)	-	-
	<u>\$ 15,500,511</u>	<u>\$ -</u>	<u>\$ 15,500,511</u>	<u>\$ (7,579,394)</u>	<u>\$ (2,889,087)</u>	<u>\$ 5,032,030</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 Amounts
				Financial Instruments	Cash Collateral Pledged	
Derivatives	\$ 13,749,747	\$ -	\$ 13,749,747	\$ (7,529,927)	\$ (2,567,492)	\$ 3,652,328
Repurchase agreements	16,664,444	-	16,664,444	(12,579,906)	-	4,084,538
Settlements	475,482	-	475,482	(49,467)	-	426,015
	<u>\$ 30,889,673</u>	<u>\$ -</u>	<u>\$ 30,889,673</u>	<u>\$ (20,159,300)</u>	<u>\$ (2,567,492)</u>	<u>\$ 8,162,881</u>

September 30, 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 Amounts
				Financial Instruments	Cash Collateral Received	
Derivatives	\$ 13,799,697	\$ -	\$ 13,799,697	\$ (6,468,627)	\$ (3,597,759)	\$ 3,733,311
Resell agreements	798,438	-	798,438	(798,438)	-	-
Settlements	390,156	-	390,156	(323,620)	-	66,536
	<u>\$ 14,988,291</u>	<u>\$ -</u>	<u>\$ 14,988,291</u>	<u>\$ (7,590,685)</u>	<u>\$ (3,597,759)</u>	<u>\$ 3,799,847</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 Amounts
				Financial Instruments	Cash Collateral Pledged	
Derivatives	\$ 10,140,960	\$ -	\$ 10,140,960	\$ (6,468,627)	\$ (1,945,198)	\$ 1,727,135
Repurchase agreements	11,448,514	-	11,448,514	(11,448,514)	-	-
Settlements	1,595,806	-	1,595,806	(323,620)	-	1,272,186
	<u>\$ 23,185,280</u>	<u>\$ -</u>	<u>\$ 23,185,280</u>	<u>\$ (18,240,761)</u>	<u>\$ (1,945,198)</u>	<u>\$ 2,999,321</u>

43. CAPITAL MANAGEMENT

The two main objectives of capital management of the Bank are (a) meeting the requirements for legal capital set by the authorities and building an effective system for capital management and (b) balancing risk control and business development under the premise of “undertaking risks and earning returns on capital” and maximizing the stockholders’ profits.

The Banking Act and related regulations require that the Bank maintains both standalone and consolidated ratios of regulatory capital to risk-weighted assets (including ratio of the common equity to risk-weighted assets, ratio of Tier 1 capital to risk-weighted assets and capital adequacy ratio (CAR)) should comply with the minimum ratio requested by authorities.

The capital of the Bank is jointly managed by the Capital Management Team and the Risk Management Division. The management process starts from the evaluation and adjustments to plans or budgets by using different quantitative methods that consider risks, returns and growth rates. Subsequently, the evaluation and adjustments are used to confirm the total amount of capital requirement and is eventually used to allocate the capital to the respective branches and operating units. The whole process takes into consideration the quantitative risk assessment, plans and budgets, capital balance and allocation of economic capitals to corresponding units on the basis of risk appetite. The process is a combination of risk appetite, capital management, risk management, managerial decisions and performance assessment.

44. THE BANK'S ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

a. Asset quality: Table 4 (attached).

b. Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

0.55	September 30, 2022			September 30, 2021		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of E.SUN Bank's Equity	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of E.SUN Bank's Equity
1	Group A Manufacture of other electronic parts and components not elsewhere classified	\$ 9,472,202	5.27	Group A Manufacture of other electronic parts and components not elsewhere classified	\$ 13,258,223	7.20
2	Group B Other activities auxiliary to financial service activities not elsewhere classified	8,672,661	4.82	Group B Other activities auxiliary to financial service activities not elsewhere classified	11,612,020	6.30
3	Group C Real estate development	7,795,400	4.34	Group C Real estate development	7,619,873	4.14
4	Group D Retail sale of computers, computer peripheral equipment and software	7,506,911	4.18	Group H Electronic passive devices manufacturing	7,263,370	3.94
5	Group E Manufacture of computers	6,972,234	3.88	Group K Wired telecommunications activities	7,258,000	3.94
6	Group F Electricity supply	6,945,722	3.86	Group G Activities of head offices	7,152,432	3.88
7	Group G Activities of head offices	6,869,680	3.82	Group L Air transport	6,187,519	3.36
8	Group H Manufacture of integrated circuits	5,865,892	3.26	Group F Electricity supply	6,111,891	3.32
9	Group I Wholesale of electronic and communication equipment and parts	5,661,064	3.15	Group M Wholesale of computers, computer peripheral equipment and software	5,908,327	3.21
10	Group J Activities of head offices	5,499,733	3.06	Group D Retail sale of computers, computer peripheral equipment and software	5,638,188	3.06

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 information

Interest Rate Sensitivity (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars, %)

September 30, 2022

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 1,861,419,552	\$ 84,516,926	\$ 73,862,131	\$ 159,837,987	\$ 2,179,636,596
Interest rate-sensitive liabilities	1,547,693,889	56,021,698	94,230,437	120,261,041	1,818,207,065
Interest rate sensitivity gap	313,725,663	28,495,228	(20,368,306)	39,576,946	361,429,531
Net worth					166,516,127
Ratio of interest rate-sensitive assets to liabilities					119.88
Ratio of interest rate sensitivity gap to net worth					217.05

September 30, 2021

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 1,756,077,715	\$ 74,852,097	\$ 40,642,129	\$ 209,603,545	\$ 2,081,175,486
Interest rate-sensitive liabilities	1,445,772,826	90,671,965	83,466,506	74,278,510	1,694,189,807
Interest rate sensitivity gap	310,304,889	(15,819,868)	(42,824,377)	135,325,035	386,985,679
Net worth					167,247,463
Ratio of interest rate-sensitive assets to liabilities					122.84
Ratio of interest rate sensitivity gap to net worth					231.39

Note 1: The above amounts included only New Taiwan dollar amounts held by the head office and branches of the Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities refer to the revenues or costs of interest-earning assets and interest-bearing liabilities that were 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 (U.S. Dollars)

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

September 30, 2022

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 17,750,281	\$ 710,359	\$ 362,403	\$ 3,166,637	\$ 21,989,680
Interest rate-sensitive liabilities	25,792,753	2,914,751	4,195,542	1,631,106	34,534,152
Interest rate sensitivity gap	(8,042,472)	(2,204,392)	(3,833,139)	1,535,531	(12,544,472)
Net worth					90,023
Ratio of interest rate-sensitive assets to liabilities					63.68
Ratio of interest rate sensitivity gap to net worth					(13,934.74)

September 30, 2021

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 13,742,565	\$ 914,194	\$ 318,522	\$ 3,470,835	\$ 18,446,116
Interest rate-sensitive liabilities	21,676,802	3,966,209	4,283,304	1,753,086	31,679,401
Interest rate sensitivity gap	(7,934,237)	(3,052,015)	(3,964,782)	1,717,749	(13,233,285)
Net worth					263,163
Ratio of interest rate-sensitive assets to liabilities					58.23
Ratio of interest rate sensitivity gap to net worth					(5,028.55)

Note 1: The above amounts included only U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of the Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities refer to the revenues or costs of interest-earning assets and interest-bearing liabilities that were 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

Unit: %

Items	September 30, 2022	September 30, 2021
Return on total assets		
Before income tax	0.55	0.73
After income tax	0.44	0.63
Return on equity		
Before income tax	9.82	11.84
After income tax	7.79	10.25
Net income ratio	29.66	36.47

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 revenues

Note 4: Income before (after) income tax represents income from January to each period-end date.

Note 5: The above profitability ratios are calculated on the basis of annualized figures.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars)

September 30, 2022

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 2,662,628,635	\$ 237,133,875	\$ 263,452,265	\$ 197,481,096	\$ 166,088,276	\$ 225,630,195	\$ 1,572,842,928
Main capital outflow on maturity	3,204,826,745	120,738,491	186,275,810	443,275,861	438,012,361	709,692,517	1,306,831,705
Gap	(542,198,110)	116,395,384	77,176,455	(245,794,765)	(271,924,085)	(484,062,322)	266,011,223

September 30, 2021

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 2,587,124,902	\$ 301,651,785	\$ 259,492,683	\$ 199,248,548	\$ 201,367,530	\$ 172,930,094	\$ 1,452,434,262
Main capital outflow on maturity	2,992,953,321	82,958,758	198,027,430	359,569,661	515,097,824	509,498,883	1,327,800,765
Gap	(405,828,419)	218,693,027	61,465,253	(160,321,113)	(313,730,294)	(336,568,789)	124,633,497

Note: The above amounts included only New Taiwan dollar amounts held by the Bank.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)

(In Thousands of U.S. Dollars)

September 30, 2022

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 61,517,665	\$ 13,557,575	\$ 14,614,207	\$ 9,894,957	\$ 8,926,489	\$ 14,524,437
Main capital outflow on maturity	70,918,129	15,166,476	20,297,666	12,768,068	18,144,928	4,540,991
Gap	(9,400,464)	(1,608,901)	(5,683,459)	(2,873,111)	(9,218,439)	9,983,446

September 30, 2021

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 51,904,659	\$ 12,417,858	\$ 10,349,448	\$ 10,821,888	\$ 6,285,902	\$ 12,029,563
Main capital outflow on maturity	59,335,558	14,150,067	12,493,096	13,531,343	15,788,277	3,372,775
Gap	(7,430,899)	(1,732,209)	(2,143,648)	(2,709,455)	(9,502,375)	8,656,788

Note 1: The above amounts included only U.S. dollar amounts held by the Bank.

Note 2: If overseas assets exceed 10% of E.SUN Bank total assets, supplementary information shall be disclosed.

Maturity Analysis of Assets and Liabilities of Overseas Branches (U.S. Dollars)

(In Thousands of U.S. Dollars)

September 30, 2022

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 14,167,146	\$ 2,846,452	\$ 3,270,440	\$ 1,742,380	\$ 1,602,450	\$ 4,705,424
Main capital outflow on maturity	14,836,866	3,954,842	5,567,384	2,303,260	2,429,330	582,050
Gap	(669,720)	(1,108,390)	(2,296,944)	(560,880)	(826,880)	4,123,374

September 30, 2021

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 12,258,119	\$ 3,521,117	\$ 2,279,584	\$ 1,213,852	\$ 1,301,935	\$ 3,941,631
Main capital outflow on maturity	12,577,478	3,690,800	3,438,481	2,655,387	2,371,601	421,209
Gap	(319,359)	(169,683)	(1,158,897)	(1,441,535)	(1,069,666)	3,520,422

45. TRUST BUSINESS UNDER THE TRUST ENTERPRISE ACT

- a. Trust-related items, as shown in the following balance sheet, statements of income and trust property list

The trust-related items shown below were managed by the Bank's Trust Department. However, these items were not included in the Company's consolidated financial statements.

Balance Sheets of Trust Accounts September 30, 2022, December 31, 2021 and September 30, 2021							
Trust Assets	September 30, 2022	December 31, 2021	September 30, 2021	Trust Liabilities	September 30, 2022	December 31, 2021	September 30, 2021
Cash in banks	\$ 6,094,646	\$ 5,399,931	\$ 5,804,607	Accounts payable on administrative expense	\$ 4	\$ 4	\$ 4
Investments	318,016,436	293,835,419	292,688,273	Accounts payable on securities under custody	697,658,100	619,710,798	589,023,240
Receivables	277	275	275	Trust capital			
Real estate	7,103,302	4,864,484	5,934,345	Cash	319,635,447	294,987,173	295,123,808
Securities under custody	<u>697,658,100</u>	<u>619,710,798</u>	<u>589,023,240</u>	Securities	5,397,083	4,482,833	3,488,645
				Real estate	7,216,676	4,542,789	5,591,731
				Reserves and accumulated deficit	(395,217)	(15,128,998)	(11,741,834)
				Net income (loss)	<u>(639,332)</u>	<u>15,216,308</u>	<u>11,965,146</u>
Total assets	<u>\$ 1,028,872,761</u>	<u>\$ 923,810,907</u>	<u>\$ 893,450,740</u>	Total liabilities	<u>\$ 1,028,872,761</u>	<u>\$ 923,810,907</u>	<u>\$ 893,450,740</u>

Note: Investments of the OBU are included in total trust-related assets. As of September 30, 2022, December 31, 2021 and September 30, 2021, the amounts of the OBU's investments were \$28,643,027 thousand, \$24,857,118 thousand and \$25,337,770 thousand, respectively.

Trust Property List September 30, 2022, December 31, 2021 and September 30, 2021

	September 30, 2022	December 31, 2021	September 30, 2021
Cash in banks	\$ 6,087,950	\$ 5,395,438	\$ 5,803,125
Cash in other banks	6,696	4,493	1,482
Stocks	20,987,146	13,605,755	12,053,157
Mutual funds	240,291,064	237,275,855	238,264,533
Bonds	44,698,333	23,056,184	23,718,349
Structured products	11,982,877	19,890,149	18,581,047
Beneficial certificates pending settlement	57,016	7,476	71,187
Receivables	277	275	275
Real estate	7,103,302	4,864,484	5,934,345
Securities under custody	<u>697,658,100</u>	<u>619,710,798</u>	<u>589,023,240</u>
	<u>\$ 1,028,872,761</u>	<u>\$ 923,810,907</u>	<u>\$ 893,450,740</u>

Statements of Income on Trust Accounts
For the Nine Months Ended September 30, 2022 and 2021

	For the Nine Months Ended September 30	
	2022	2021
<u>Revenues</u>		
Interest	\$ 9,950	\$ 8,629
Cash dividend	9,265,784	8,941,331
Realized capital gain - common stocks	1,270	748
Unrealized capital gain - common stocks	(563)	340
Property gain	2,055,212	6,432,616
Realized capital gain - bonds	2,310,991	1,983,226
Realized capital gain - mutual funds	236,843	808,321
Other revenues	8,800	13
Revenues from beneficial certificates	41,733	30,458
Revenues from rent for stocks	-	371
Total revenues	<u>13,930,020</u>	<u>18,206,053</u>
<u>Expenses</u>		
Management fees	307,739	534,881
Service fees	1,842	870
Property loss	14,043,456	5,635,635
Income tax	294	496
Tax expenditures	5,290	5,851
Other expenses	17,386	17,526
Realized capital loss - common stocks	35	30
Realized capital loss - mutual funds	174,010	45,618
Unrealized capital loss - common stocks	<u>19,300</u>	<u>-</u>
Total expenses	<u>14,569,352</u>	<u>6,240,907</u>
Net income (loss)	<u>\$ (639,332)</u>	<u>\$ 11,965,146</u>

b. Nature of trust business operations under the Trust Enterprise Act: Note 1.

46. ALLOCATION OF REVENUE, COST AND EXPENSE THAT RESULTED FROM THE SHARING OF RESOURCES BETWEEN E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

Under cooperation arrangements, the Bank and E.SUN Securities shared some equipment and operating sites; thus, related expenses were allocated as follows:

	Bank	E.SUN Securities	Total	Allocation Method
For the nine months ended <u>September 30, 2022</u>				
Others	<u>\$ 204</u>	<u>\$ 196</u>	<u>\$ 400</u>	Utilities - 50% each Building maintenance fee - based on space actually occupied (Continued)

	Bank	E.SUN Securities	Total	Allocation Method
For the nine months ended <u>September 30, 2021</u>				
Others	<u>\$ 217</u>	<u>\$ 245</u>	<u>\$ 462</u>	Utilities - 50% each Building maintenance fee - based on space actually occupied (Concluded)

The cross-selling transactions between the Bank and E.SUN Securities were as follows (the amounts below refer to the Bank):

	For the Nine Months Ended <u>September 30</u>	
	2022	2021
Revenue	<u>\$ 2,912</u>	<u>\$ 3,637</u>
Expense	<u>\$ 116,027</u>	<u>\$ 100,309</u>

47. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the nine months ended September 30, 2022

	Opening Balance	Cash Inflows (Outflows)	New Leases	Non-cash Changes Fair Value Adjustments (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Others	Closing Balance
Due to the Central Bank and other banks	\$ 14,021,010	\$ (14,021,010)	\$ -	\$ -	\$ -	\$ -
Short-term borrowings	573,780	1,365,789	-	-	192,232	2,131,801
Bank debentures	34,270,000	1,280,000	-	-	-	35,550,000
Long-term borrowings	335,037	(9,202)	-	-	48,338	374,173
Financial liabilities designated as at fair value through profit or loss - bank debentures	47,449,715	-	-	(9,459,888)	7,313,774	45,303,601
Guarantee deposits received	1,942,439	24,999,538	-	-	-	26,941,977
Lease liabilities	<u>3,841,071</u>	<u>(823,454)</u>	<u>714,571</u>	<u>-</u>	<u>28,621</u>	<u>3,760,809</u>
	<u>\$ 102,433,052</u>	<u>\$ 12,791,661</u>	<u>\$ 714,571</u>	<u>\$ (9,459,888)</u>	<u>\$ 7,582,965</u>	<u>\$ 114,062,361</u>

For the nine months ended September 30, 2021

				Non-cash Changes		
	Opening Balance	Cash Inflows (Outflows)	New Leases	Fair Value Adjustments (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Others	Closing Balance
Due to the Central Bank and other banks	\$ 8,044,340	\$ 4,062,890	\$ -	\$ -	\$ -	\$ 12,107,230
Short-term borrowings	868,371	(131,721)	-	-	-	736,650
Bank debentures	33,970,000	(1,300,000)	-	-	-	32,670,000
Long-term borrowings	344,971	-	-	-	(7,792)	337,179
Financial liabilities designated as at fair value through profit or loss - bank debentures	50,303,457	-	-	(2,405,281)	(497,100)	47,401,076
Guarantee deposits received	5,204,333	(2,688,955)	-	-	-	2,515,378
Lease liabilities	3,105,185	(803,460)	1,500,296	-	(23,418)	3,778,603
	<u>\$ 101,840,657</u>	<u>\$ (861,246)</u>	<u>\$ 1,500,296</u>	<u>\$ (2,405,281)</u>	<u>\$ (528,310)</u>	<u>\$ 99,546,116</u>

48. ADDITIONAL DISCLOSURES

a. Significant transactions and b. investees:

- 1) Financing provided: The Bank, UCB and ESBC are not applicable. Other investees: None.
- 2) Endorsement/guarantee provided: The Bank, UCB and ESBC are not applicable. Other investees: None.
- 3) Marketable securities held: The Bank, UCB and ESBC are not applicable. Other investees: None.
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital (the Bank, UCB and ESBC disclosed its investments acquired or disposed of): None.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: Table 5 (attached).
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 10% of the paid-in capital: None.
- 7) Financial asset securitization: None.
- 8) Allowance of service fees to related parties amounting to at least NT\$5 million: None.
- 9) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: None.
- 10) Sale of nonperforming loans: None.
- 11) Other significant transactions that may affect the decisions of users of financial reports: None.
- 12) Related information and proportionate share in investees: Excluded from disclosure.

13) Derivative transactions: Notes 8 and 42 to the consolidated financial statements.

c. Investment in mainland China:

The information on major operating items, paid-in capital, methods of investment, investment inflows and outflows, proportion of stockholdings, investment income or loss, book value at period-end, the remitted investment profits and the limit on the amount of investment in mainland China - is shown in Table 6 (attached).

d. Business relationship and significant transactions among the parent company and subsidiaries: Table 7 (attached).

49. OPERATING SEGMENTS

The information reported to the Company's chief operating decision makers for the assessment of segment performance focuses mainly on operation and profitability. The Company's reportable segments are as follows:

- a. Corporate banking unit, which handles corporate loans, foreign exchange business, and financial banking operations, etc.;
- b. Individual banking unit, which handles residential mortgage, unsecured personal loans (UPLs), wealth management, and credit cards;
- c. Overseas branches and subsidiaries, including overseas branches and subsidiaries' business; and
- d. Others, including the head office and other performance units except for the above operating segments.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 4. Segment profit is measured at income before income tax, and this measure is reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. The terms of transactions between segments are similar to those for third parties.

The revenues, expenses and related information of the Company's reportable segments were as follows:

(In Millions of New Taiwan Dollars)

	For the Nine Months Ended September 30, 2022				
	Corporate Banking Unit	Individual Banking Unit	Overseas Branches and Subsidiaries	Others	Total
Net interest revenues (expenses)	<u>\$ 11,201</u>	<u>\$ 16,090</u>	<u>\$ 5,202</u>	<u>\$ (9,773)</u>	<u>\$ 22,720</u>
Total net revenues (expenses)	\$ 14,106	\$ 27,206	\$ 5,666	\$ (9,274)	\$ 37,704
Provision for bad-debt expenses and provision for losses on commitments and guarantees	(320)	(678)	(313)	(183)	(1,494)
Operating expenses	<u>(3,701)</u>	<u>(15,583)</u>	<u>(2,015)</u>	<u>(1,119)</u>	<u>(22,418)</u>
Income (loss) before income tax	<u>\$ 10,085</u>	<u>\$ 10,945</u>	<u>\$ 3,338</u>	<u>\$ (10,576)</u>	<u>\$ 13,792</u>

For the Nine Months Ended September 30, 2021					
	Corporate Banking Unit	Individual Banking Unit	Overseas Branches and Subsidiaries	Others	Total
Net interest revenues (expenses)	<u>\$ 10,116</u>	<u>\$ 12,625</u>	<u>\$ 3,783</u>	<u>\$ (7,805)</u>	<u>\$ 18,719</u>
Total net revenues (expenses)	\$ 15,225	\$ 24,271	\$ 5,305	\$ (5,352)	\$ 39,449
Provision for bad-debt expenses and provision for losses on commitments and guarantees	(327)	(540)	(149)	(67)	(1,083)
Operating expenses	<u>(3,606)</u>	<u>(15,610)</u>	<u>(1,887)</u>	<u>(1,023)</u>	<u>(22,126)</u>
Income (loss) before income tax	<u>\$ 11,292</u>	<u>\$ 8,121</u>	<u>\$ 3,269</u>	<u>\$ (6,442)</u>	<u>\$ 16,240</u>

TABLE 1

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES
SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021

Entities included in the consolidated financial statements

Investor Company	Investee Company	Location	Businesses and Products	Percentage of Ownership (%)			Note
				September 30, 2022	December 31, 2021	September 30, 2021	
E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd. Union Commercial Bank PLC. BankPro E-Service Technology Co., Ltd.	China Cambodia Taipei	Banking	100.00	100.00	100.00	Note
			Banking	100.00	100.00	100.00	
			Information software	61.67	61.67	61.67	
Union Commercial Bank PLC.	URE Land Holding Co., Ltd.	Cambodia	Real estate leasing and management	90.00	90.00	90.00	

Entities did not include in the consolidated financial statements

Investor Company	Investee Company	Location	Businesses and Products	Percentage of Ownership (%)			Note
				September 30, 2022	December 31, 2021	September 30, 2021	
None							

Note: Union Commercial Bank PLC. holds a 49% interest in URE Land Holding Co., Ltd. In the Articles of Incorporation of URE Land Holding Co., Ltd., Union Commercial Bank PLC. has power to control the composition of the board of directors and owns at least 90% of economic benefit of URE Land Holding Co., Ltd.; hence, URE Land Holding Co., Ltd. is deemed as a subsidiary of Union Commercial Bank PLC.

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

RELATED-PARTY TRANSACTIONS
SEPTEMBER 30, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

Loans

September 30, 2022

Type	Account Volume or Name	Highest Balance for the Nine Months Ended September 30, 2022 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	106	\$ 34,456	\$ 23,023	\$ 23,023	\$ -	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	415	2,977,961	2,474,096	2,474,096	-	Land and buildings	None
Other loans	Others	1,310,837	1,002,868	1,002,868	-	Land, buildings and plant	None

September 30, 2021

Type	Account Volume or Name	Highest Balance for the Nine Months Ended September 30, 2021 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	104	\$ 43,363	\$ 29,885	\$ 29,885	\$ -	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	380	2,672,527	2,203,130	2,203,130	-	Land and buildings	None
Other loans	Others	1,080,325	905,716	905,716	-	Land, buildings and plant	None

Note: The sum of the respective highest balances of each account for the nine months ended September 30, 2022 and 2021.

TABLE 3**E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES****INFORMATION ON FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES WITH SIGNIFICANT EFFECT
SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021
(In Thousands)**

	September 30, 2022			December 31, 2021			September 30, 2021		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>									
Monetary items									
USD	\$ 25,091,690	31.7480	\$ 796,610,974	\$ 21,380,903	27.6890	\$ 592,015,823	\$ 21,322,168	27.8660	\$ 594,163,533
CNY	23,938,862	4.4733	107,085,711	24,287,793	4.3497	105,644,613	22,153,983	4.3128	95,545,698
AUD	6,632,979	20.6560	137,010,814	5,583,714	20.0990	112,227,068	4,921,543	20.0990	98,918,093
Non-monetary items									
USD	1,612,770	31.7480	51,202,222	283,991	27.6890	7,863,427	266,114	27.8660	7,415,533
CNY	189,544	4.4733	847,887	118,403	4.3497	515,018	86,289	4.3128	372,147
AUD	7,056	20.6560	145,749	1,866	20.0990	37,505	2,951	20.0990	59,312
<u>Financial liabilities</u>									
Monetary items									
USD	\$ 38,885,515	31.7480	\$ 1,234,537,330	\$ 36,791,140	27.6890	\$ 1,018,709,875	\$ 34,941,955	27.8660	\$ 973,692,518
CNY	23,785,944	4.4733	106,401,663	25,204,268	4.3497	109,631,005	26,319,985	4.3128	113,512,831
AUD	3,320,442	20.6560	68,587,050	2,963,613	20.0990	59,565,658	2,893,516	20.0990	58,156,778
Non-monetary items									
USD	1,209,843	31.7480	38,410,096	186,255	27.6890	5,157,215	169,867	27.8660	4,733,514
CNY	160,114	4.4733	716,238	41,375	4.3497	179,969	22,688	4.3128	97,849
AUD	2,611	20.6560	53,933	422	20.0990	8,482	634	20.0990	12,743

TABLE 4

E.SUN COMMERCIAL BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
SEPTEMBER 30, 2022 AND 2021
(In Thousands of New Taiwan Dollars, %)

Period			September 30, 2022						September 30, 2021				
Items			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	
Corporate banking	Secured		\$ 998,544	\$ 462,155,806	0.22	\$ 5,280,161	528.79	\$ 967,532	\$ 423,180,998	0.23	\$ 4,718,841	487.72	
	Unsecured		849,628	468,232,513	0.18	5,332,752	627.66	773,360	409,148,075	0.19	4,772,364	617.09	
Consumer banking	Residential mortgage (Note 4)		263,629	528,562,737	0.05	7,734,143	2,933.72	308,145	473,566,782	0.07	6,940,910	2,252.48	
	Cash card		-	727	-	14	-	205	943	21.74	221	107.80	
	Small-scale credit loans (Note 5)		829,420	134,513,438	0.62	1,642,662	198.05	595,523	132,899,199	0.45	1,639,773	275.35	
	Other (Note 6)	Secured	165,032	289,044,333	0.06	2,973,306	1,801.65	212,241	255,317,738	0.08	2,647,887	1,247.59	
		Unsecured	-	2,906,084	-	31,385	-	214	2,429,813	0.01	26,584	12,422.43	
Loan			3,106,253	1,885,415,638	0.16	22,994,423	740.26	2,857,220	1,696,543,548	0.17	20,746,580	726.11	
			Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	
Credit cards			119,254	91,705,559	0.13	881,450	739.14	120,958	81,882,265	0.15	1,074,602	888.41	
Accounts receivable factored without recourse (Note 7)			-	12,528,696	-	172,982	-	-	12,200,793	-	160,040	-	
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			4,452					5,831					
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			15,652					21,000					
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			1,242,912					1,166,737					
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			1,593,279					1,659,937					

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 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 loans balance.
Ratio of nonperforming receivables: Nonperforming receivables ÷ Outstanding receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.
Coverage ratio of receivables: Allowance for possible losses for receivables ÷ Nonperforming 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: Based on the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumers’ banking loans refer to secured or unsecured loans that exclude residential mortgage, cash cards, credit cards and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 8: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau’s letter dated April 25, 2006 (Ref. No. 09510001270).

Note 9: Amounts of executed debt-restructuring projects not reported as nonperforming loans or receivables are disclosed to the public in accordance with the Banking Bureau’s letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

TABLE 5

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Property	Transaction Date	Transaction Amount	Payment Term/ Payment Status	Counterparty	Nature of Relationship	Prior Transaction of Related Counterparty				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
E.SUN Commercial Bank, Ltd.	Construction of new building for the operation in Kaohsiung Qingpu branch in Taoyuan Xiaokuaishi branch in Taoyuan	2018.11.09	\$ 745,300 (Note)	\$602,417 has been paid as of September 30, 2022	Chun Yuan Construction Co., Ltd.	-	-	-	-	\$ -	Tender	For the operation of the branch of E.SUN Bank	None
		2019.11.28		\$100,000 has been paid as of September 30, 2022	Eight Point International Corp.	-	-	-	-	-	Appraisal report	For the operation of the branch of E.SUN Bank	None
		2022.08.19		\$- has been paid as of September 30, 2022	Yang, Yang and Yang	-	-	-	-	-	Appraisal report	For the operation of the branch of E.SUN Bank	None
		2022.09.15											
		2022.08.19	308,000										

Note: The initial transaction amount was \$707,000 thousand and additional amount of \$38,300 thousand.

TABLE 6

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

**INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2022	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Amount as of September 30, 2022	Accumulated Inward Remittance of Earnings as of September 30, 2022
					Outflow	Inflow					
E.SUN Bank (China), Ltd.	Deposits, loans, import and export, exchange and foreign exchange business	\$ 9,758,742 (Note 1)	Direct	\$ 9,758,742	\$ -	\$ -	\$ 9,758,742 (Note 1)	100	\$ 276,203	\$ 9,670,344	\$ -

Accumulated Investment in Mainland China as of September 30, 2022	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
\$9,758,742 (Note 1)	\$9,758,742 (Note 1)	\$107,957,036

Note 1: Translation into New Taiwan dollars at the spot rates on the dates of investment outflow from Taiwan.

Note 2: Based on the Investment Commission’s “Regulation on the Examination of Investment or Technical Cooperation in Mainland China,” investments are limited to the larger of 60% of the Bank’s net asset value or 60% of the Company’s consolidated net asset value.

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES**BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT COMPANY AND SUBSIDIARIES****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022****(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Transaction Company	Counterparty	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
0	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	a	Due from the Central Bank and call loans to other banks	\$ 7,106,955	Note 4	0.20
1	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	b	Deposits from the Central Bank and other banks	7,106,955	Note 4	0.20
0	E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	a	Discounts and loans	4,609,810	Note 4	0.13
2	Union Commercial Bank PLC.	E.SUN Commercial Bank, Ltd.	b	Other financial liabilities	4,609,810	Note 4	0.13
2	Union Commercial Bank PLC.	E.SUN Commercial Bank, Ltd.	b	Cash and cash equivalents	115,273	Note 4	-
0	E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	a	Deposits from the Central Bank and other banks	115,273	Note 4	-
0	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	a	Interest revenue	116,234	Note 4	0.31
1	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	b	Interest expense	116,234	Note 4	0.31

Note 1: The parent company and subsidiaries are numbered as follows:

- a. Parent company: 0
- b. Subsidiaries are numbered in an order starting from 1.

Note 2: Transaction flows are as follows:

- a. From parent company to subsidiary,
- b. From subsidiary to parent company, and
- c. Between subsidiaries.

Note 3: For calculating the percentages, asset or liability account is divided by the total consolidated assets and the revenue or expense account is divided by the total consolidated net revenue of the same period.

Note 4: The terms for the transactions between the transaction companies and related parties are similar to those for unrelated parties.

Note 5: Referring to transactions exceeding \$100,000 thousand.