E.SUN Commercial Bank, Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2023 and 2022 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
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 March 31, 2023 and 2022, the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public 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 the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, 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

May 9, 2023

Notice to Readers

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

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2023 (Reviewed)		December 31, 2022 (Audited)		March 31, 2022 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Note 6)	$ 45,250,540	1	$ 75,948,832	2	$ 82,885,519	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7 and 40)	164,709,280	5	152,916,314	5	125,023,408	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 40)	315,836,718	9	355,947,222	10	384,231,993	12
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 40 and 43)	354,124,568	11	345,819,992	10	348,325,742	11
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 10, 15, 40 and 43)	416,758,048	12	401,405,743	12	326,327,653	10
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 12)	99,749	-	7,881,831	-	1,475,466	-
RECEIVABLES, NET (Notes 13 and 39)	106,992,779	3	115,768,162	3	102,984,475	3
CURRENT TAX ASSETS (Notes 4 and 39)	24,530	-	15,423	-	134,369	-
DISCOUNTS AND LOANS, NET (Notes 14, 39 and 40)	1,929,348,089	57	1,934,791,917	56	1,826,344,075	56
OTHER FINANCIAL ASSETS, NET (Note 16)	4,534,120	-	2,442,798	-	5,908,223	-
PROPERTIES AND EQUIPMENT, NET (Note 17)	33,960,760	1	34,067,033	1	33,475,429	1
RIGHT-OF-USE ASSETS, NET (Note 18)	6,964,774	-	7,005,143	-	6,801,532	-
INVESTMENT PROPERTIES, NET (Note 19)	2,066,578	-	2,071,205	-	2,138,075	-
INTANGIBLE ASSETS, NET (Note 20)	6,140,459	-	6,076,961	-	6,082,775	-
DEFERRED TAX ASSETS (Note 4)	3,313,106	-	3,380,119	-	2,814,413	-
OTHER ASSETS, NET (Notes 18, 21 and 39)	13,684,220	1	12,485,250	1	9,050,126	-
TOTAL	$ 3,403,808,318	100	$ 3,458,023,945	100	$ 3,264,003,273	100
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS (Note 22)	$ 65,890,134	2	$ 72,514,434	2	$ 100,941,705	3
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 23)	-	-	-	-	14,503,500	1
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 27)	74,422,085	2	89,569,651	3	75,472,759	2
FINANCIAL LIABILITIES FOR HEDGING - NET (Notes 4 and 11)	8,170	-	-	-	-	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 9, 10 and 24)	15,065,933	1	18,495,295	-	18,943,335	1
PAYABLES (Notes 25 and 39)	30,762,681	1	30,054,581	1	23,015,325	1
CURRENT TAX LIABILITIES (Notes 4 and 39)	2,633,844	-	1,691,586	-	2,552,320	-
DEPOSITS AND REMITTANCES (Notes 26 and 39)	2,865,974,964	84	2,904,381,354	84	2,715,628,946	83
BANK DEBENTURES (Note 27)	39,750,000	1	37,850,000	1	35,370,000	1
OTHER FINANCIAL LIABILITIES (Notes 19, 28 and 39)	99,946,197	3	101,041,886	3	79,185,237	2
PROVISIONS (Note 29)	1,068,445	-	1,104,994	-	1,088,022	-
LEASE LIABILITIES (Note 18)	4,105,484	-	4,169,899	-	3,899,534	-
DEFERRED TAX LIABILITIES (Note 4)	2,075,440	-	1,882,213	-	1,129,074	-
OTHER LIABILITIES (Notes 31 and 39)	3,667,062	-	3,723,044	-	3,238,740	-
Total liabilities	3,205,370,439	94	3,266,478,937	94	3,074,968,497	94
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK						
Capital stock						
Common stock	103,637,000	3	103,637,000	3	98,937,000	3
Capital surplus						
Additional paid-in capital from share issuance in excess of par value	26,973,959	1	26,973,959	1	26,382,800	1
From treasury stock transactions	483	-	483	-	483	-
Others	609,291	-	437,709	-	721,015	-
Total capital surplus	27,583,733	1	27,412,151	1	27,104,298	1
Retained earnings						
Legal reserve	49,846,034	1	49,846,034	2	44,398,657	1
Special reserve	1,133,012	-	1,133,012	-	302,853	-
Unappropriated earnings	20,053,699	1	14,442,990	-	22,316,800	1
Total retained earnings	71,032,745	2	65,422,036	2	67,018,310	2
Other equity	(3,995,615)	-	(5,101,537)	-	(4,195,705)	-
Total equity attributable to owners of the Bank	198,257,863	6	191,369,650	6	188,863,903	6
NON-CONTROLLING INTERESTS	180,016	-	175,358	-	170,873	-
Total equity	198,437,879	6	191,545,008	6	189,034,776	6
TOTAL	$ 3,403,808,318	100	$ 3,458,023,945	100	$ 3,264,003,273	100

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 March 31			
	2023		2022	
	Amount	%	Amount	%
INTEREST REVENUE (Notes 32 and 39)	$ 19,022,453	128	$ 9,759,576	79
INTEREST EXPENSE (Notes 32 and 39)	(12,475,655)	(84)	(2,482,007)	(20)
NET INTEREST	6,546,798	44	7,277,569	59
NET REVENUES AND GAINS OTHER THAN INTEREST				
Service fee income, net (Notes 33 and 39)	4,424,544	30	4,566,748	37
Gains on financial assets and liabilities at fair value through profit or loss (Note 34)	3,640,350	25	119,128	1
Realized gains on financial assets at fair value through other comprehensive income (Note 9)	49,533	-	213,375	2
Foreign exchange gains, net	110,035	1	152,260	1
Reversal of impairment losses (impairment losses) on assets	3,360	-	(10,451)	-
Other noninterest gains, net (Note 39)	32,648	-	71,645	-
Total net revenues and gains other than interest	8,260,470	56	5,112,705	41
TOTAL NET REVENUES	14,807,268	100	12,390,274	100
REVERSAL OF (PROVISION FOR) BAD-DEBT EXPENSES AND REVERSAL OF (PROVISION FOR) LOSSES ON COMMITMENTS AND GUARANTEES (Note 14)	1,166	-	(345,166)	(3)
OPERATING EXPENSES (Notes 4, 17, 18, 30, 35 and 39)				
Employee benefits	(3,340,711)	(23)	(3,245,843)	(26)
Depreciation and amortization	(918,772)	(6)	(912,476)	(8)
General and administrative	(3,610,022)	(24)	(3,262,214)	(26)
Total operating expenses	(7,869,505)	(53)	(7,420,533)	(60)
INCOME BEFORE INCOME TAX	6,938,929	47	4,624,575	37
INCOME TAX EXPENSE (Notes 4 and 36)	(1,435,950)	(10)	(949,202)	(8)
NET INCOME FOR THE PERIOD	5,502,979	37	3,675,373	29

(Continued)

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 March 31			
	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 36)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	$ 940,656	6	$ 1,065,752	9
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	(763,453)	(5)	(175,070)	(2)
Income tax relating to items that will not be reclassified subsequently to profit or loss	1,322	-	5,405	-
Items that will not be reclassified subsequently to profit or loss, net of income tax	178,525	1	896,087	7
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on the translation of financial statements of foreign operations	(428,609)	(3)	1,214,151	10
Unrealized gains (losses) on investments in debt instruments at fair value through other comprehensive income	1,629,025	11	(5,484,716)	(44)
Income tax relating to items that may be reclassified subsequently to profit or loss	(160,631)	(1)	492,093	4
Items that may be reclassified subsequently to profit or loss, net of income tax	1,039,785	7	(3,778,472)	(30)
Other comprehensive income (loss) for the period, net of income tax	1,218,310	8	(2,882,385)	(23)
TOTAL COMPREHENSIVE INCOME	$ 6,721,289	45	$ 792,988	6

(Continued)

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 March 31			
	2023		2022	
	Amount	%	Amount	%
NET INCOME ATTRIBUTABLE TO:				
Owners of the Bank	$ 5,498,279	37	$ 3,673,742	29
Non-controlling interests	4,700	-	1,631	-
	$ 5,502,979	37	$ 3,675,373	29
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Bank	$ 6,716,631	45	$ 791,199	6
Non-controlling interests	4,658	-	1,789	-
	$ 6,721,289	45	$ 792,988	6
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 37)				
Basic	$ 0.53		$ 0.35	

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				
	Capital Stock (Note 38)			Retained Earnings (Notes 9, 36 and 38)							
	Shares (In Thousands)	Common Stock	Capital Surplus (Note 38)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 9 and 36)	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value through Profit or Loss	Non-controlling Interests (Note 38)	Total Equity
BALANCE AT JANUARY 1, 2023	10,363,700	$ 103,637,000	$ 27,412,151	$ 49,846,034	$ 1,133,012	$ 14,442,990	$ (414,660)	$ (10,481,178)	$ 5,794,301	$ 175,358	$ 191,545,008
Share-based payment arrangements involving ESFHC's common stock	-	-	171,582	-	-	-	-	-	-	-	171,582
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	112,430	-	(112,430)	-	-	-
Net income for the three months ended March 31, 2023	-	-	-	-	-	5,498,279	-	-	-	4,700	5,502,979
Other comprehensive (loss) income for the three months ended March 31, 2023, net of income tax	-	-	-	-	-	-	(342,853)	2,324,658	(763,453)	(42)	1,218,310
Total comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	-	-	5,498,279	(342,853)	2,324,658	(763,453)	4,658	6,721,289
BALANCE AT MARCH 31, 2023	10,363,700	$ 103,637,000	$ 27,583,733	$ 49,846,034	$ 1,133,012	$ 20,053,699	$ (757,513)	$ (8,268,950)	$ 5,030,848	$ 180,016	$ 198,437,879
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
Share-based payment arrangements involving ESFHC's common stock	-	-	125,502	-	-	-	-	-	-	-	125,502
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	483,003	-	(483,003)	-	-	-
Net income for the three months ended March 31, 2022	-	-	-	-	-	3,673,742	-	-	-	1,631	3,675,373
Other comprehensive income (loss) for the three months ended March 31, 2022, net of income tax	-	-	-	-	-	-	971,194	(3,678,667)	(175,070)	158	(2,882,385)
Total comprehensive income (loss) for the three months ended March 31, 2022	-	-	-	-	-	3,673,742	971,194	(3,678,667)	(175,070)	1,789	792,988
BALANCE AT MARCH 31, 2022	9,893,700	$ 98,937,000	$ 27,104,298	$ 44,398,657	$ 302,853	$ 22,316,800	$ (1,695,790)	$ (1,673,418)	$ (826,497)	$ 170,873	$ 189,034,776

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 Three Months Ended March 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 6,938,929	$ 4,624,575
Adjustments for:		
Depreciation expenses	752,849	732,789
Amortization expenses	165,923	179,687
Expected credit losses/bad-debt expenses	48,721	344,096
Gains on financial assets and liabilities at fair value through profit or loss	(3,640,350)	(119,128)
Interest expense	12,475,655	2,482,007
Interest revenue	(19,022,453)	(9,759,576)
Dividend income	(26,613)	(34,024)
Provision for losses on guarantees	(45,553)	(1,114)
Salary expenses on share-based payments	171,582	125,502
Gains on disposal of properties and equipment	(179)	(7,928)
Gains on disposal of investments	(22,920)	(179,351)
Others	2,396	1,331
Net changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	(11,807,436)	(1,923,369)
Financial assets at fair value through profit or loss	16,504,242	50,259,626
Financial assets at fair value through other comprehensive income	(7,724,239)	(13,208,347)
Investments in debt instruments at amortized cost	(16,211,328)	(16,088,924)
Receivables	9,451,111	6,140,241
Discounts and loans	5,656,713	(57,177,736)
Other financial assets	(2,091,321)	600,293
Other assets	(952,654)	(577,926)
Deposits from the Central Bank and other banks	(6,624,300)	17,460,547
Financial liabilities at fair value through profit or loss	10,849,746	(15,277,424)
Securities sold under repurchase agreements	(3,429,362)	2,294,696
Payables	(2,160,984)	(777,373)
Deposits and remittances	(38,406,390)	17,558,139
Other financial liabilities	2,524,740	10,469,629
Other liabilities	(53,034)	(343,482)
Cash used in operations	(46,676,509)	(2,202,544)
Interest received	19,157,973	10,569,702
Dividends received	24,659	22,996
Interest paid	(9,599,638)	(2,256,961)
Income tax paid	(408,061)	(212,267)
Net cash generated from (used in) operating activities	(37,501,576)	5,920,926

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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 Three Months Ended March 31	
	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for properties and equipment	$ (537,494)	$ (631,395)
Proceeds from disposal of properties and equipment	228	34,351
Increase in refundable deposits	(246,275)	(3,563,539)
Payments for intangible assets	(47,068)	(37,875)
Payments for right-of-use assets	(1,418)	(51)
Net cash used in investing activities	(832,027)	(4,198,509)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	-	1,164,880
Decrease in short-term borrowings	(659,543)	-
Increase in due to the Central Bank and other banks	-	482,490
Proceeds from issue of bank debentures	1,900,000	1,100,000
Repayments of long-term borrowings	(2,174)	(4,747)
Increase in guarantee deposits received	-	2,299,924
Decrease in guarantee deposits received	(2,930,255)	-
Repayments of the principal portion of lease liabilities	(324,818)	(275,399)
Net cash generated from (used in) financing activities	(2,016,790)	4,767,148
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,855,549	(9,410,450)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(38,494,844)	(2,920,885)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	115,481,287	104,486,305
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 76,986,443	$ 101,565,420

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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)

	March 31 2023	March 31 2022
RECONCILIATIONS OF THE AMOUNTS IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THE EQUIVALENT ITEMS REPORTED IN THE CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2023 AND 2022		
Cash and cash equivalents in the consolidated balance sheets	$ 45,250,540	$ 82,885,519
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”	31,636,154	17,204,435
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	99,749	1,475,466
Cash and cash equivalents at the end of the period	$ 76,986,443	$ 101,565,420

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 THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(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 March 31, 2023, 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 three months ended March 31, 2023 and 2022, the average number of employees of the Company (ESBC, UCB and BankPro excluded) was 8,574 and 8,548, respectively. For the three months ended March 31, 2023 and 2022, the average number of employees of ESBC, UCB and BankPro was 1,026 and 967, 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 May 5, 2023, approved and authorized the consolidated financial statements for issue.

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

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

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

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

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

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

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

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 above 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, 2022 for details of summary of the significant accounting policies.

1) Retirement 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) Income tax expense

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

3) Derivatives

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the balance sheet date. The resulting gain or loss is recognized in profit or loss immediately, in addition, if the derivatives were designated as effective hedging instruments, the timing that recognized in profit or loss will depend on the nature of the hedging relationship. If the fair value of a derivative is a positive number, the derivative is recognized as an asset and if the fair value is a negative number, the derivative is recognized as a liability.

4) Hedge accounting

The Company designates certain hedging instruments as fair value hedges.

Fair value hedges

Gains or losses on derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

The Company discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same material 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, 2022. Please refer to Note 5 to the consolidated financial statements as of December 31, 2022 for the details of material accounting judgements and key sources of estimation uncertainty.

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

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand	$ 15,227,772	$ 21,309,710	$ 15,235,857
Checks for clearing	3,797,345	8,558,300	2,321,869
Due from banks	25,871,956	45,841,307	65,358,014
Cash in transit	381,293	275,192	1,177
	45,278,366	75,984,509	82,916,917
Less: Allowance for possible losses	(27,826)	(35,677)	(31,398)
	$ 45,250,540	$ 75,948,832	$ 82,885,519

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of March 31, 2023 and 2022 are shown in the consolidated statements of cash flows. Reconciliations as of December 31, 2022 are stated below.

	December 31, 2022
Cash and cash equivalents in the consolidated balance sheets	$ 75,948,832
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"	31,650,624
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 "Statement of Cash Flows"	7,881,831
Cash and cash equivalents, ending balance in the consolidated statements of cash flows	$ 115,481,287

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

	March 31, 2023	December 31, 2022	March 31, 2022
Deposit reserves - account A	$ 36,542,188	$ 36,803,658	$ 31,001,982
Deposit reserves - account B	65,044,645	63,704,247	58,027,098
Reserves for deposits - foreign currency deposits	716,233	777,317	758,483
Due from the Central Bank - other	18,499,103	21,298,772	16,326,987
Deposit in the Central Bank - deposits of government agencies	4,758	5,458	7,368
Call loans to banks	43,949,995	30,360,654	18,955,850
	164,756,922	152,950,106	125,077,768
Less: Allowance for possible losses	(47,642)	(33,792)	(54,360)
	$ 164,709,280	$ 152,916,314	$ 125,023,408

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 40 for information relating to deposit reserves pledged as security.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2023	December 31, 2022	March 31, 2022
Financial assets mandatorily classified as at fair value through profit or loss			
Negotiable certificates of deposit	$ 63,134,002	$ 76,508,885	$ 117,228,558
Commercial paper	83,317,166	94,737,469	86,552,259
Treasury bills	12,865,844	1,933,379	21,964,613
Corporate bonds	57,157,397	63,547,802	68,632,799
Bank debentures	46,871,522	48,509,761	48,986,628
Government bonds	-	-	727,850
Overseas bonds	8,470,789	8,477,240	-
Listed stocks	931,421	517,682	1,166,249
Currency swap contracts	18,883,618	33,337,361	23,962,005
Interest rate swap contracts	21,134,673	24,699,752	12,338,694
Currency option contracts	1,929,258	1,884,884	1,111,622
Forward contracts	522,273	721,165	333,726
Futures exchange margins	98,840	86,071	97,471
Non-deliverable forward contracts	424,843	829,893	1,062,043
Metal commodity swap contracts	-	-	3,112
Cross-currency swap contracts	94,923	155,242	64,364
Credit default swap contracts	149	636	-
	$ 315,836,718	$ 355,947,222	$ 384,231,993

(Continued)

	March 31, 2023	December 31, 2022	March 31, 2022
Held-for-trading financial liabilities			
Currency swap contracts	$ 12,570,632	$ 25,884,719	$ 16,800,721
Interest rate swap contracts	19,646,165	22,058,694	8,708,122
Currency option contracts	1,951,010	2,579,681	1,712,072
Forward contracts	432,499	530,768	374,462
Non-deliverable forward contracts	195,175	296,913	688,599
Cross-currency swap contracts	122,644	330,854	534,987
Credit default swap contracts	23,030	22,468	17,939
Metal commodity swap contracts	311	1,044	-
Interest rate option contracts	66,865	59,421	39,978
	35,008,331	51,764,562	28,876,880
Financial liabilities designated as at fair value through profit or loss			
Bank debentures (Note 27)	39,413,754	37,805,089	46,595,879
	$ 74,422,085	$ 89,569,651	$ 75,472,759

(Concluded)

Refer to Note 40 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 March 31, 2023, December 31, 2022 and March 31, 2022 were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Currency swap contracts	$ 1,708,025,491	$ 1,626,401,629	$ 1,835,246,290
Interest rate swap contracts	839,129,311	883,116,053	742,828,344
Currency option contracts	320,875,794	276,153,216	231,136,823
Interest rate option contracts	15,000,000	14,000,000	5,000,000
Forward contracts	46,322,290	38,615,247	34,895,647
Non-deliverable forward contracts	42,888,159	26,896,489	54,591,992
Cross-currency swap contracts	15,526,359	14,622,702	23,205,154
Metal commodity swap contracts	13,101	13,613	71,203
Credit default swap contracts	3,197,900	3,177,860	1,519,610

The open positions of futures transactions of the Company as of March 31, 2023, December 31, 2022 and March 31, 2022 were as follows:

		March 31, 2023			
		Open Position		Contract Amount or Premium Paid (Charged)	
Items	Products	Buy/Sell	Number of Contracts		Fair Value
Futures contracts	Commodity futures	Buy	24	$ 53,284	$ 53,690
	Commodity futures	Sell	20	44,694	44,743
	Interest rate futures	Buy	76	356,593	374,014
	Interest rate futures	Sell	104	344,658	365,001

		December 31, 2022			
		Open Position		Contract Amount or Premium Paid (Charged)	
Items	Products	Buy/Sell	Number of Contracts		Fair Value
Futures contracts	Commodity futures	Buy	7	$ 20,228	$ 20,239
	Commodity futures	Sell	9	19,175	20,675
	Interest rate futures	Sell	13	49,158	53,426

		March 31, 2022			
		Open Position		Contract Amount or Premium Paid (Charged)	
Items	Products	Buy/Sell	Number of Contracts		Fair Value
Futures contracts	Commodity futures	Buy	1	$ 2,708	$ 2,972
	Commodity futures	Sell	26	73,965	77,230
	Interest rate futures	Buy	30	85,866	116,147
	Interest rate futures	Sell	100	572,440	606,563

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

	March 31, 2023	December 31, 2022	March 31, 2022
Investments in equity instruments at FVTOCI	$ 14,465,473	$ 13,208,413	$ 21,633,344
Investments in debt instruments at FVTOCI	339,659,095	332,611,579	326,692,398
	$ 354,124,568	$ 345,819,992	$ 348,325,742

a. Investments in equity instruments at FVTOCI

	March 31, 2023	December 31, 2022	March 31, 2022
Listed shares and emerging shares	$ 13,320,202	$ 12,074,935	$ 20,455,927
Unlisted shares	1,145,271	1,133,478	1,177,417
	$ 14,465,473	$ 13,208,413	$ 21,633,344

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 three months ended March 31, 2023 and 2022, the Company sold shares of stocks for $1,683,554 thousand and $2,994,220 thousand, respectively, for the return on investment positions and risk management. The related other equity - unrealized gains of $112,430 thousand and $483,003 thousand on financial assets at FVTOCI were transferred to retained earnings, respectively.

Dividend income of $26,613 thousand and $34,024 thousand were recognized in profit or loss for the three months ended March 31, 2023 and 2022, respectively. The dividends related to investments held at the end of the reporting period were $26,613 thousand and $34,024 thousand, respectively.

b. Investments in debt instruments at FVTOCI

	March 31, 2023	December 31, 2022	March 31, 2022
Bank debentures	$ 169,212,485	$ 165,856,290	$ 159,900,489
Government bonds	53,287,500	53,132,650	60,858,146
Corporate bonds	107,009,837	103,810,275	98,929,614
Overseas bonds	9,843,982	9,483,988	6,715,325
Negotiable certificates of deposit	305,291	307,871	288,824
Discounted note	-	20,505	-
	$ 339,659,095	$ 332,611,579	$ 326,692,398

As of March 31, 2023, December 31, 2022 and March 31, 2022, the investments in debt instruments at FVTOCI, which amounted to $15,840,101 thousand, $19,335,552 thousand and $19,231,594 thousand, respectively, had been sold under repurchase agreements.

Refer to Note 43 for information relating to their credit risk management and impairment.

Refer to Note 40 for information relating to investments in debt instruments at FVTOCI pledged as security.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	March 31, 2023	December 31, 2022	March 31, 2022
Overseas bonds	$ 37,692,400	$ 33,694,068	$ 14,400,149
Bank debentures	47,955,646	46,605,479	38,603,729
Corporate bonds	20,529,682	14,951,609	12,096,184

(Continued)

	March 31, 2023	December 31, 2022	March 31, 2022
Negotiable certificates of deposit	$ 288,074,340	$ 286,077,350	$ 257,931,220
Government bonds	22,369,403	19,929,604	3,083,186
Securitization products	176,022	178,794	234,900
	416,797,493	401,436,904	326,349,368
Less: Allowance for impairment loss	(39,445)	(31,161)	(21,715)
	$ 416,758,048	$ 401,405,743	$ 326,327,653

(Concluded)

As of March 31, 2023, December 31, 2022 and March 31, 2022, the investments in debt instruments at amortized cost, which amounted to $661,074 thousand, $946,453 thousand and $1,097,963 thousand, respectively, had been sold under repurchase agreements.

Refer to Note 43 for information relating to their credit risk management and impairment.

Refer to Note 40 for information relating to investments in debt instruments at amortized cost pledged as security.

11. FINANCIAL INSTRUMENTS FOR HEDGING

	March 31, 2023
Financial liabilities for hedging	
Fair value hedge - interest rate swaps	$ 8,170

Fair value hedge

The debt instruments held by the Company may be subject to the risk of fair value fluctuations due to changes in interest rates; as the Company assessed that this risk may be material, it entered into interest rate exchange contracts.

The Company's fair value hedging information is summarized as follows:

March 31, 2023

Hedging Instrument	Contract Amount	Maturity	Line Item in Balance Sheet	Carrying Amount of Liabilities	Change in Value Used for Calculating Hedge Ineffectiveness
Fair value hedge					
Interest rate swap contracts	$ 609,560	2031.10.29	Financial liabilities for hedging	$ 8,170	$ (8,172)

Hedged Item	Carrying Amount of Assets	Accumulated Amount of Fair Value Hedge Adjustments of Assets	Change in Value Used for Calculating Hedge Ineffectiveness
Fair value hedge			
Interest rate risk			
Financial assets at FVTOCI	$ 523,092	$ 5,799	$ 5,799

For the three months ended March 31, 2023

Impact on Comprehensive Income	Amount of Hedge Ineffectiveness Recognized in Comprehensive Income	Line Item in Which Hedge Ineffectiveness Is Included in Comprehensive Income
Fair value hedge		
Interest rate risk		
Financial assets at FVTOCI	$ 2,371	Other non-interest gains, net

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for $99,749 thousand, $7,881,831 thousand and $1,475,466 thousand under resell agreements as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively, would subsequently be sold for $99,824 thousand, $7,899,935 thousand and $1,476,043 thousand, respectively.

13. RECEIVABLES, NET

	March 31, 2023	December 31, 2022	March 31, 2022
Receivables on credit cards	$ 84,375,238	$ 93,047,186	$ 76,520,431
Accounts receivable factored without recourse	9,068,562	10,412,770	13,574,510
Accrued interest	9,323,291	8,728,662	4,938,686
Accounts receivable	2,176,327	1,971,176	6,171,451
Acceptances	1,313,604	1,381,774	1,194,908
Receivables on digital stimulus vouchers redemption	-	-	237,267
Others	2,549,548	2,117,388	2,144,003
	108,806,570	117,658,956	104,781,256
Less: Allowance for possible losses	(1,813,791)	(1,890,794)	(1,796,781)
	$ 106,992,779	$ 115,768,162	$ 102,984,475

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

For the three months ended March 31, 2023

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, 2023	$ 122,510	$ 38,637	$ 426,385	$ 587,532	$ 1,303,262	$ 1,890,794
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(420)	831	(411)	-	-	-
Credit-impaired financial assets	(229)	(16,236)	16,465	-	-	-
12-month ECL	19,720	(16,424)	(3,296)	-	-	-
Derecognition of financial assets in the reporting period	(1,638)	(638)	(5,236)	(7,512)	-	(7,512)
New financial assets purchased or originated	2,321	465	326	3,112	-	3,112
Difference of impairment loss under regulations	-	-	-	-	(64,723)	(64,723)
Write-offs	-	-	(121,004)	(121,004)	-	(121,004)
Recovery of written-off receivables	-	-	111,288	111,288	-	111,288
Change in model or risk parameters	(70,625)	27,874	52,344	9,593	-	9,593
Change in exchange rates or others	(8)	(1)	(363)	(372)	(7,385)	(7,757)
Balance at March 31, 2023	$ 71,631	$ 34,508	$ 476,498	$ 582,637	$ 1,231,154	$ 1,813,791

For the three months ended March 31, 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	(103)	1,262	(1,159)	-	-	-
Credit-impaired financial assets	(110)	(2,732)	2,842	-	-	-
12-month ECL	5,281	(2,731)	(2,550)	-	-	-
Derecognition of financial assets in the reporting period	(1,479)	(160)	(4,835)	(6,474)	-	(6,474)
New financial assets purchased or originated	2,590	585	516	3,691	-	3,691
Difference of impairment loss under regulations	-	-	-	-	(420,542)	(420,542)
Write-offs	-	-	(79,519)	(79,519)	-	(79,519)
Recovery of written-off receivables	-	-	116,021	116,021	-	116,021
Change in model or risk parameters	43,399	20,019	45,961	109,379	-	109,379
Change in exchange rates or others	24	4	388	416	2,907	3,323
Balance at March 31, 2022	$ 101,065	$ 22,677	$ 424,021	$ 547,763	$ 1,249,018	$ 1,796,781

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

For the three months ended March 31, 2023

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance at January 1, 2023	$ 114,782,667	$ 291,493	$ 2,584,796	$ 117,658,956
Transfers to				
Lifetime ECL	(264,577)	265,866	(1,289)	-
Credit-impaired financial assets	(145,262)	(116,253)	261,515	-
12-month ECL	138,267	(126,230)	(12,037)	-
Derecognition of financial assets in the reporting period	(21,033,365)	(6,138)	(177,337)	(21,216,840)
New financial assets purchased or originated	12,357,563	22,657	101,966	12,482,186
Write-offs	-	-	(121,004)	(121,004)
Change in exchange rates or others	3,706	(6)	(428)	3,272
Balance at March 31, 2023	$ 105,838,999	$ 331,389	$ 2,636,182	$ 108,806,570

For the three months ended March 31, 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	(144,632)	146,488	(1,856)	-
Credit-impaired financial assets	(163,511)	(53,541)	217,052	-
12-month ECL	69,164	(59,100)	(10,064)	-
Derecognition of financial assets in the reporting period	(19,161,471)	(4,489)	(165,432)	(19,331,392)
New financial assets purchased or originated	13,441,961	9,673	45,041	13,496,675
Write-offs	-	-	(79,519)	(79,519)
Change in exchange rates or others	35,232	41	37	35,310
Balance at March 31, 2022	$ 101,997,268	$ 172,806	$ 2,611,182	$ 104,781,256

14. DISCOUNTS AND LOANS, NET

	March 31, 2023	December 31, 2022	March 31, 2022
Loans			
Short-term	$ 292,165,086	$ 298,077,932	$ 303,436,441
Medium-term	512,244,793	520,695,187	466,824,634
Long-term	1,144,640,653	1,135,959,195	1,074,835,303
Overdue loans	1,966,892	2,594,751	2,292,521
Bills negotiated and discounts	2,259,380	1,940,308	1,942,988
	1,953,276,804	1,959,267,373	1,849,331,887
Less: Allowance for possible losses	(23,914,238)	(24,457,810)	(23,028,891)
Adjustment of premium or discount	(14,477)	(17,646)	41,079
	$ 1,929,348,089	$ 1,934,791,917	$ 1,826,344,075

Refer to Note 40 for information relating to discounts and loans pledged as security.

As of March 31, 2023, December 31, 2022 and March 31, 2022, the loan and credit balances of the Bank, for which the accrual of interest revenues was discontinued, amounted to $1,869,466 thousand, $2,575,008 thousand and $2,236,097 thousand, respectively. The unrecognized interest revenues on these loans and credits of the Bank were $14,568 thousand and $8,353 thousand for the three months ended March 31, 2023 and 2022, respectively.

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

For the three months ended March 31, 2023

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, 2023	$ 1,594,898	$ 1,507,384	$ 3,130,969	$ 6,233,251	$ 18,224,559	$ 24,457,810
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(9,109)	19,751	(10,642)	-	-	-
Credit-impaired financial assets	(2,031)	(213,782)	215,813	-	-	-
12-month ECL	97,310	(82,144)	(15,166)	-	-	-
Derecognition of financial assets in the reporting period	(110,729)	(18,031)	(98,805)	(227,565)	-	(227,565)
New financial assets purchased or originated	263,837	29,163	60,174	353,174	-	353,174
Difference of impairment loss under regulations	-	-	-	-	(487,329)	(487,329)
Write-offs	-	-	(738,102)	(738,102)	-	(738,102)
Recovery of written-off credits	-	-	124,752	124,752	-	124,752
Change in model or risk parameters	(256,863)	592,176	114,830	450,143	-	450,143
Change in exchange rates or others	(1,803)	(158)	(310)	(2,271)	(16,374)	(18,645)
Balance at March 31, 2023	$ 1,575,510	$ 1,834,359	$ 2,783,513	$ 6,193,382	$ 17,720,856	$ 23,914,238

For the three months ended March 31, 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	(4,308)	12,002	(7,694)	-	-	-
Credit-impaired financial assets	(907)	(68,474)	69,381	-	-	-
12-month ECL	39,860	(26,517)	(13,343)	-	-	-
Derecognition of financial assets in the reporting period	(70,072)	(9,327)	(109,560)	(188,959)	-	(188,959)
New financial assets purchased or originated	196,790	16,963	78,900	292,653	-	292,653
Difference of impairment loss under regulations	-	-	-	-	371,131	371,131
Recovery of written-off credits	-	-	175,044	175,044	-	175,044
Change in model or risk parameters	398,499	(178,505)	(59,355)	160,639	-	160,639
Change in exchange rates or others	11,705	150	9	11,864	82,548	94,412
Balance at March 31, 2022	$ 1,679,126	$ 905,841	$ 2,818,723	$ 5,403,690	$ 17,625,201	$ 23,028,891

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

For the three months ended March 31, 2023

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance at January 1, 2023	$ 1,942,716,929	$ 7,867,961	$ 8,682,483	$ 1,959,267,373
Transfers to				
Lifetime ECL	(2,475,141)	2,591,913	(116,772)	-
Credit-impaired financial assets	(427,713)	(656,133)	1,083,846	-
12-month ECL	445,358	(331,948)	(113,410)	-
Derecognition of financial assets in the reporting period	(286,064,397)	(453,033)	(577,724)	(287,095,154)
New financial assets purchased or originated	281,017,410	650,983	95,819	281,764,212
Write-offs	-	-	(738,102)	(738,102)
Change in exchange rates or others	82,892	(3,423)	(994)	78,475
Balance at March 31, 2023	$ 1,935,295,338	$ 9,666,320	$ 8,315,146	$ 1,953,276,804

For the three months ended March 31, 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	(969,808)	1,052,145	(82,337)	-
Credit-impaired financial assets	(515,930)	(253,349)	769,279	-
12-month ECL	278,085	(96,300)	(181,785)	-
Derecognition of financial assets in the reporting period	(269,722,941)	(552,945)	(473,126)	(270,749,012)
New financial assets purchased or originated	327,143,019	243,282	178,750	327,565,051
Change in exchange rates or others	1,812,620	4,417	56	1,817,093
Balance at March 31, 2022	$ 1,834,504,626	$ 6,928,011	$ 7,899,250	$ 1,849,331,887

The provision (reversal of provision) for bad-debt expenses and provision (reversal of provision) for losses on commitments and guarantees for the three months ended March 31, 2023 and 2022 were as follows:

	For the Three Months Ended March 31	
	2023	2022
Provision (reversal of provision) for possible losses on due from banks	$ (7,694)	$ 12,635
Provision for possible losses on call loans to other banks	13,369	6,843
Reversal of provision for possible losses on receivables	(59,530)	(313,946)
Provision for possible losses on discounts and loans	88,423	635,464
Reversal of provision for possible losses on remittance	-	(10)
Reversal of provision for possible losses on guarantees	(45,553)	(1,114)
Provision for possible losses on financing commitments	9,819	5,294
	$ (1,166)	$ 345,166

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 March 31, 2023, December 31, 2022 and March 31, 2022, the Bank was in compliance with the FSC's provision requirement for both types of credit assets.

15. 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 March 31, 2023, the carrying amounts of the unconsolidated structured entities recognized by the Bank were as below:

	March 31, 2023	December 31, 2022	March 31, 2022
Assets securitization products and asset-based loan			
Investments in debt instruments at amortized cost	$ 174,374	$ 177,156	$ 232,585
Discounts and loans	752,726	780,184	789,256
	$ 927,100	$ 957,340	$ 1,021,841

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

16. OTHER FINANCIAL ASSETS, NET

	March 31, 2023	December 31, 2022	March 31, 2022
Due from banks	$ 4,534,120	$ 2,442,798	$ 5,908,223

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

17. PROPERTIES AND EQUIPMENT, NET

	March 31, 2023	December 31, 2022	March 31, 2022
Carrying amount			
Land	$ 14,380,140	$ 14,382,742	$ 14,365,629
Buildings	13,433,994	12,836,705	12,800,304
Computers	2,595,022	2,643,425	2,714,487
Transportation equipment	439,701	441,207	387,895
Miscellaneous equipment	1,455,797	1,495,037	1,431,689
Prepayments for properties and equipment	1,656,106	2,267,917	1,775,425
	$ 33,960,760	$ 34,067,033	$ 33,475,429

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Prepayments	Total
Cost							
Balance, January 1, 2023	$ 14,382,742	$ 18,339,325	$ 7,160,669	$ 1,017,126	$ 3,888,560	$ 2,267,917	$ 47,056,339
Addition	-	20,968	63,878	17,391	20,041	413,804	536,082
Disposal	-	-	(27,535)	(2,653)	(42,187)	-	(72,375)
Net exchange difference	(2,602)	924	(519)	(445)	(5,780)	590	(7,832)
Reclassification and others	-	747,908	83,536	3,283	392	(1,026,205)	(191,086)
Balance, March 31, 2023	$ 14,380,140	$ 19,109,125	$ 7,280,029	$ 1,034,702	$ 3,861,026	$ 1,656,106	$ 47,321,128
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	-	2,836	64,515	4,957	67,922	490,322	630,552
Disposal	(14,026)	(24,594)	(37,118)	(12,261)	(91,832)	-	(179,831)
Net exchange difference	9,869	69,585	13,476	2,344	26,416	3,110	124,800
Reclassification and others	-	2,060	7,182	55	46,519	(108,382)	(52,566)
Balance, March 31, 2022	$ 14,365,629	$ 18,664,059	$ 6,797,949	$ 963,774	$ 3,953,091	$ 1,775,425	$ 46,519,927

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Total
Accumulated depreciation and impairment						
Balance, January 1, 2023	$ -	$ (5,502,620)	$ (4,517,244)	$ (575,919)	$ (2,393,523)	$ (12,989,306)
Disposal	-	-	27,487	2,652	42,187	72,326
Depreciation expenses	-	(172,802)	(195,635)	(22,030)	(56,962)	(447,429)
Net exchange difference	-	291	385	296	3,069	4,041
Balance, March 31, 2023	$ -	$ (5,675,131)	$ (4,685,007)	$ (595,001)	$ (2,405,229)	$ (13,360,368)
Balance, January 1, 2022	$ -	$ (5,705,685)	$ (3,918,906)	$ (567,262)	$ (2,539,392)	$ (12,731,245)
Disposal	-	16,308	37,015	12,261	87,824	153,408
Depreciation expenses	-	(163,154)	(192,319)	(19,333)	(54,335)	(429,141)
Net exchange difference	-	(11,224)	(9,252)	(1,545)	(15,499)	(37,520)
Balance, March 31, 2022	$ -	$ (5,863,755)	$ (4,083,462)	$ (575,879)	$ (2,521,402)	$ (13,044,498)

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

18. LEASE ARRANGEMENTS

a. Right-of-use assets, net

	March 31, 2023	December 31, 2022	March 31, 2022
Carrying amounts			
Land and superficies royalties	$ 3,752,245	$ 3,772,244	$ 3,832,240
Buildings	3,203,014	3,221,222	2,955,038
Office equipment	5,322	6,412	9,396
Transportation equipment	4,193	5,265	4,858
	$ 6,964,774	$ 7,005,143	$ 6,801,532

	For the Three Months Ended March 31	
	2023	2022
Additions to right-of-use assets	$ 257,484	$ 292,176
Depreciation charge for right-of-use assets		
Land and superficies royalties	$ 19,999	$ 19,999
Buildings	269,682	268,059
Office equipment	1,127	1,115
Transportation equipment	1,091	1,033
	$ 291,899	$ 290,206

The Company has been subleasing part of its acquired superficies and above-ground buildings under operating leases. The related right-of-use assets are presented as investment properties. Please refer to Note 19. 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 three months ended March 31, 2023 and 2022.

b. Lease liabilities

	March 31, 2023	December 31, 2022	March 31, 2022
Carrying amounts	$ 4,105,484	$ 4,169,899	$ 3,899,534

Range of discount rates for lease liabilities was as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Land	1.09%	1.09%	1.09%
Buildings	0.37%-7.50%	0.37%-7.50%	0.37%-7.50%
Office equipment	0.70%-2.63%	0.70%-2.98%	0.37%-2.98%
Transportation equipment	0.73%-2.98%	0.73%-2.98%	0.35%-2.98%

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 March 31, 2023, December 31, 2022 and March 31, 2022, refundable deposits on these leases totaled $729,981 thousand, $760,596 thousand and $753,598 thousand, respectively.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 19.

	For the Three Months Ended March 31	
	2023	2022
Expenses relating to short-term leases	$ 8,839	$ 29,317
Expenses relating to low-value asset leases	$ 150	$ 91
Expenses relating to variable lease payments not included in the measurement of lease liabilities	$ 137	$ 129
Total cash outflow for leases	$ (333,944)	$ (304,936)

The Company's leases of certain land, buildings, transportation equipment, and other equipment which 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.

19. INVESTMENT PROPERTIES, NET

	March 31, 2023	December 31, 2022	March 31, 2022
Land	$ 386,161	$ 386,161	$ 381,040
Buildings	1,633,457	1,637,822	1,709,029
Right-of-use assets	46,960	47,222	48,006
	$ 2,066,578	$ 2,071,205	$ 2,138,075

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 three months ended March 31, 2023 and 2022.

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

As of March 31, 2023, December 31, 2022 and March 31, 2022, the fair values of investment properties were $3,109,518 thousand, $3,098,075 thousand and $3,428,925 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 March 31	
	2023	2022
Rental income from investment properties	$ 13,860	$ 11,730
Direct operating expenses of investment properties that generate rental income	(14,070)	(13,965)
Direct operating expenses of investment properties that do not generate rental income	(139)	(138)
	$ (349)	$ (2,373)

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 March 31, 2023, December 31, 2022 and March 31, 2022, refundable deposits on these leases totaled $16,953 thousand, $16,354 thousand and $16,439 thousand, respectively (part of guarantee deposits received). The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Year 1	$ 68,645	$ 58,018	$ 63,952
Year 2	62,151	52,396	50,272
Year 3	10,637	15,823	45,776
Year 4	8,594	6,732	2,949
Year 5	3,392	2,819	905
Year 5 onwards	164	-	-
	$ 153,583	$ 135,788	$ 163,854

20. INTANGIBLE ASSETS, NET

	March 31, 2023	December 31, 2022	March 31, 2022
Goodwill	$ 4,482,484	$ 4,487,419	$ 4,445,246
Computer software	1,126,988	1,051,907	1,125,255
Banking licenses	486,185	490,109	456,578
Core deposits	13,055	13,733	15,767
Developed technology	20,522	21,891	25,996
Customer relationship	11,225	11,902	13,933
	$ 6,140,459	$ 6,076,961	$ 6,082,775

	Goodwill	Computer Software	Banking Licenses	Core Deposits	Developed Technology	Customer Relationship	Total
Balance, January 1, 2023	$ 4,487,419	$ 1,051,907	$ 490,109	$ 13,733	$ 21,891	$ 11,902	$ 6,076,961
Separate acquisition	-	47,068	-	-	-	-	47,068
Amortization expenses	-	(163,199)	-	(678)	(1,369)	(677)	(165,923)
Reclassification	-	191,070	-	-	-	-	191,070
Net exchange difference	(4,935)	142	(3,924)	-	-	-	(8,717)
Balance, March 31, 2023	$ 4,482,484	$ 1,126,988	$ 486,185	$ 13,055	$ 20,522	$ 11,225	$ 6,140,459
Balance, January 1, 2022	$ 4,426,526	$ 1,207,580	$ 441,695	$ 16,445	$ 27,364	$ 14,610	$ 6,134,220
Separate acquisition	-	37,875	-	-	-	-	37,875
Amortization expenses	-	(176,964)	-	(678)	(1,368)	(677)	(179,687)
Reclassification	-	52,566	-	-	-	-	52,566
Net exchange difference	18,720	4,198	14,883	-	-	-	37,801
Balance, March 31, 2022	$ 4,445,246	$ 1,125,255	$ 456,578	$ 15,767	$ 25,996	$ 13,933	$ 6,082,775

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.

21. OTHER ASSETS, NET

	March 31, 2023	December 31, 2022	March 31, 2022
Refundable deposits, net	$ 11,607,915	$ 11,361,640	$ 7,643,506
Prepaid expenses	1,276,249	482,071	917,170
Defined benefit assets	780,855	631,185	484,251
Others	19,201	10,354	5,199
	$ 13,684,220	$ 12,485,250	$ 9,050,126

22. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	March 31, 2023	December 31, 2022	March 31, 2022
Call loans from banks	$ 38,283,184	$ 43,812,095	$ 94,472,129
Deposits from Chunghwa Post Co., Ltd.	22,276,177	22,276,985	2,276,985
Call loans from the Central Bank	2,133,460	3,379,640	1,431,100
Banks overdrafts	321,621	1,217,016	193,806
Deposits from banks	2,845,692	1,801,904	2,540,576
Deposits from the Central Bank	30,000	26,794	27,109
	$ 65,890,134	$ 72,514,434	$ 100,941,705

23. DUE TO THE CENTRAL BANK AND OTHER BANKS

	March 31, 2023	December 31, 2022	March 31, 2022
Due to the Central Bank	$ -	$ -	$ 14,503,500

24. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for $15,065,933 thousand, $18,495,295 thousand and $18,943,335 thousand under repurchase agreements as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively, would subsequently be purchased for $15,119,833 thousand, $18,555,769 thousand and $19,006,655 thousand, respectively.

25. PAYABLES

	March 31, 2023	December 31, 2022	March 31, 2022
Checks for clearing	$ 3,797,344	$ 8,558,300	$ 2,321,869
Accrued interest	8,485,348	5,621,639	2,165,121
Accounts payable	2,562,117	755,966	6,863,943
Accrued expenses	2,438,458	4,414,817	2,553,590
Factored accounts payable	4,673,573	3,211,212	3,012,141
Acceptances	1,328,053	1,410,606	1,238,513
Payable on credit cards	44,539	938,983	879,209
Collections payable	505,784	836,516	683,727
Tax payable	326,091	474,685	248,772
Other payables cash for everyone	2,262,288	-	-
Others	4,339,086	3,831,857	3,048,440
	$ 30,762,681	$ 30,054,581	$ 23,015,325

26. DEPOSITS AND REMITTANCES

	March 31, 2023	December 31, 2022	March 31, 2022
Deposits			
Checking	$ 12,757,619	$ 19,663,408	$ 12,801,653
Demand	682,497,719	748,403,824	804,447,606
Savings - demand	733,864,127	715,721,562	715,666,899
Time	992,837,881	1,007,132,818	834,974,947
Negotiable certificates of deposit	9,546,951	9,398,169	25,345,495
Savings - time	418,292,041	386,458,484	307,829,033
Treasury deposits	15,167,978	15,918,036	12,747,157
Remittances	1,010,648	1,685,053	1,816,156
	$ 2,865,974,964	$ 2,904,381,354	$ 2,715,628,946

27. BANK DEBENTURES

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

	March 31, 2023	December 31, 2022	March 31, 2022
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
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
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)

	March 31, 2023	December 31, 2022	March 31, 2022
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	$ 4,500,000	$ 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	3,650,000	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
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	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	1,100,000	1,100,000

(Continued)

	March 31, 2023	December 31, 2022	March 31, 2022
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	$ 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).	7,300,000	7,300,000	-
Subordinated bonds issued on December 27, 2022; interest rate at 2.30%; interest payable annually; principal repayable on maturity.	2,300,000	2,300,000	-
Bonds issued on March 16, 2023; interest rate at 1.40%; interest payable annually; principal repayable on maturity (5 years after the issue date).	1,900,000	-	-
	$ 39,750,000	$ 37,850,000	$ 35,370,000

(Concluded)

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

	March 31, 2023	December 31, 2022	March 31, 2022
Unsecured USD-denominated subordinated bonds issued on May 27, 2015	$ 3,121,341	$ 2,983,976	$ 3,360,666
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on May 27, 2015	1,586,073	1,553,813	2,149,169
Unsecured USD-denominated subordinated bonds issued on October 28, 2015	2,260,782	2,173,492	2,474,164
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on October 28, 2015	803,592	805,369	1,092,730
Unsecured USD-denominated subordinated bonds issued on January 22, 2016	9,258,191	8,330,092	9,302,223
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on January 22, 2016	5,347,595	5,360,604	7,065,217
Unsecured USD-denominated subordinated bonds issued on June 6, 2016	2,816,244	2,656,420	3,224,610
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on June 6, 2016	2,156,867	2,145,343	2,819,648

(Continued)

	March 31, 2023	December 31, 2022	March 31, 2022
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on December 29, 2016	$ 2,065,649	$ 2,062,697	$ 2,708,841
Unsecured USD-denominated bonds issued on May 19, 2017	1,686,758	1,598,987	1,978,202
Unsecured USD-denominated bonds issued on November 21, 2017	3,679,314	3,482,836	4,329,163
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on February 12, 2018	4,631,348	4,651,460	6,091,246
	$ 39,413,754	$ 37,805,089	$ 46,595,879

(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 support 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 of maturity and can be issued in installments within 10 years. On January 19, 2023, the FSC approved the issuance of US$50,000 thousand (or foreign currency equivalent) of unsecured foreign currency bank debentures and the Bank's application for offshore structured products is subject to approval by the FSC.

As of the date the consolidated financial statements were authorized for issue, bank debentures amounting to NT$28.1 billion and US$50,000 thousand (or foreign currency equivalent) has not yet been issued.

28. OTHER FINANCIAL LIABILITIES

	March 31, 2023	December 31, 2022	March 31, 2022
Principal of structured products	$ 92,874,503	$ 90,349,763	$ 72,844,134
Guarantee deposits received	4,261,377	7,191,632	4,242,363

(Continued)

	March 31, 2023	December 31, 2022	March 31, 2022
Long-term borrowings	$ 354,851	$ 359,910	$ 341,420
Short-term borrowings	2,455,466	3,140,581	1,757,320
	$ 99,946,197	$ 101,041,886	$ 79,185,237

(Concluded)

29. PROVISIONS

	March 31, 2023	December 31, 2022	March 31, 2022
Provision for losses on financing commitment	$ 620,519	$ 611,342	$ 575,728
Provision for losses on guarantees	285,759	331,511	349,085
Others	162,167	162,141	163,209
	$ 1,068,445	$ 1,104,994	$ 1,088,022

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

For the three months ended March 31, 2023

	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, 2023	$ 110,707	$ 47,755	$ 3,228	$ 161,690	$ 781,163	$ 942,853
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(29)	29	-	-	-	-
Credit-impaired financial instruments	(1)	(72)	73	-	-	-
12-month ECL	5,967	(5,421)	(546)	-	-	-
Derecognition of financial instruments in the reporting period	(4,874)	(73)	(11)	(4,958)	-	(4,958)
New financial instruments purchased or originated	22,488	7	11	22,506	-	22,506
Difference of impairment loss under regulations	-	-	-	-	(43,932)	(43,932)
Change in model or risk parameters	(2,359)	(7,733)	742	(9,350)	-	(9,350)
Change in exchange rates or others	(7)	(2)	-	(9)	(832)	(841)
Balance at March 31, 2023	$ 131,892	$ 34,490	$ 3,497	$ 169,879	$ 736,399	$ 906,278

For the three months ended March 31, 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	(7)	1,520	(1,513)	-	-	-
Credit-impaired financial instruments	-	(1)	1	-	-	-
12-month ECL	1,995	(1,810)	(185)	-	-	-
Derecognition of financial instruments in the reporting period	(19,094)	(23)	(18)	(19,135)	-	(19,135)
New financial instruments purchased or originated	12,151	7	14	12,172	-	12,172
Difference of impairment loss under regulations	-	-	-	-	87,125	87,125
Change in model or risk parameters	17,827	(93,805)	(4)	(75,982)	-	(75,982)
Change in exchange rates or others	182	-	-	182	2,481	2,663
Balance at March 31, 2022	$ 108,202	$ 5,332	$ 2,466	$ 116,000	$ 808,813	$ 924,813

30. 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 $101,958 thousand and $95,575 thousand in the consolidated statements of comprehensive income for the three months ended March 31, 2023 and 2022, 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 three months ended March 31, 2023 and 2022, the pension expenses under defined benefit plan recognized in the consolidated statements of comprehensive income amounted to $1,841 thousand and $4,093 thousand, respectively.

31. OTHER LIABILITIES

	March 31, 2023	December 31, 2022	March 31, 2022
Advance receipts	$ 2,935,678	$ 3,034,614	$ 2,563,108
Deferred revenue	714,450	677,997	663,148
Others	16,934	10,433	12,484
	$ 3,667,062	$ 3,723,044	$ 3,238,740

32. NET INTEREST

	For the Three Months Ended March 31	
	2023	2022
Interest revenue		
From discounts and loans	$ 13,430,325	$ 7,457,435
From investments	3,929,852	1,664,851
From revolving interests of credit cards	499,385	477,090
From due from banks and call loans to other banks	912,453	126,425
Others	250,438	33,775
	19,022,453	9,759,576
Interest expense		
From deposits	(11,132,376)	(2,039,579)
From due to the Central Bank and other banks	(502,863)	(130,208)
From issuing bank debentures	(151,003)	(125,379)
From lease liabilities	(11,050)	(10,242)
Others	(678,363)	(176,599)
	(12,475,655)	(2,482,007)
	$ 6,546,798	$ 7,277,569

33. SERVICE FEE INCOME, NET

	For the Three Months Ended March 31	
	2023	2022
Service fee income		
From credit cards	$ 2,376,181	$ 2,149,481
From trust business	1,077,245	1,440,702
From insurance	948,506	800,340
From loans	470,602	553,565
Others	518,544	590,666
	5,391,078	5,534,754
Service charge		
From agency	(503,542)	(492,230)
From credit cards	(177,204)	(174,755)
From cross-bank transactions	(85,396)	(81,565)
From computer processing	(69,550)	(48,991)
Others	(130,842)	(170,465)
	(966,534)	(968,006)
	$ 4,424,544	$ 4,566,748

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

	For the Three Months Ended March 31, 2023				
	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	$ 7,044	$ 636,835	$ 9,142,683	$(32,857,106)	$(23,070,544)
Held-for-trading financial liabilities	-	-	(5,973,968)	33,942,409	27,968,441
Financial liabilities designated as at fair value through profit or loss	-	(591,086)	-	(666,461)	(1,257,547)
	$ 7,044	$ 45,749	$ 3,168,715	$ 418,842	$ 3,640,350

	For the Three Months Ended March 31, 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	$ 5,503	$ 878,469	$ 3,420,035	$ 24,975,148	$ 29,279,155
Held-for-trading financial liabilities	-	-	(1,955,647)	(29,776,524)	(31,732,171)
Financial liabilities designated as at fair value through profit or loss	-	(531,484)	-	3,103,628	2,572,144
	$ 5,503	$ 346,985	$ 1,464,388	$ (1,697,748)	$ 119,128

35. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended March 31	
	2023	2022
Employee benefits		
Salaries	$ 2,737,162	$ 2,657,906
Insurance	253,088	247,386
Excessive interest from preferential rates	-	26,744
Post-employment benefits	103,799	99,668
Others	246,662	214,139
Depreciation expenses	752,849	732,789
Amortization expenses	165,923	179,687

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 three months ended March 31, 2023 and 2022, the employees' compensation were $213,078 thousand and $141,138 thousand, respectively; and the remuneration of directors were $29,000 thousand and $19,000 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, 2022 and 2021 that have been approved by the board of directors on February 20, 2023 and March 11, 2022, respectively, were as follows:

	For the Year Ended December 31			
	Amounts Approved		Amounts Recognized	
	2022	2021	2022	2021
Employees' compensation - cash	$ 565,121	$ 636,352	$ 565,121	$ 636,352
Remuneration of directors - cash	54,000	68,000	72,000	89,000

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, 2022 and 2021, respectively, were resulted from a change in the accounting estimate. The differences were recognized in profit or loss for 2023 and 2022, 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).

36. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Three Months Ended March 31	
	2023	2022
Current tax		
Current period	$ 1,335,717	$ 1,168,328
Deferred tax		
Current period	100,233	(219,126)
Income tax expense recognized in profit or loss	$ 1,435,950	$ 949,202

b. Income tax expense recognized directly in equity

	For the Year Ended December 31	
	2022	2021
Current tax		
Disposals of investment in equity instruments at fair value through other comprehensive income	$ (684)	$ -
Deferred tax		
Disposals of investment in equity instruments at fair value through other comprehensive income	684	-
Income tax expense recognized in equity	$ -	$ -

c. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2023	2022
Deferred tax		
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	$ (1,322)	$ (5,405)
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	(85,714)	242,799
Fair value changes of financial assets in debt instruments at fair value through other comprehensive income	246,345	(734,892)
Income tax expense (benefit) recognized in other comprehensive income	$ 159,309	$ (497,498)

d. The bank’s income tax returns through 2017 had been assessed by the tax authorities.

37. 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)
For the three months ended March 31, 2023			
Basic earnings per share			
Net income	$ 5,498,279	10,363,700	$ 0.53
For the three months ended March 31, 2022			
Basic earnings per share			
Net income	$ 3,673,742	10,363,700	$ 0.35

The number of shares outstanding was retrospectively adjusted to reflect the effects of the stock dividends distributed in the year following earnings appropriation.

The information of the proposed retrospective adjustment to earnings per share after the adoption of the financial statements on the basic date of issuance of bonus shares was as follows:

	Amount (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (Dollars)
For the three months ended March 31, 2023			
Basic earnings per share			
Net income	$ 5,498,279	10,947,200	$ 0.50
For the three months ended March 31, 2022			
Basic earnings per share			
Net income	$ 3,673,742	10,947,200	$ 0.34

38. EQUITY

a. Capital stock

Common stock

	March 31, 2023	December 31, 2022	March 31, 2022
Authorized number of shares (in thousands)	10,363,700	10,363,700	9,893,700
Authorized capital	$ 103,637,000	$ 103,637,000	$ 98,937,000
Number of shares issued (in thousands)	10,363,700	10,363,700	9,893,700
Common stock issued	$ 103,637,000	$ 103,637,000	$ 98,937,000

(Continued)

	March 31, 2023	December 31, 2022	March 31, 2022
Common stock issued			
Public offering	$ 54,000,123	$ 54,000,123	$ 51,551,185
Private placement	49,636,877	49,636,877	47,385,815
	$ 103,637,000	$ 103,637,000	$ 98,937,000

(Concluded)

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 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 Ministry of Economic Affairs (MOEA).

The stockholders resolved to use the 2022 unappropriated earnings of $5,835,000 thousand as stock dividends consisting of 583,500 thousand shares on April 21, 2023. This issuance has been applied to the competent authority.

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 $171,582 thousand and $125,502 thousand for the three months ended March 31, 2023 and 2022, 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 approved by the ESFHC's board of directors to the Bank's employees was $591,159 thousand 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.

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

	March 31, 2023	December 31, 2022	March 31, 2022
Reclassification of the trading loss reserve and default loss reserve	$ 83,866	$ 83,866	$ 83,866
The debit balance of other equity	830,159	830,159	-
Fintech development employee transfer or placement expenditure	218,987	218,987	218,987
	$ 1,133,012	$ 1,133,012	$ 302,853

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 2022 and 2021 that were approved in the stockholders' meetings on April 21, 2023 and April 22, 2022, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2022	2021	2022	2021
Legal reserve	$ 4,330,021	$ 5,447,377		
Special reserve	4,271,378	830,159		
Cash dividends	-	7,172,933	$ -	$ 0.73
Stock dividends	5,835,000	4,700,000	0.56	0.48

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 Three Months Ended March 31	
	2023	2022
Balance, January 1	$ 175,358	$ 169,084
Attributable to non-controlling interests:		
Net income	4,700	1,631
Exchange differences on the translation of financial statements of foreign operations	(42)	158
Balance, March 31	$ 180,016	$ 170,873

39. 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

(Continued)

Related Party	Relationship with the Company
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

(Concluded)

b. Significant transactions between the Company and related parties

1) Loans

	Highest Balance (Note)	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, 2023				
Key management	$ 372,122	$ 347,697	$ 1,501	
Others	3,766,467	3,634,512	15,267	
	$ 4,138,589	$ 3,982,209	$ 16,768	1.50-2.47
For the three months ended March 31, 2022				
Key management	$ 360,626	$ 334,388	$ 959	
Others	3,200,280	2,972,045	8,624	
	$ 3,560,906	$ 3,306,433	$ 9,583	0.80-2.10

2) Deposits

	Highest Balance (Note)	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended March 31, 2023				
ESFHC	$ 457,256	$ 306,941	$ 307	
Sister companies	2,958,733	2,733,633	7,539	
Key management	1,272,752	708,317	1,472	
Others	4,776,079	3,747,785	10,506	0-6.00
	$ 9,464,820	$ 7,496,676	$ 19,824	

(Continued)

	Highest Balance (Note)	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended March 31, 2022				
ESFHC	$ 2,153,511	$ 816,286	$ 32	
Sister companies	10,089,525	3,102,033	1,503	
Key management	909,537	524,643	349	
Others	2,202,227	1,736,820	2,687	
	$ 15,354,800	$ 6,179,782	$ 4,571	0-4.30

(Concluded)

Note: The sum of the respective highest balances of each account for the three months ended March 31, 2023 and 2022.

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:

	March 31, 2023	December 31, 2022	March 31, 2022
ESFHC	$ 30	$ 30	$ 30
Sister companies	856	856	884
	$ 886	$ 886	$ 914

Future lease payment receivables were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
ESFHC	$ 10,722	$ 12,292	$ 17,001
Sister companies	39,714	31,427	16,465
	$ 50,436	$ 43,719	$ 33,466

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

	For the Three Months Ended March 31	
	2023	2022
ESFHC	$ 1,495	$ 1,495
Sister companies	2,302	2,174
	$ 3,797	$ 3,669

	March 31, 2023	December 31, 2022	March 31, 2022
4) Accounts receivable (part of receivables)			
Sister companies	$ 14,969	$ -	$ 104,585
5) Interest receivable (part of receivables)			
Key management	$ 270	$ 259	$ 179
Others	2,737	2,584	1,548
	$ 3,007	$ 2,843	$ 1,727
6) Consolidated tax return receivables (part of current tax assets)			
ESFHC	$ -	$ -	$ 96,592
7) Prepaid expense (part of other assets)			
Sister companies	$ 3,020	$ 3,020	$ 3,020
8) Accounts payable (part of payables)			
Sister companies	$ -	$ 630	$ 100,480
9) Interest payable (part of payables)			
ESFHC	$ 356	$ 49	$ 29
Sister companies	3,764	1,197	292
Key management	713	261	175
Others	5,197	2,136	939
	$ 10,030	$ 3,643	$ 1,435
10) Remuneration of directors (part of payables)			
ESFHC	$ 83,000	$ 72,000	$ 87,000

	March 31, 2023	December 31, 2022	March 31, 2022
11) Consolidated tax return payables (part of current tax liabilities)			
ESFHC	$ 1,978,228	$ 1,247,468	$ 2,118,782
12) Guarantee deposits received (part of other financial liabilities)			
ESFHC	$ 1,561	$ 1,562	$ 1,562
Sister companies	2,943	2,407	2,273
	$ 4,504	$ 3,969	$ 3,835

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 Three Months Ended March 31	
	2023	2022
13) Service fee income (part of service fee income, net)		
Sister companies	$ 140	$ 137
14) Donation (part of general and administrative expenses)		
Others - E.SUN Volunteer & Social Welfare Foundation	$ 12,122	$ 10,418
15) Other (part of employee benefits, general and administrative expenses)		
ESFHC	$ 11,000	$ (2,000)
Sister companies	4,530	4,530
	$ 15,530	$ 2,530

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

16) In August 2012, E.SUN Volunteer & Social Welfare Foundation entrusted some properties to the Bank. The Bank charged $217 thousand and $205 thousand (part of service fee income, net) accordingly for the three months ended March 31, 2023 and 2022, 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 three months ended March 31, 2023 and 2022 are summarized as follows:

	For the Three Months Ended March 31	
	2023	**2022**
Salaries and other short-term employment benefits	$ 123,046	$ 137,080
Post-employment benefits	639	723
Interest arising from the employees' preferential rates in excess of normal rates	-	109
	$ 123,685	$ 137,912

40. PLEDGED ASSETS

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

	March 31, 2023	**December 31, 2022**	**March 31, 2022**
Financial assets at fair value through profit or loss (face value)	$ 25,305,000	$ 25,305,000	$ 25,200,000
Investments in debt instruments at amortized cost (face value)	5,876,929	5,169,139	5,531,608
Investments in debt instruments at fair value through other comprehensive income (face value)	8,752,752	8,345,679	5,716,455
	$ 39,934,681	$ 38,819,818	$ 36,448,063

As of March 31, 2023, December 31, 2022 and March 31, 2022, the foregoing bonds and securities, with aggregate face value of $20,305,000 thousand, $20,305,000 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 all with aggregate face values of $5,000,000 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022. 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
March 31, 2023	$ 265,800	$ 241,232
December 31, 2022	$ 250,800	$ 227,365
March 31, 2022	$ 173,000	$ 158,800

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 March 31, 2022, up to $20,000,000 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 March 31, 2023, December 31, 2022 and March 31, 2022, UCB has provided US$11,959 thousand, US$2,774 thousand and US$3,703 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.

41. CONTINGENCIES AND COMMITMENTS

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

a. E.SUN Bank

As of March 31, 2023, 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 $4,122,932 thousand, and the remaining unpaid amount was approximately $1,852,402 thousand.

b. E.SUN Bank (China), Ltd (ESBC)

As of March 31, 2023, decoration of buildings and various purchases related to the improvements of existing premises occupied by ESBC amounted to approximately $115,552 thousand, and the remaining unpaid amount was approximately $45,336 thousand.

42. 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 Three Months Ended March 31			
	2023		2022	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents and other financial assets - due from banks	$ 40,755,564	2.94	$ 47,268,761	0.40
Call loans to banks	44,459,673	4.34	42,414,519	0.55
Due from the Central Bank	65,320,569	0.73	58,532,506	0.20
Financial assets mandatorily classified as at fair value through profit or loss - bonds	127,641,789	0.75	120,445,151	2.25
Financial assets mandatorily classified as at fair value through profit or loss - bills	174,090,787	0.92	245,868,714	0.33
Securities purchased under resell agreements	2,642,516	1.70	2,570,562	0.33
Accounts receivable factored without recourse	4,643,821	5.32	9,512,330	0.95
Discounts and loans	1,902,915,026	2.70	1,780,639,358	1.56
Receivables on credit cards	32,666,669	6.17	30,516,825	6.32
Debt instruments at fair value through other comprehensive income	332,037,861	2.66	303,296,508	1.30
Investments in debt instruments at amortized cost	399,438,438	1.60	310,823,471	0.72
Interest-bearing liabilities				
Deposits from the Central Bank and other banks	66,440,198	2.78	89,837,002	0.47
Due to the Central Bank and other banks	-	-	14,633,329	0.10
Financial liabilities at fair value through profit or loss	50,759,518	4.72	45,586,949	4.72
Securities sold under repurchase agreements	12,545,398	0.77	12,698,328	0.13
Demand deposits	681,504,490	0.61	773,994,929	0.04
Savings - demand deposits	741,219,200	0.48	731,624,963	0.07
Time deposits	983,663,429	3.02	811,056,654	0.53
Savings - time deposits	409,441,336	1.40	310,433,822	0.81
Negotiable certificates of deposit	9,387,017	3.29	19,847,704	0.37
Bank debentures	38,187,778	1.60	34,441,111	1.48
Principal of structured products	85,537,031	1.77	63,188,266	0.55
Lease liabilities	3,753,762	0.78	3,548,867	0.74

43. 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.

	March 31, 2023		December 31, 2022		March 31, 2022	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets						
Investments in debt instruments at amortized cost	$ 416,758,048	$ 411,742,153	$ 401,405,743	$ 395,017,074	$ 326,327,653	$ 324,171,426
Financial liabilities						
Bank debentures	39,750,000	39,314,914	37,850,000	37,157,386	35,370,000	35,625,494

Fair value hierarchy as of March 31, 2023

	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortized cost	$ 411,742,153	$ 53,030,087	$ 358,712,066	$ -
Financial liabilities				
Bank debentures	39,314,914	-	39,314,914	-

Fair value hierarchy as of December 31, 2022

	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortized cost	$ 395,017,074	$ 42,828,785	$ 352,188,289	$ -
Financial liabilities				
Bank debentures	37,157,386	-	37,157,386	-

Fair value hierarchy as of March 31, 2022

	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortized cost	$ 324,171,426	$ 23,085,779	$ 301,085,647	$ -
Financial liabilities				
Bank debentures	35,625,494	-	35,625,494	-

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 Refinitiv 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 March 31, 2023, December 31, 2022 and March 31, 2022, the discount rates used ranged from 1.145% to 1.750%, 1.011% to 1.750% and 0.376% to 1.414%, respectively, for the New Taiwan dollar and from 3.284% to 5.345%, 3.454% to 5.285% and 0.320% to 2.562%, 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 March 31, 2023, December 31, 2022 and March 31, 2022 were as follows:

	March 31, 2023			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss				
Derivative instruments	$ 43,088,577	$ 98,840	$ 42,989,737	$ -
Equity instruments	931,421	931,421	-	-
Debt instruments	112,499,708	8,914,510	103,585,198	-
Others	159,317,012	-	159,317,012	-
Financial assets at fair value through other comprehensive income				
Equity instruments	14,465,473	13,183,683	-	1,281,790
Debt instruments	339,659,095	155,003,100	184,655,995	-
Financial liabilities at fair value through profit or loss				
Derivative instruments	35,008,331	-	35,008,331	-
Financial liabilities designated as at fair value through profit or loss	39,413,754	-	39,413,754	-
Derivative financial liabilities for hedging				
Derivative instruments	8,170	-	8,170	-

	December 31, 2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss				
Derivative instruments	$ 61,715,004	$ 86,071	$ 61,628,933	$ -
Equity instruments	517,682	517,682	-	-
Debt instruments	120,534,803	8,559,480	111,975,323	-
Others	173,179,733	-	173,179,733	-
Financial assets at fair value through other comprehensive income				
Equity instruments	13,208,413	12,074,935	-	1,133,478
Debt instruments	332,611,579	149,175,333	183,436,246	-
Financial liabilities at fair value through profit or loss				
Derivative instruments	51,764,562	-	51,764,562	-
Financial liabilities designated as at fair value through profit or loss	37,805,089	-	37,805,089	-

	March 31, 2022			
	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Derivative instruments	$ 38,973,037	$ 97,471	$ 38,875,566	$ -
Equity instruments	1,166,249	1,166,249	-	-
Debt instruments	118,347,277	203,808	118,143,469	-
Others	225,745,430	-	225,745,430	-
Financial assets at fair value through other comprehensive income				
Equity instruments	21,633,344	20,455,927	-	1,177,417
Debt instruments	326,692,398	162,483,376	164,209,022	-
Financial liabilities at fair value through profit or loss				
Derivative instruments	28,876,880	-	28,876,880	-
Financial liabilities designated as at fair value through profit or loss	46,595,879	-	46,595,879	-

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 three months ended March 31, 2023 and 2022.

d. Reconciliation of the financial instruments classified in Level 3

For the three months ended March 31, 2023

	Financial Assets in Equity Instruments at Fair Value Through Other Comprehensive Income
Balance at January 1, 2023	$ 1,133,478
Valuation recognized in other comprehensive income	148,481
Change in exchange rates	(169)
Balance at March 31, 2023	$ 1,281,790

For the three months ended March 31, 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	47,191
Change in exchange rates	559
Balance at March 31, 2022	$ 1,177,417

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, or referring to the appraisal report issued by an external impartial third party as the basis for the value evaluation.

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:

March 31, 2023

	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	$ 637,934	Market approach	Lack of liquidity discount	5%-20%	The higher the lack of liquidity, the lower the fair value is
	77,164	Asset approach	Lack of liquidity discount; allowance of minority interest	20%; 10%	The higher the lack of liquidity or the higher the equity dispersion, the lower the fair value is
	566,692	Income approach	Lack of liquidity discount; allowance of minority interest	10%-20%; -%	The higher the lack of liquidity or the higher the equity dispersion, the lower the fair value is

December 31, 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	$ 504,758	Market approach	Lack of liquidity discount	10%-20%	The higher the lack of liquidity, the lower the fair value is
	91,070	Asset approach	Lack of liquidity discount; allowance of minority interest	-%-20%; -%-10%	The higher the lack of liquidity or the higher the equity dispersion, the lower the fair value is
	537,650	Income approach	Lack of liquidity discount; allowance of minority interest	10%-20%; -%	The higher the lack of liquidity or the higher the equity dispersion, the lower the fair value is

March 31, 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	$ 438,936	Market approach	Lack of liquidity discount	10%-20%	The higher the lack of liquidity, the lower the fair value is
	198,460	Asset approach	Lack of liquidity discount; allowance of minority interest	-%-20%; -%-10%	The higher the lack of liquidity or the higher the equity dispersion, the lower the fair value is
	540,021	Income approach	Lack of liquidity discount; allowance of minority interest	10%-20%; -%	The higher the lack of liquidity or the higher the equity dispersion, 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:

March 31, 2023

	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	$ 128,179	$ (128,179)

December 31, 2022

	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	$ 113,348	$ (113,348)

March 31, 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	$ 117,742	$ (117,742)

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

	March 31, 2023	**December 31, 2022**	**March 31, 2022**
Difference between carrying amounts and the amounts due on maturity			
Fair value	$ 39,413,754	$ 37,805,089	$ 46,595,879
Amounts due on maturity	51,829,410	51,650,659	47,522,362
	$ (12,415,656)	$ (13,845,570)	$ (926,483)

	Change in Fair Values Resulting from Credit Risk Variations
Accumulated amount of change	
As of March 31, 2023	$ (5,030,848)
As of December 31, 2022	$ (5,794,301)
As of March 31, 2022	$ 826,497

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 is 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.

March 31, 2023

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 350,358,237	$ 416,797,493	$ 767,155,730
Less: Allowance for impairment loss	(101,425)	(39,445)	(140,870)
Amortized cost	350,256,812	$ 416,758,048	767,014,860
Adjustment to fair value	(10,597,717)		(10,597,717)
	$ 339,659,095		$ 756,417,143

December 31, 2022

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 344,957,546	$ 401,436,904	$ 746,394,450
Less: Allowance for impairment loss	(113,585)	(31,161)	(144,746)
Amortized cost	344,843,961	$ 401,405,743	746,249,704
Adjustment to fair value	(12,232,382)		(12,232,382)
	$ 332,611,579		$ 734,017,322

March 31, 2022

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 332,533,626	$ 326,349,368	$ 658,882,994
Less: Allowance for impairment loss	(105,173)	(21,715)	(126,888)
Amortized cost	332,428,453	$ 326,327,653	658,756,106
Adjustment to fair value	(5,736,055)		(5,736,055)
	$ 326,692,398		$ 653,020,051

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:

March 31, 2023

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	-%-1.00%	$ 767,127,118
Credit risk has increased significantly	The credit risk has increased significantly since initial recognition	Lifetime ECL (unimpaired)	6.90%	28,612

December 31, 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	-%-1.00%	$ 746,379,987
Credit risk has increased significantly	The credit risk has increased significantly since initial recognition	Lifetime ECL (unimpaired)	6.90%	14,463

March 31, 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	-%-0.99%	$ 658,882,994

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 three months ended March 31, 2023

Allowance for Impairment Loss	Credit Rating: Performing (12-month ECL)	Credit Rating: Risk Increase Significantly (Lifetime ECL and Not Credit-impaired)	Total
Balance at January 1, 2023	$ 143,747	$ 999	$ 144,746
New financial assets purchased	6,023	1,976	7,999
Derecognition	(4,352)	(1,006)	(5,358)
Change in model or risk parameters	(6,001)	-	(6,001)
Change in exchange rates or others	(523)	7	(516)
Balance at December 31, 2023	$ 138,894	$ 1,976	$ 140,870

For the three months ended March 31, 2022

Allowance for Impairment Loss	Credit Rating: Performing (12-month ECL)
Balance at January 1, 2022	$ 115,437
New financial assets purchased	18,004
Derecognition	(4,844)
Change in model or risk parameters	(2,709)
Change in exchange rates or others	1,000
Balance at March 31, 2022	$ 126,888

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:

March 31, 2023

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Difference of Impairment Loss under Regulations	Total
Maximum exposure to credit risk	$ 1,355,433,775	$ 936,029	$ 90,380	$ -	$ 1,356,460,184
Allowance for possible losses	(131,892)	(34,490)	(3,497)	-	(169,879)
Difference of impairment loss under regulations	-	-	-	(736,399)	(736,399)
	$ 1,355,301,883	$ 901,539	$ 86,883	$ (736,399)	$ 1,355,553,906

December 31, 2022

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Difference of Impairment Loss under Regulations	Total
Maximum exposure to credit risk	$ 1,323,790,657	$ 1,221,986	$ 66,892	$ -	$ 1,325,079,535
Allowance for possible losses	(110,707)	(47,755)	(3,228)	-	(161,690)
Difference of impairment loss under regulations	-	-	-	(781,163)	(781,163)
	$ 1,323,679,950	$ 1,174,231	$ 63,664	$ (781,163)	$ 1,324,136,682

March 31, 2022

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Difference of Impairment Loss under Regulations	Total
Maximum exposure to credit risk	$ 1,245,791,136	$ 1,630,236	$ 112,719	$ -	$ 1,247,534,091
Allowance for possible losses	(108,202)	(5,332)	(2,466)	-	(116,000)
Difference of impairment loss under regulations	-	-	-	(808,813)	(808,813)
	$ 1,245,682,934	$ 1,624,904	$ 110,253	$ (808,813)	$ 1,246,609,278

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:

March 31, 2023

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangements	Other Credit Enhancements	Total
Credit-impaired financial assets					
Receivables					
Credit cards	$ 2,534,439	$ -	$ -	$ -	$ -
Other	101,743	-	-	-	-
Discounts and loans	8,315,146	4,168,642	-	-	4,168,642

December 31, 2022

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangements	Other Credit Enhancements	Total
Credit-impaired financial assets					
Receivables					
Credit cards	$ 2,494,404	$ -	$ -	$ -	$ -
Other	90,392	-	-	-	-
Discounts and loans	8,682,483	4,272,344	-	-	4,272,344

March 31, 2022

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangements	Other Credit Enhancements	Total
Credit-impaired financial assets					
Receivables					
Credit cards	$ 2,535,106	$ -	$ -	$ -	$ -
Other	76,076	-	-	-	-
Discounts and loans	7,899,250	3,894,680	-	-	3,894,680

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	March 31, 2023		December 31, 2022		March 31, 2022	
	Amount	%	Amount	%	Amount	%
Natural person	$ 968,984,275	50	$ 966,057,987	50	$ 916,684,206	50
Manufacturing	342,203,727	18	357,043,714	18	343,684,092	19
Finance, insurance and real estate	241,885,724	13	243,595,587	13	212,460,258	12

Credit Risk Profile by Regions	March 31, 2023		December 31, 2022		March 31, 2022	
	Amount	%	Amount	%	Amount	%
Domestic	$ 1,646,543,528	85	$ 1,648,022,853	85	$ 1,580,579,536	86

Credit Risk Profile by Collaterals	March 31, 2023		December 31, 2022		March 31, 2022	
	Amount	%	Amount	%	Amount	%
Unsecured	$ 484,049,287	25	$ 500,572,589	26	$ 474,249,210	26
Secured						
Real estate	1,269,327,535	66	1,261,661,428	65	1,195,170,594	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:

	March 31, 2023	December 31, 2022	March 31, 2022
Credit rating			
Strong	$ 1,409,011,310	$ 1,429,042,829	$ 1,319,966,788
Medium	503,060,361	492,073,699	492,427,291
Weak	23,223,667	21,600,401	22,110,547
Carrying amount	1,935,295,338	1,942,716,929	1,834,504,626
Allowance for possible losses	(1,575,510)	(1,594,898)	(1,679,126)
	$ 1,933,719,828	$ 1,941,122,031	$ 1,832,825,500

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.

<u>Effect of interest rate benchmark reform</u>

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. The transition project is considers the 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 the transition project will be implemented by the corresponding LIBOR transition response team. As of March 31, 2023, the Company is finalizing the amendments to the related systems. The Company is continuously discussing with the clients and counterparties 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. In terms of investments in debt instruments, the Company is continuously negotiating with the counterparties about the contracts that 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 rates, TAIFX3 or local USD rates, 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 March 31, 2023 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	$ 17,712,274
Financial assets at FVTOCI	10,703,482
Investments in debt instruments at amortized cost	1,218,895
Discounts and loans	41,454,528
Non-derivative financial assets affected by the interest rate benchmark reform	$ 71,089,179

The following table contains details of derivative financial instruments held by the Company at March 31, 2023 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	$ 371,359,780	$ 13,338,621	$ 12,346,913
Cross-currency swaps	304,780	35,341	-

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 three months ended March 31, 2023

Historical Values at Risk (99%, 10-day)	Average	Minimum	Maximum	March 31, 2023
By risk type				
Currency	$ 3,314,778	$ 2,156,029	$ 4,603,626	$ 4,359,851
Interest	12,733,868	7,524,791	15,185,073	12,907,608
Equity	895,606	684,604	1,311,178	890,978
Risk diversification	(9,458,702)	-	-	(10,036,230)
Total risk exposure	$ 7,485,550			$ 8,122,207

For the year ended December 31, 2022

Historical Values at Risk (99%, 10-day)	Average	Minimum	Maximum	December 31, 2022	March 31, 2022
By risk type					
Currency	$ 3,071,900	$ 2,156,029	$ 4,562,202	$ 3,280,214	$ 4,527,413
Interest	11,251,012	5,702,952	15,185,073	13,486,178	8,851,438
Equity	976,594	684,604	1,311,178	814,411	1,236,875
Risk diversification	(8,318,495)	-	-	(9,409,144)	(8,763,536)
Total risk exposure	$ 6,981,011			$ 8,171,659	$ 5,852,190

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 March 31, 2023, December 31, 2022 and March 31, 2022 were 29.61%, 32.69% and 32.43%, 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.

March 31, 2023	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	$ 23,372,587	$ 17,357,299	$ 21,818,296	$ 2,126,002	$ 1,215,950	$ 65,890,134
Nonderivative financial liabilities at fair value through profit or loss	-	-	839,181	-	50,990,229	51,829,410
Securities sold under repurchase agreements	4,371,593	1,957,981	43,471	4,306,465	4,440,323	15,119,833
Payables	24,095,881	3,467,036	1,356,150	1,365,133	115,453	30,399,653
Deposits and remittances	998,616,297	222,355,966	278,631,464	514,267,964	852,103,273	2,865,974,964
Bank debentures	-	1,500,000	-	2,200,000	36,050,000	39,750,000
Lease liabilities	53,129	168,469	274,918	511,871	3,399,944	4,408,331
Other items of cash outflow on maturity	10,986,553	3,632,749	25,047	3,139,234	82,162,614	99,946,197

December 31, 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	$ 36,100,630	$ 12,536,682	$ 2,319,318	$ 20,506,455	$ 1,051,349	$ 72,514,434
Nonderivative financial liabilities at fair value through profit or loss	-	-	-	563,970	51,086,689	51,650,659
Securities sold under repurchase agreements	7,017,134	1,686,572	893,711	3,791,737	5,166,615	18,555,769
Payables	25,355,286	1,903,153	978,906	1,202,633	99,617	29,539,595
Deposits and remittances	1,103,188,963	248,975,620	241,709,886	478,805,828	831,701,057	2,904,381,354
Bank debentures	-	-	1,500,000	-	36,350,000	37,850,000
Lease liabilities	120,510	162,118	259,028	519,949	3,406,422	4,468,027
Other items of cash outflow on maturity	69,467,603	14,526,405	520,580	4,147,740	12,379,558	101,041,886

March 31, 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	$ 73,165,487	$ 21,470,733	$ 4,662,727	$ 1,642,758	$ -	$ 100,941,705
Due to the Central Bank and other banks	-	-	14,503,500	-	-	14,503,500
Nonderivative financial liabilities at fair value through profit or loss	-	-	788,078	-	46,734,284	47,522,362
Securities sold under repurchase agreements	4,017,328	4,374,520	779,387	-	9,835,420	19,006,655
Payables	21,102,130	710,718	364,539	458,513	99,686	22,735,586
Deposits and remittances	1,023,672,485	240,051,669	268,185,598	452,540,114	731,179,080	2,715,628,946
Bank debentures	500,000	2,720,000	6,500,000	100,000	25,550,000	35,370,000
Lease liabilities	90,337	169,132	252,394	503,689	3,165,462	4,181,014
Other items of cash outflow on maturity	5,115,072	3,753,350	273,360	2,455,768	67,587,687	79,185,237

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

March 31, 2023	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	$ 85,189	$ 48,099	$ 48,175	$ 21,397	$ -	$ 202,860
Interest derivatives	446	192	79	-	-	717

December 31, 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	$ 53,252	$ 154,586	$ 67,248	$ 30,606	$ -	$ 305,692
Interest derivatives	2,023	2,309	24	-	-	4,356

March 31, 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	$ 187,181	$ 334,085	$ 109,112	$ 93,241	$ -	$ 723,619
Interest derivatives	58	133	43	-	-	234

b) Derivative financial liabilities to be settled at gross amounts

March 31, 2023	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	$ 221,207,511	$ 194,918,514	$ 128,859,856	$ 230,724,860	$ 5,428,450	$ 781,139,191
Cash inflow	217,168,628	191,127,044	126,828,677	227,227,031	5,293,415	767,644,795
Interest derivatives						
Cash outflow	1,227,115	991,982	2,162,226	2,602,361	19,515,848	26,499,532
Cash inflow	2,533,255	160,980	39,105	430,736	6,716,008	9,880,084
Total cash outflow	222,434,626	195,910,496	131,022,082	233,327,221	24,944,298	807,638,723
Total cash inflow	219,701,883	191,288,024	126,867,782	227,657,767	12,009,423	777,524,879
Net cash outflow	$ 2,732,743	$ 4,622,472	$ 4,154,300	$ 5,669,454	$ 12,934,875	$ 30,113,844

December 31, 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	$ 164,583,466	$ 321,200,960	$ 202,826,981	$ 154,841,611	$ 311,766,355	$ 1,155,219,373
Cash inflow	158,082,611	310,568,594	197,128,511	152,999,296	298,893,531	1,117,672,543
Interest derivatives						
Cash outflow	833,737	1,114,348	1,806,581	3,715,871	22,096,164	29,566,701
Cash inflow	3,877,367	156,222	144,611	132,772	7,160,284	11,471,256
Total cash outflow	165,417,203	322,315,308	204,633,562	158,557,482	333,862,519	1,184,786,074
Total cash inflow	161,959,978	310,724,816	197,273,122	153,132,068	306,053,815	1,129,143,799
Net cash outflow	$ 3,457,225	$ 11,590,492	$ 7,360,440	$ 5,425,414	$ 27,808,704	$ 55,642,275

March 31, 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	$ 218,181,814	$ 172,844,168	$ 145,276,419	$ 231,469,840	$ 11,701,680	$ 779,473,921
Cash inflow	214,244,046	168,776,636	141,334,136	224,562,291	11,290,223	760,207,332
Interest derivatives						
Cash outflow	534,075	217,513	492,642	1,411,020	14,266,275	16,921,525
Cash inflow	38,587	173,237	204,633	535,529	6,722,945	7,674,931
Total cash outflow	218,715,889	173,061,681	145,769,061	232,880,860	25,967,955	796,395,446
Total cash inflow	214,282,633	168,949,873	141,538,769	225,097,820	18,013,168	767,882,263
Net cash outflow	$ 4,433,256	$ 4,111,808	$ 4,230,292	$ 7,783,040	$ 7,954,787	$ 28,513,183

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.

March 31, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 1,716,177	$ 1,099,177	$ 11,145,538	$ 6,294,740	$ 48,396,106	$ 68,651,738
Credit card commitments	1,824,097	2,614,874	7,081,107	16,287,133	473,665,595	501,472,806
Letters of credit issued and yet unused	2,954,343	4,396,231	1,826,516	1,599,024	14,600	10,790,714
Other guarantees	6,417,967	5,755,488	2,320,339	5,344,614	6,006,878	25,845,286

December 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 1,190,229	$ 989,097	$ 3,933,361	$ 10,788,710	$ 40,392,202	$ 57,293,599
Credit card commitments	3,875,042	1,481,556	5,797,131	16,760,772	461,717,325	489,631,826
Letters of credit issued and yet unused	2,989,408	4,754,014	1,011,988	1,874,069	120,811	10,750,290
Other guarantees	5,252,286	3,253,641	8,655,128	5,988,083	6,164,624	29,313,762

March 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 480,285	$ 648,113	$ 3,985,286	$ 7,873,043	$ 46,004,199	$ 58,990,926
Credit card commitments	7,010	6,091	291,589	9,267,416	477,136,133	486,708,239
Letters of credit issued and yet unused	3,714,024	6,973,686	1,979,745	872,975	106,900	13,647,330
Other guarantees	4,856,226	7,280,294	13,099,135	4,378,565	5,476,091	35,090,311

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:

March 31, 2023					
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	$ 15,840,101	$ 14,469,738	$ 15,840,101	$ 14,469,738	$ 1,370,363
Investments in debt instruments at amortized cost - securities sold under repurchase agreements	661,074	596,195	676,839	596,195	80,644

December 31, 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	$ 19,335,552	$ 17,569,699	$ 19,335,552	$ 17,569,699	$ 1,765,853
Investments in debt instruments at amortized cost - securities sold under repurchase agreements	946,453	925,596	964,224	925,596	38,628

March 31, 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	$ 19,231,594	$ 17,868,818	$ 19,231,594	$ 17,868,818	$ 1,362,776
Investments in debt instruments at amortized cost - securities sold under repurchase agreements	1,097,963	1,074,517	1,118,479	1,074,517	43,962

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.

March 31, 2023

				Related Amounts Not Offset in the Balance Sheet		
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**	**Financial Instruments**	**Cash Collateral Received**	**Net Amounts**
Derivatives	$ 43,088,577	$ -	$ 43,088,577	$ (23,538,146)	$ (5,216,562)	$ 14,333,869
Resell agreements	99,760	-	99,760	(99,760)	-	-
Settlements	79,663	(64,696)	14,967	-	-	14,967
	$ 43,268,000	$ (64,696)	$ 43,203,304	$ (23,637,906)	$ (5,216,562)	$ 14,348,836

				Related Amounts Not Offset in the Balance Sheet		
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**	**Financial Instruments**	**Cash Collateral Pledged**	**Net Amounts**
Derivatives	$ 35,008,331	$ -	$ 35,008,331	$ (23,538,146)	$ (10,068,783)	$ 1,401,402
Repurchase agreements	15,102,870	-	15,102,870	(12,885,164)	-	2,217,706
Settlements	64,696	(64,696)	-	-	-	-
	$ 50,175,897	$ (64,696)	$ 50,111,201	$ (36,423,310)	$ (10,068,783)	$ 3,619,108

December 31, 2022

				Related Amounts Not Offset in the Balance Sheet		
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**	**Financial Instruments**	**Cash Collateral Received**	**Net Amounts**
Derivatives	$ 61,715,004	$ -	$ 61,715,004	$ (35,552,553)	$ (7,849,094)	$ 18,313,357
Resell agreements	7,892,518	-	7,892,518	(7,892,518)	-	-
	$ 69,607,522	$ -	$ 69,607,522	$ (43,445,071)	$ (7,849,094)	$ 18,313,357

				Related Amounts Not Offset in the Balance Sheet		
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**	**Financial Instruments**	**Cash Collateral Pledged**	**Net Amounts**
Derivatives	$ 51,764,562	$ -	$ 51,764,562	$ (35,552,553)	$ (9,847,389)	$ 6,364,620
Repurchase agreements	18,535,596	-	18,535,596	(18,535,596)	-	-
	$ 70,300,158	$ -	$ 70,300,158	$ (54,088,149)	$ (9,847,389)	$ 6,364,620

March 31, 2022

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Received	
Derivatives	$ 38,973,037	$ -	$ 38,973,037	$ (16,607,833)	$ (5,271,485)	$ 17,093,719
Resell agreements	1,475,979	-	1,475,979	(1,475,979)	-	-
Settlements	301,082	-	301,082	(199,526)	-	101,556
	$ 40,750,098	$ -	$ 40,750,098	$ (18,283,338)	$ (5,271,485)	$ 17,195,275

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	$ 28,876,880	$ -	$ 28,876,880	$ (16,607,833)	$ (6,193,148)	$ 6,075,899
Repurchase agreements	18,974,303	-	18,974,303	(18,974,303)	-	-
Settlements	1,246,959	-	1,246,959	(199,526)	-	1,047,433
	$ 49,098,142	$ -	$ 49,098,142	$ (35,781,662)	$ (6,193,148)	$ 7,123,332

44. 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.

45. 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, %)

Rank (Note 1)	March 31, 2023			March 31, 2022		
	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 Real estate development	$ 9,479,400	4.78	Group B Manufacture of Monitors and Terminals	$ 10,672,019	5.65
2	Group B Manufacture of other electronic parts and components not elsewhere classified	8,814,241	4.45	Group K Other activities auxiliary to financial service activities not elsewhere classified	10,013,400	5.30
3	Group C Activities of head offices	6,961,356	3.51	Group L Retail sale of computers, computer peripheral equipment and software	8,717,222	4.62
4	Group D Real estate activities for sale and rental with own or leased property	6,763,383	3.41	Group C Activities of head offices	8,423,422	4.46
5	Group E Manufacture of integrated circuits	6,541,076	3.30	Group A Real estate development	6,802,292	3.60
6	Group F Quarry of stone and sand and other mining	6,206,200	3.13	Group M Electricity supply	6,305,189	3.34
7	Company G Manufacture of computers	5,732,848	2.89	Company D Real estate activities for sale and rental with own or leased property	5,672,060	3.00
8	Group H Packaging and testing of semi-conductor	5,574,808	2.81	Group I Wholesale of computers, computer peripheral equipment and software	5,664,305	3.00
9	Group I Wholesale of computers, computer peripheral equipment and software	5,328,235	2.69	Group E Manufacture of electronic passive devices	5,501,720	2.91
10	Group J Others holdings companies	5,263,429	2.65	Group N Wired telecommunications activities	5,463,159	2.89

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, %)

March 31, 2023

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 1,952,755,655	$ 68,627,985	$ 90,158,005	$ 142,649,586	$ 2,254,191,231
Interest rate-sensitive liabilities	1,599,254,429	78,973,049	152,953,963	121,106,914	1,952,288,355
Interest rate sensitivity gap	353,501,226	(10,345,064)	(62,795,958)	21,542,672	301,902,876
Net worth					181,102,495
Ratio of interest rate-sensitive assets to liabilities					115.46
Ratio of interest rate sensitivity gap to net worth					166.70

March 31, 2022

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 1,838,952,444	$ 57,500,860	$ 82,200,930	$ 208,276,279	$ 2,186,930,513
Interest rate-sensitive liabilities	1,526,452,796	85,568,348	99,716,868	102,374,011	1,814,112,023
Interest rate sensitivity gap	312,499,648	(28,067,488)	(17,515,938)	105,902,268	372,818,490
Net worth					175,745,495
Ratio of interest rate-sensitive assets to liabilities					120.55
Ratio of interest rate sensitivity gap to net worth					212.14

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, %)

March 31, 2023

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 15,748,817	$ 1,240,132	$ 569,114	$ 3,340,350	$ 20,898,413
Interest rate-sensitive liabilities	22,758,276	3,601,888	3,505,625	1,544,983	31,410,772
Interest rate sensitivity gap	(7,009,459)	(2,361,756)	(2,936,511)	1,795,367	(10,512,359)
Net worth					104,776
Ratio of interest rate-sensitive assets to liabilities					66.53
Ratio of interest rate sensitivity gap to net worth					(10,033.17)

March 31, 2022

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 15,771,744	$ 763,349	$ 123,184	$ 2,896,731	$ 19,555,008
Interest rate-sensitive liabilities	23,975,145	4,322,135	3,274,590	1,708,544	33,280,414
Interest rate sensitivity gap	(8,203,401)	(3,558,786)	(3,151,406)	1,188,187	(13,725,406)
Net worth					141,079
Ratio of interest rate-sensitive assets to liabilities					58.76
Ratio of interest rate sensitivity gap to net worth					(9,728.88)

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		March 31, 2023	March 31, 2022
Return on total assets	Before income tax	0.82	0.58
	After income tax	0.66	0.46
Return on equity	Before income tax	14.18	9.66
	After income tax	11.29	7.80
Net income ratio		38.26	30.84

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)

March 31, 2023

	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	$ 2,740,212,496	$ 251,265,104	$ 277,743,752	$ 227,113,799	$ 151,402,644	$ 249,235,732	$ 1,583,451,465
Main capital outflow on maturity	3,327,321,788	129,270,503	211,210,511	386,508,587	413,608,490	775,901,057	1,410,822,640
Gap	(587,109,292)	121,994,601	66,533,241	(159,394,788)	(262,205,846)	(526,665,325)	172,628,825

March 31, 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	$ 2,722,654,158	$ 267,042,874	$ 298,284,009	$ 198,366,676	$ 180,405,864	$ 206,340,788	$ 1,572,213,947
Main capital outflow on maturity	3,164,793,505	104,911,794	170,252,929	346,254,213	455,951,662	635,803,727	1,451,619,180
Gap	(442,139,347)	162,131,080	128,031,080	(147,887,537)	(275,545,798)	(429,462,939)	120,594,767

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)

March 31, 2023

	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	$ 57,403,708	$ 14,950,372	$ 11,856,372	$ 6,107,318	$ 10,576,256	$ 13,913,390
Main capital outflow on maturity	67,233,751	15,234,545	18,727,852	11,826,573	17,786,900	3,657,881
Gap	(9,830,043)	(284,173)	(6,871,480)	(5,719,255)	(7,210,644)	10,255,509

March 31, 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	$ 61,137,725	$ 13,728,610	$ 9,792,882	$ 9,448,705	$ 13,824,181	$ 14,343,347
Main capital outflow on maturity	69,845,629	14,840,245	15,355,418	15,504,021	20,709,222	3,436,723
Gap	(8,707,904)	(1,111,635)	(5,562,536)	(6,055,316)	(6,885,041)	10,906,624

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)

March 31, 2023

	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	$ 13,897,270	$ 3,323,121	$ 2,362,615	$ 1,625,108	$ 1,731,881	$ 4,854,545
Main capital outflow on maturity	14,632,860	4,168,536	4,322,816	2,671,933	2,794,293	675,282
Gap	(735,590)	(845,415)	(1,960,201)	(1,046,825)	(1,062,412)	4,179,263

March 31, 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	$ 14,989,176	$ 3,479,077	$ 2,043,286	$ 2,033,833	$ 2,883,834	$ 4,549,146
Main capital outflow on maturity	15,586,008	3,807,576	3,646,022	3,555,873	4,140,993	435,544
Gap	(596,832)	(328,499)	(1,602,736)	(1,522,040)	(1,257,159)	4,113,602

46. 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
March 31, 2023, December 31, 2022 and March 31, 2022

Trust Assets	March 31, 2023	December 31, 2022	March 31, 2022	Trust Liabilities	March 31, 2023	December 31, 2022	March 31, 2022
Cash in banks	$ 11,396,917	$ 9,431,296	$ 4,341,138	Accounts payable on administrative expense	$ 4	$ 4	$ 5
Investments	318,860,066	311,318,781	302,519,399	Accounts payable on securities under custody	723,691,586	712,069,347	682,053,952
Receivables	280	276	275	Trust capital			
Real estate	7,054,588	7,144,272	5,782,809	Cash	325,868,893	316,148,363	303,601,213
Securities under custody	723,691,586	712,069,347	682,053,952	Securities	5,754,070	5,583,576	3,827,128
				Real estate	7,148,917	7,262,073	5,879,335
				Reserves and accumulated deficit	(3,667,373)	960,828	(1,586,875)
				Net income	2,207,340	(2,060,219)	922,815
Total assets	$ 1,061,003,437	$ 1,039,963,972	$ 994,697,573	Total liabilities	$ 1,061,003,437	$ 1,039,963,972	$ 994,697,573

Note: Investments of the OBU are included in total trust-related assets. As of March 31, 2023, December 31, 2022 and March 31, 2022, the amounts of the OBU's investments were $25,340,447 thousand, $25,468,930 thousand and $26,179,305 thousand, respectively.

Trust Property List
March 31, 2023, December 31, 2022 and March 31, 2022

	March 31, 2023	December 31, 2022	March 31, 2022
Cash in banks	$ 11,380,644	$ 9,421,860	$ 4,335,297
Cash in other banks	16,273	9,436	5,841
Stocks	22,086,224	22,764,400	14,666,996
Mutual funds	235,980,491	232,504,986	242,428,935
Bonds	54,703,478	49,032,754	27,571,368
Structured products	5,971,933	6,886,924	17,738,622
Beneficial certificates pending settlement	117,940	129,717	113,478
Receivables	280	276	275
Real estate	7,054,588	7,144,272	5,782,809
Securities under custody	723,691,586	712,069,347	682,053,952
	$ 1,061,003,437	$ 1,039,963,972	$ 994,697,573

Statements of Income on Trust Accounts
For the Three Months Ended March 31, 2023 and 2022

	For the Three Months Ended March 31	
	2023	2022
Revenues		
Interest	$ 22,451	$ 2,263
Cash dividend	2,728,055	2,820,367
Realized capital gain - common stocks	86	19
Unrealized capital gain - common stocks	9,781	5,056
Property gain	841,896	985,100
Realized capital gain - bonds	796,639	770,853
Realized capital gain - mutual funds	74,732	71,055
Other revenues	-	6,000
Revenues from beneficial certificates	14,602	11,959
Total revenues	4,488,242	4,672,672
Expenses		
Management fees	84,864	120,446
Supervisor fees	5	-
Service fees	95	361
Property loss	2,148,441	3,568,354
Income tax	585	73
Other expenses	4,446	4,464
Realized capital loss - common stocks	-	11
Realized capital loss - bonds	540	-
Realized capital loss - mutual funds	41,926	54,334
Unrealized capital loss - common stocks	-	1,814
Total expenses	2,280,902	3,749,857
Net income	$ 2,207,340	$ 922,815

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

47. 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 three months ended March 31, 2023				
Others	$ 66	$ 63	$ 129	Utilities - 50% each. Building maintenance fee - based on space actually occupied
For the three months ended March 31, 2022				
Others	$ 64	$ 62	$ 126	Utilities - 50% each. Building maintenance fee - based on space actually occupied

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

	For the Three Months Ended March 31	
	2023	2022
Revenue	$ 1,056	$ 967
Expense	$ 37,517	$ 41,752

48. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the three months ended March 31, 2023

	Opening Balance	Cash Inflows (Outflows)	Non-cash Changes			Closing Balance
			New Leases	Fair Value Adjustments (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Others	
Short-term borrowings	$ 3,140,581	$ (659,543)	$ -	$ -	$ (25,572)	$ 2,455,466
Bank debentures	37,850,000	1,900,000	-	-	-	39,750,000
Long-term borrowings	359,910	(2,174)	-	-	(2,885)	354,851
Financial liabilities designated as at fair value through profit or loss-bank debentures	37,805,089	-	-	1,429,913	178,752	39,413,754
Guarantee deposits received	7,191,632	(2,930,255)	-	-	-	4,261,377
Lease liabilities	4,169,899	(324,818)	256,066	-	4,337	4,105,484
	$ 90,517,111	$ (2,016,790)	$ 256,066	$ 1,429,913	$ 154,632	$ 90,340,932

For the three months ended March 31, 2022

	Opening Balance	Cash Inflows (Outflows)	Non-cash Changes: New Leases	Non-cash Changes: Fair Value Adjustments (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Non-cash Changes: Others	Closing Balance
Due to the Central Bank and other banks	$ 14,021,010	$ 482,490	$ -	$ -	$ -	$ 14,503,500
Short-term borrowings	573,780	1,164,880	-	-	18,660	1,757,320
Bank debentures	34,270,000	1,100,000	-	-	-	35,370,000
Long-term borrowings	335,037	(4,747)	-	-	11,130	341,420
Financial liabilities designated as at fair value through profit or loss-bank debentures	47,449,715	-	-	(2,928,559)	2,074,723	46,595,879
Guarantee deposits received	1,942,439	2,299,924	-	-	-	4,242,363
Lease liabilities	3,841,071	(275,399)	292,125	-	41,737	3,899,534
	$ 102,433,052	$ 4,767,148	$ 292,125	$ (2,928,559)	$ 2,146,250	$ 106,710,016

49. OTHER ITEMS

On April 21, 2023, the Bank's board of directors resolved to purchase a real estate located in the Xinzhuang District, New Taipei City from Chung Mao Property Development Company and Mr. Li for $323,000 thousand. The real estate will be used for the Bank's business operations.

On February 20, 2023, ESFHC's board of directors approved the increase in capital in cash. This capital increase plan has been approved by the Financial Supervisory Commission and has become effective. The Bank reserved 15% of shares in the capital increase, which had been fully subscribed by employees of the parent company and its subsidiaries. The Bank also recognized the capital reserve of $430,870 thousand for share-based payments based on the fair value of the stock options on the grant date.

50. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On April 21, 2023, the Bank's board of directors (on behalf of the shareholders' meeting) approved the capital increase in cash of $14,000,000 thousand by private placement, and issued 760,000 thousand ordinary shares at a premium of $18.421053 per share, which were fully subscribed by the parent company, ESFHC. This capital increase plan is still subject to approval by the FSC.

51. 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: Exempt from disclosure.

13) Derivative transactions: Notes 8 and 43 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).

52. 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 Three Months Ended March 31, 2023				
	Corporate Banking Unit	**Individual Banking Unit**	**Overseas Branches and Subsidiaries**	**Others**	**Total**
Net interest revenues (expenses)	$ 7,534	$ 6,717	$ 2,347	$(10,051)	$ 6,547
Total net revenues (expenses)	$ 5,659	$ 10,659	$ 2,946	$ (4,457)	$ 14,807
Reversal of (provision for) bad-debt expenses and reversal of (provision for) losses on commitments and guarantees	126	(187)	(4)	66	1
Operating expenses	(1,465)	(5,328)	(726)	(350)	(7,869)
Income (loss) before income tax	$ 4,320	$ 5,144	$ 2,216	$ (4,741)	$ 6,939

	For the three months ended March 31, 2022				
	Corporate Banking Unit	**Individual Banking Unit**	**Overseas Branches and Subsidiaries**	**Others**	**Total**
Net interest revenues (expenses)	$ 3,292	$ 4,591	$ 1,454	$ (2,059)	$ 7,278
Total net revenues (expenses)	$ 4,006	$ 8,431	$ 1,657	$ (1,704)	$ 12,390
Reversal of (provision for) bad-debt expenses and reversal of (provision for) losses on commitments and guarantees	(148)	72	(222)	(47)	(345)
Operating expenses	(1,200)	(5,162)	(642)	(417)	(7,421)
Income (loss) before income tax	$ 2,658	$ 3,341	$ 793	$ (2,168)	$ 4,624

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES
MARCH 31, 2023, DECEMBER 31, 2022 AND MARCH 31, 2022

Entities included in the consolidated financial statements

Investor Company	Investee Company	Location	Businesses and Products	Percentage of Ownership (%)			Note
				March 31, 2023	December 31, 2022	March 31, 2022	
E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	China	Banking	100.00	100.00	100.00	
	Union Commercial Bank PLC.	Cambodia	Banking	100.00	100.00	100.00	
	BankPro E-Service Technology Co., Ltd.	Taipei	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	Note

Entities did not include in the consolidated financial statements

Investor Company	Investee Company	Location	Businesses and Products	Percentage of Ownership (%)			Note
				March 31, 2023	December 31, 2022	March 31, 2022	
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
MARCH 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

Loans

March 31, 2023

Type	Account Volume or Name	Highest Balance for the Three Months Ended March 31, 2023 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	74	$ 34,480	$ 29,949	$ 29,949	$ -	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	418	3,033,287	2,811,500	2,811,500	-	Land and buildings	None
Other loans	Others	1,237,257	1,140,760	1,140,760	-	Land, buildings and plant	None

March 31, 2022

Type	Account Volume or Name	Highest Balance for the Three Months Ended March 31, 2022 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	101	$ 30,476	$ 26,258	$ 26,258	$ -	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	370	2,501,368	2,300,977	2,300,977	-	Land and buildings	None
Other loans	Others	1,098,647	979,198	979,198	-	Land, buildings and plant	None

Note: The sum of the respective highest balances of each account for the three months ended March 31, 2023 and 2022.

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INFORMATION ON FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES WITH SIGNIFICANT EFFECT
MARCH 31, 2023, DECEMBER 31, 2022 AND MARCH 31, 2022
(In Thousands)

	March 31, 2023			December 31, 2022			March 31, 2022		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets									
Monetary items									
USD	$ 24,639,819	30.4780	$ 750,972,403	$ 24,388,008	30.7240	$ 749,297,158	$ 23,203,352	28.6220	$ 664,126,341
CNY	26,048,535	4.4337	115,491,390	24,748,728	4.4076	109,082,494	22,904,104	4.5083	103,258,572
AUD	6,558,221	20.3410	133,400,773	6,552,826	20.8330	136,515,024	6,404,016	21.4040	137,071,558
Non-monetary items									
USD	829,130	30.4780	25,270,224	1,116,306	30.7240	34,297,386	531,032	28.6220	15,199,198
CNY	146,874	4.4337	651,195	78,701	4.4076	346,883	118,262	4.5083	533,161
AUD	4,267	20.3410	86,795	976	20.8330	20,333	328	21.4040	7,021
Financial liabilities									
Monetary items									
USD	$ 35,929,066	30.4780	$ 1,095,046,074	$ 38,168,195	30.7240	$ 1,172,679,623	$ 37,048,412	28.6220	$ 1,060,399,648
CNY	25,679,403	4.4337	113,854,769	23,148,601	4.4076	102,029,774	24,569,263	4.5083	110,765,608
AUD	3,092,168	20.3410	62,897,789	3,007,740	20.8330	62,660,247	3,026,162	21.4040	64,771,971
Non-monetary items									
USD	558,682	30.4780	17,027,510	821,086	30.7240	25,227,046	406,133	28.6220	11,624,339
CNY	66,258	4.4337	293,768	106,458	4.4076	469,224	51,712	4.5083	233,133
AUD	3,756	20.3410	76,401	8,431	20.8330	75,643	2,315	21.4040	49,550

E.SUN COMMERCIAL BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
MARCH 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, %)

Period			March 31, 2023					March 31, 2022				
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		$ 1,509,746	$ 468,326,029	0.32	$ 5,357,918	354.89	$ 1,024,604	$ 442,267,734	0.23	$ 5,040,423	491.94
	Unsecured		305,869	458,800,932	0.07	4,964,480	1,623.07	599,475	440,759,528	0.14	5,153,748	859.71
Consumer banking	Residential mortgage (Note 4)		230,220	530,668,428	0.04	7,759,026	3,370.27	228,637	506,379,463	0.05	7,408,120	3,240.12
	Cash card		-	652	-	11	-	206	857	24.04	221	107.28
	Small-scale credit loans (Note 5)		1,080,882	125,807,231	0.86	1,670,017	154.51	667,880	135,963,868	0.49	1,714,102	256.65
	Other (Note 6)	Secured	171,081	310,516,388	0.06	3,168,364	1,851.97	207,321	270,217,387	0.08	2,789,477	1,345.49
		Unsecured	-	2,686,951	-	29,250	-	214	3,002,683	0.01	32,175	15,035.05
Loan			3,297,798	1,896,806,611	0.17	22,949,066	695.89	2,728,337	1,798,591,520	0.15	22,138,266	811.42
			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			173,788	83,890,679	0.21	841,778	484.37	122,892	76,137,508	0.16	811,395	660.25
Accounts receivable factored without recourse (Note 7)			-	8,784,139	-	116,644	-	-	13,253,135	-	172,671	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			3,335					5,050				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			10,394					19,363				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			1,227,299					1,225,215				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			1,544,331					1,640,240				

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).

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 THREE MONTHS ENDED MARCH 31, 2023
(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	2018.11.09 2019.11.28	$ 745,300 (Note)	$650,544 has been paid as of March 31, 2023	Chun Yuan Construction Co., Ltd.	-	-	-	-	$ -	Tender	For the operation of the branch of E.SUN Bank	None
	Qingpu branch in Taoyuan	2022.08.19 2022.09.15	500,000	$150,000 has been paid as of March 31, 2023	Eight Point International Corp.	-	-	-	-	-	Appraisal report	For the operation of the branch of E.SUN Bank	None
	Xiaokuaishi branch in Taoyuan	2022.08.19	308,000	$61,600 has been paid as of March 31, 2023	Yang, Yang and Yang	-	-	-	-	-	Appraisal report	For the operation of the branch of E.SUN Bank	None

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 THREE MONTHS ENDED MARCH 31, 2023
(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, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2023	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Amount as of March 31, 2023	Accumulated Inward Remittance of Earnings as of March 31, 2023
					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	$ 36,991	$ 9,632,951	$ -

Accumulated Investment in Mainland China as of March 31, 2023	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
$9,758,742 (Note 1)	$9,758,742 (Note 1)	$119,062,727

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 assets 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 THREE MONTHS ENDED MARCH 31, 2023
(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	$ 7,259,815	Note 4	0.21
1	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	b	Deposits from the Central Bank and other banks	7,259,815	Note 4	0.21
0	E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	a	Discounts and loans	4,785,046	Note 4	0.14
2	Union Commercial Bank PLC.	E.SUN Commercial Bank, Ltd.	b	Other financial liabilities	4,785,046	Note 4	0.14
1	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	b	Due from the Central Bank and call loans to other banks	457,170	Note 4	0.01
0	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	a	Deposits from the Central Bank and other banks	457,170	Note 4	0.01
2	Union Commercial Bank PLC.	E.SUN Commercial Bank, Ltd.	b	Cash and cash equivalents	104,249	Note 4	-
0	E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	a	Deposits from the Central Bank and other banks	104,249	Note 4	-

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.