

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

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2023 and 2022 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

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

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of E.SUN Commercial Bank, Ltd. (the "Bank") and its subsidiaries (collectively, the "Company") as of September 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including material accounting policy information (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 September 30, 2023 and 2022, its consolidated financial performance for the three months ended September 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

November 13, 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)

ASSETS	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Note 6)	\$ 54,898,848	2	\$ 75,948,832	2	\$ 93,581,671	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7 and 39)	175,383,873	5	152,916,314	5	161,813,101	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 39)	314,902,874	9	355,947,222	10	429,831,604	13
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 39 and 41)	355,869,908	10	345,819,992	10	339,262,831	10
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 10, 15, 39 and 41)	442,706,623	12	401,405,743	12	338,466,333	10
FINANCIAL ASSETS FOR HEDGING, NET (Notes 4 and 11)	44,316	-	-	-	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 12)	4,547,401	-	7,881,831	-	-	-
RECEIVABLES, NET (Notes 13 and 38)	130,854,582	4	115,768,162	3	117,389,451	3
CURRENT TAX ASSETS (Notes 4 and 38)	15,676	-	15,423	-	112,953	-
DISCOUNTS AND LOANS, NET (Notes 14, 15, 38 and 39)	2,006,332,479	56	1,934,791,917	56	1,917,409,827	55
OTHER FINANCIAL ASSETS, NET (Note 16)	4,880,600	-	2,442,798	-	5,117,617	-
PROPERTIES AND EQUIPMENT, NET (Note 17)	34,041,341	1	34,067,033	1	33,698,659	1
RIGHT-OF-USE ASSETS, NET (Note 18)	6,881,465	-	7,005,143	-	6,647,907	-
INVESTMENT PROPERTIES, NET (Note 19)	2,112,907	-	2,071,205	-	2,107,150	-
INTANGIBLE ASSETS, NET (Note 20)	6,299,449	-	6,076,961	-	6,077,382	-
DEFERRED TAX ASSETS (Note 4)	3,573,892	-	3,380,119	-	3,353,684	-
OTHER ASSETS, NET (Notes 18, 21 and 38)	<u>20,766,035</u>	<u>1</u>	<u>12,485,250</u>	<u>1</u>	<u>12,785,618</u>	<u>-</u>
TOTAL	<u>\$ 3,564,112,269</u>	<u>100</u>	<u>\$ 3,458,023,945</u>	<u>100</u>	<u>\$ 3,467,655,788</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS (Note 22)	\$ 41,016,586	1	\$ 72,514,434	2	\$ 90,006,586	3
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 26)	106,786,090	3	89,569,651	3	127,118,868	4
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 9, 10 and 23)	23,396,386	1	18,495,295	-	17,319,141	1
PAYABLES (Notes 24 and 38)	37,934,017	1	30,054,581	1	31,290,165	1
CURRENT TAX LIABILITIES (Notes 4 and 38)	1,631,963	-	1,691,586	-	1,429,140	-
DEPOSITS AND REMITTANCES (Notes 25 and 38)	2,970,985,673	84	2,904,381,354	84	2,855,818,182	82
BANK DEBENTURES (Note 26)	38,250,000	1	37,850,000	1	35,550,000	1
OTHER FINANCIAL LIABILITIES (Notes 19, 27 and 38)	110,661,373	3	101,041,886	3	119,033,729	3
PROVISIONS (Note 28)	1,037,811	-	1,104,994	-	1,101,507	-
LEASE LIABILITIES (Note 18)	4,105,218	-	4,169,899	-	3,760,809	-
DEFERRED TAX LIABILITIES (Note 4)	2,436,856	-	1,882,213	-	1,752,069	-
OTHER LIABILITIES (Notes 30 and 38)	<u>4,131,535</u>	<u>-</u>	<u>3,723,044</u>	<u>-</u>	<u>3,547,198</u>	<u>-</u>
Total liabilities	<u>3,342,373,508</u>	<u>94</u>	<u>3,266,478,937</u>	<u>94</u>	<u>3,287,727,394</u>	<u>95</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK</b>						
Capital stock						
Common stock	<u>117,072,000</u>	<u>3</u>	<u>103,637,000</u>	<u>3</u>	<u>103,637,000</u>	<u>3</u>
Capital surplus						
Additional paid-in capital from share issuance in excess of par value	34,244,076	1	26,973,959	1	26,973,959	1
From treasury stock transactions	483	-	483	-	483	-
Others	<u>463,641</u>	<u>-</u>	<u>437,709</u>	<u>-</u>	<u>325,362</u>	<u>-</u>
Total capital surplus	<u>34,708,200</u>	<u>1</u>	<u>27,412,151</u>	<u>1</u>	<u>27,299,804</u>	<u>1</u>
Retained earnings						
Legal reserve	54,176,055	2	49,846,034	2	49,846,034	2
Special reserve	5,404,390	-	1,133,012	-	1,133,012	-
Unappropriated earnings	<u>14,034,129</u>	<u>-</u>	<u>14,442,990</u>	<u>-</u>	<u>10,260,877</u>	<u>-</u>
Total retained earnings	<u>73,614,574</u>	<u>2</u>	<u>65,422,036</u>	<u>2</u>	<u>61,239,923</u>	<u>2</u>
Other equity	<u>(3,830,993)</u>	<u>-</u>	<u>(5,101,537)</u>	<u>-</u>	<u>(12,411,901)</u>	<u>(1)</u>
Total equity attributable to owners of the Bank	221,563,781	6	191,369,650	6	179,764,826	5
NON-CONTROLLING INTERESTS	<u>174,980</u>	<u>-</u>	<u>175,358</u>	<u>-</u>	<u>163,568</u>	<u>-</u>
Total equity	<u>221,738,761</u>	<u>6</u>	<u>191,545,008</u>	<u>6</u>	<u>179,928,394</u>	<u>5</u>
TOTAL	<u>\$ 3,564,112,269</u>	<u>100</u>	<u>\$ 3,458,023,945</u>	<u>100</u>	<u>\$ 3,467,655,788</u>	<u>100</u>

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

# E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 31 and 38)	\$ 21,639,484	141	\$ 14,486,302	104	\$ 61,422,570	137	\$ 35,810,360	95
INTEREST EXPENSE (Notes 31 and 38)	<u>(14,310,503)</u>	<u>(93)</u>	<u>(6,815,515)</u>	<u>(49)</u>	<u>(40,267,649)</u>	<u>(90)</u>	<u>(13,089,984)</u>	<u>(35)</u>
NET INTEREST	<u>7,328,981</u>	<u>48</u>	<u>7,670,787</u>	<u>55</u>	<u>21,154,921</u>	<u>47</u>	<u>22,720,376</u>	<u>60</u>
NET REVENUES AND GAINS OTHER THAN INTEREST								
Service fee income, net (Notes 32 and 38)	4,946,126	32	4,215,582	30	13,966,562	32	12,856,041	34
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Note 33)	2,301,914	15	449,796	3	8,072,452	18	(28,681)	-
Realized gains on financial assets at fair value through other comprehensive income (Note 9)	506,685	3	978,426	7	1,260,308	3	1,401,567	4
Foreign exchange gains, net	268,836	2	529,659	4	75,616	-	540,662	1
Reversal of impairment losses (impairment losses) on assets	1,400	-	(2,352)	-	4,703	-	(1,728)	-
Other noninterest gains, net (Note 38)	<u>37,951</u>	<u>-</u>	<u>68,425</u>	<u>1</u>	<u>118,509</u>	<u>-</u>	<u>215,824</u>	<u>1</u>
Total net revenues and gains other than interest	<u>8,062,912</u>	<u>52</u>	<u>6,239,536</u>	<u>45</u>	<u>23,498,150</u>	<u>53</u>	<u>14,983,685</u>	<u>40</u>
TOTAL NET REVENUES	<u>15,391,893</u>	<u>100</u>	<u>13,910,323</u>	<u>100</u>	<u>44,653,071</u>	<u>100</u>	<u>37,704,061</u>	<u>100</u>
PROVISION FOR BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES (Note 14)	<u>(566,797)</u>	<u>(4)</u>	<u>(616,144)</u>	<u>(5)</u>	<u>(989,985)</u>	<u>(2)</u>	<u>(1,493,555)</u>	<u>(4)</u>
OPERATING EXPENSES (Notes 4, 17, 18, 19, 20, 29, 34 and 38)								
Employee benefits	(3,865,422)	(25)	(3,106,191)	(22)	(11,127,120)	(25)	(9,537,574)	(25)
Depreciation and amortization	(947,237)	(6)	(896,310)	(6)	(2,801,546)	(6)	(2,705,720)	(7)
General and administrative	<u>(4,610,962)</u>	<u>(30)</u>	<u>(3,692,148)</u>	<u>(27)</u>	<u>(12,273,826)</u>	<u>(28)</u>	<u>(10,174,880)</u>	<u>(27)</u>
Total operating expenses	<u>(9,423,621)</u>	<u>(61)</u>	<u>(7,694,649)</u>	<u>(55)</u>	<u>(26,202,492)</u>	<u>(59)</u>	<u>(22,418,174)</u>	<u>(59)</u>
INCOME BEFORE INCOME TAX	5,401,475	35	5,599,530	40	17,460,594	39	13,792,332	37
INCOME TAX EXPENSE (Notes 4 and 35)	<u>(967,686)</u>	<u>(6)</u>	<u>(1,152,247)</u>	<u>(8)</u>	<u>(3,510,453)</u>	<u>(8)</u>	<u>(3,032,754)</u>	<u>(8)</u>
NET INCOME FOR THE PERIOD	<u>4,433,789</u>	<u>29</u>	<u>4,447,283</u>	<u>32</u>	<u>13,950,141</u>	<u>31</u>	<u>10,759,578</u>	<u>29</u>

(Continued)

# E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 35)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	\$ (400,479)	(3)	\$ (1,653,296)	(12)	\$ 1,269,629	3	\$ (3,443,736)	(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	529,583	4	348,016	3	(1,399,118)	(3)	278,024	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	2,596	-	38,140	-	2,779	-	66,825	-
Items that will not be reclassified subsequently to profit or loss, net of income tax	131,700	1	(1,267,140)	(9)	(126,710)	-	(3,098,887)	(8)
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on the translation of financial statements of foreign operations	1,458,701	9	1,762,368	13	1,349,024	3	3,593,382	10
Unrealized gains (losses) on investments in debt instruments at fair value through other comprehensive income	(1,071,013)	(7)	(3,186,959)	(23)	319,017	1	(13,375,022)	(36)
Income tax relating to items that may be reclassified subsequently to profit or loss	(27,860)	-	6,554	-	(182,250)	(1)	804,302	2
Items that may be reclassified subsequently to profit or loss, net of income tax	359,828	2	(1,418,037)	(10)	1,485,791	3	(8,977,338)	(24)
Other comprehensive income (loss) for the period, net of income tax	491,528	3	(2,685,177)	(19)	1,359,081	3	(12,076,225)	(32)
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 4,925,317	32	\$ 1,762,106	13	\$ 15,309,222	34	\$ (1,316,647)	(3)
NET INCOME								
ATTRIBUTABLE TO:								
Owners of the Bank	\$ 4,430,341	29	\$ 4,445,216	32	\$ 13,939,250	31	\$ 10,746,465	29
Non-controlling interests	3,448	-	2,067	-	10,891	-	13,113	-
	\$ 4,433,789	29	\$ 4,447,283	32	\$ 13,950,141	31	\$ 10,759,578	29

(Continued)

## E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
TOTAL COMPREHENSIVE								
INCOME (LOSS)								
ATTRIBUTABLE TO:								
Owners of the Bank	\$ 4,921,688	32	\$ 1,759,697	13	\$ 15,298,082	34	\$ (1,330,451)	(3)
Non-controlling interests	<u>3,629</u>	<u>-</u>	<u>2,409</u>	<u>-</u>	<u>11,140</u>	<u>-</u>	<u>13,804</u>	<u>-</u>
	<u>\$ 4,925,317</u>	<u>32</u>	<u>\$ 1,762,106</u>	<u>13</u>	<u>\$ 15,309,222</u>	<u>34</u>	<u>\$ (1,316,647)</u>	<u>(3)</u>
EARNINGS PER SHARE (NEW								
TAIWAN DOLLARS;								
Note 36)								
Basic	<u>\$ 0.38</u>		<u>\$ 0.41</u>		<u>\$ 1.23</u>		<u>\$ 0.98</u>	

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

(Concluded)

**E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Bank										
							Other Equity			Non-controlling Interests (Note 37)	Total Equity
							Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 9 and 35)	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss		
	Capital Stock (Note 37)	Capital Surplus (Note 37)	Retained Earnings (Notes 9, 35 and 37)								
	Shares (In Thousands)	Common Stock		Legal Reserve	Special Reserve	Unappropriated Earnings					
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
Appropriation of 2022 earnings											
Legal reserve	-	-	-	4,330,021	-	(4,330,021)	-	-	-	-	-
Special reserve	-	-	-	-	4,271,378	(4,271,378)	-	-	-	-	-
Stock dividends	583,500	5,835,000	-	-	-	(5,835,000)	-	-	-	-	-
Share-based payment arrangements involving ESFHC's common stock	-	-	896,049	-	-	-	-	-	-	2,282	898,331
Issuance of shares for cash	760,000	7,600,000	6,400,000	-	-	-	-	-	-	-	14,000,000
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	(13,800)	(13,800)
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	88,288	-	(88,288)	-	-	-
Net income for the nine months ended September 30, 2023	-	-	-	-	-	13,939,250	-	-	-	10,891	13,950,141
Other comprehensive income (loss) for the nine months ended September 30, 2023, net of income tax	-	-	-	-	-	-	1,079,020	1,678,930	(1,399,118)	249	1,359,081
Total comprehensive income (loss) for the nine months ended September 30, 2023	-	-	-	-	-	13,939,250	1,079,020	1,678,930	(1,399,118)	11,140	15,309,222
BALANCE AT SEPTEMBER 30, 2023	11,707,200	\$ 117,072,000	\$ 34,708,200	\$ 54,176,055	\$ 5,404,390	\$ 14,034,129	\$ 664,360	\$ (8,890,536)	\$ 4,395,183	\$ 174,980	\$ 221,738,761
BALANCE AT JANUARY 1, 2022	9,893,700	\$ 98,937,000	\$ 26,978,796	\$ 44,398,657	\$ 302,853	\$ 18,160,055	\$ (2,666,984)	\$ 2,488,252	\$ (651,427)	\$ 169,084	\$ 188,116,286
Appropriation of 2021 earnings											
Legal reserve	-	-	-	5,447,377	-	(5,447,377)	-	-	-	-	-
Special reserve	-	-	-	-	830,159	(830,159)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(7,172,933)	-	-	-	-	(7,172,933)
Stock dividends	470,000	4,700,000	-	-	-	(4,700,000)	-	-	-	-	-
Share-based payment arrangements involving ESFHC's common stock	-	-	321,008	-	-	-	-	-	-	-	321,008
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	(19,320)	(19,320)
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(495,174)	-	495,174	-	-	-
Net income for the nine months ended September 30, 2022	-	-	-	-	-	10,746,465	-	-	-	13,113	10,759,578
Other comprehensive income (loss) for the nine months ended September 30, 2022, net of income tax	-	-	-	-	-	-	2,874,153	(15,229,093)	278,024	691	(12,076,225)
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	-	10,746,465	2,874,153	(15,229,093)	278,024	13,804	(1,316,647)
BALANCE AT SEPTEMBER 30, 2022	10,363,700	\$ 103,637,000	\$ 27,299,804	\$ 49,846,034	\$ 1,133,012	\$ 10,260,877	\$ 207,169	\$ (12,245,667)	\$ (373,403)	\$ 163,568	\$ 179,928,394

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)

	For the Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 17,460,594	\$ 13,792,332
Adjustments for:		
Depreciation expenses	2,283,728	2,177,950
Amortization expenses	517,818	527,770
Expected credit losses/bad-debt expenses	1,071,421	1,479,371
Losses (gains) on financial assets and liabilities at fair value through profit or loss	(8,072,452)	28,681
Interest expense	40,267,649	13,089,984
Interest revenue	(61,422,570)	(35,810,360)
Dividend income	(926,731)	(1,356,406)
Provision for losses on guarantees	(78,416)	2,701
Salary expenses on share-based payments	898,331	321,008
Losses (gains) on disposal of properties and equipment	604	(5,061)
Gains on disposal of investments	(333,577)	(45,161)
Others	(3,224)	(6,106)
Net changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	(15,414,300)	(1,173,047)
Financial assets at fair value through profit or loss	78,628,407	121,780,692
Financial assets at fair value through other comprehensive income	(2,865,744)	(9,577,934)
Investments in debt instruments at amortized cost	(38,841,102)	(25,711,985)
Receivables	(12,020,404)	(6,312,248)
Discounts and loans	(72,978,369)	(150,258,522)
Other financial assets	(2,437,801)	1,390,900
Other assets	(494,573)	(360,887)
Deposits from the Central Bank and other banks	(31,497,848)	6,525,428
Financial liabilities at fair value through profit or loss	(16,675,217)	(81,078,685)
Securities sold under repurchase agreements	4,901,091	670,502
Payables	2,925,041	4,982,727
Deposits and remittances	66,604,319	157,747,375
Other financial liabilities	11,292,370	27,211,273
Other liabilities	412,023	(50,578)
Cash generated from (used in) generated from operations	(36,798,932)	39,981,714
Interest received	60,568,251	35,712,318
Dividends received	958,679	1,379,412
Interest paid	(36,420,442)	(11,354,966)
Income tax paid	(3,462,751)	(2,890,774)
Net cash generated from (used in) operating activities	(15,155,195)	62,827,704

(Continued)

# **E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES**

## **CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In Thousands of New Taiwan Dollars)**

	<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for properties and equipment	\$ (1,829,814)	\$ (1,729,260)
Proceeds from disposal of properties and equipment	269	36,252
Increase in refundable deposits	(7,786,192)	(7,516,229)
Payments for intangible assets	(222,189)	(161,545)
Payments for right-of-use assets	<u>(1,686)</u>	<u>(103)</u>
Net cash used in investing activities	<u>(9,839,612)</u>	<u>(9,370,885)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	-	1,365,789
Decrease in short-term borrowings	(2,892,932)	-
Decrease in due to the Central Bank and other banks	-	(14,021,010)
Proceeds from issue of bank debentures	1,900,000	11,100,000
Repayments of bank debentures	(1,500,000)	(9,820,000)
Repayments of long-term borrowings	(6,630)	(9,202)
Increase in financial liabilities designated at fair value through profit or loss	1,575,323	-
Increase in guarantee deposits received	1,177,587	24,999,538
Repayments of the principal portion of lease liabilities	(849,832)	(823,454)
Cash dividends paid to owners of the Bank	-	(7,172,933)
Proceeds from issuance of shares	14,000,000	-
Cash dividends paid to non-controlling interests	<u>(13,800)</u>	<u>(19,320)</u>
Net cash generated from financing activities	<u>13,389,716</u>	<u>5,599,408</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(5,726,064)</u>	<u>(15,216,411)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(17,331,155)</u>	<u>43,839,816</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>115,481,287</u>	<u>104,486,305</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 98,150,132</u>	<u>\$ 148,326,121</u>

(Continued)

## E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	<u>September 30</u>	
	<u>2023</u>	<u>2022</u>
RECONCILIATIONS OF THE AMOUNTS IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THE EQUIVALENT ITEMS REPORTED IN THE CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2023 AND 2022		
Cash and cash equivalents in the consolidated balance sheets	\$ 54,898,848	\$ 93,581,671
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”	38,703,883	54,744,450
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>4,547,401</u>	<u>-</u>
Cash and cash equivalents at the end of the period	<u>\$ 98,150,132</u>	<u>\$ 148,326,121</u>

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

(Concluded)

# **E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES**

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

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### **1. ORGANIZATION AND OPERATIONS**

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

As of September 30, 2023, the Bank had 153 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, 9 overseas branches, and 138 domestic branches.

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

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

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

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

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

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

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

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

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

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

For the nine months ended September 30, 2023 and 2022, the average number of employees of the Company (ESBC, UCB and BankPro excluded) was 8,600 and 8,422, respectively. For the nine months ended September 30, 2023 and 2022, the average number of employees of ESBC, UCB and BankPro was 997 and 941, respectively.

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

## 2. APPROVAL OF FINANCIAL STATEMENTS

The board of directors of the Bank, in their meeting on November 13, 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 endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

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

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

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.

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

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

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

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

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 MATERIAL ACCOUNTING POLICY INFORMATION**

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 material 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 material accounting policy information.

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 judgments 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 judgments 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

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$ 14,926,233	\$ 21,309,710	\$ 15,602,675
Checks for clearing	6,846,533	8,558,300	2,363,313
Due from banks	32,878,622	45,841,307	75,647,002
Cash in transit	<u>276,761</u>	<u>275,192</u>	<u>3,508</u>
	54,928,149	75,984,509	93,616,498
Less: Allowance for possible losses	<u>(29,301)</u>	<u>(35,677)</u>	<u>(34,827)</u>
	<u>\$ 54,898,848</u>	<u>\$ 75,948,832</u>	<u>\$ 93,581,671</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of September 30, 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, ending balance in the consolidated balance sheets	\$ 75,948,832
Due from the Central Bank and call loans to other banks in accordance with cash and cash equivalents under IAS 7 "Statement of Cash Flows"	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"	<u>7,881,831</u>
Cash and cash equivalents, ending balance in the consolidated statements of cash flows	<u>\$ 115,481,287</u>



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

	September 30, 2023	December 31, 2022	September 30, 2022
Deposit reserves - account A	\$ 35,955,737	\$ 36,803,658	\$ 24,058,325
Deposit reserves - account B	70,188,813	63,704,247	61,366,582
Reserves for deposits - foreign currency deposits	742,624	777,317	809,574
Due from the Central Bank - other	17,768,116	21,298,772	17,219,234
Deposit in the Central Bank - deposits of government agencies	6,581	5,458	5,837
Call loans to banks	<u>50,737,588</u>	<u>30,360,654</u>	<u>58,417,513</u>
	175,399,459	152,950,106	161,877,065
Less: Allowance for possible losses	<u>(15,586)</u>	<u>(33,792)</u>	<u>(63,964)</u>
	<u>\$ 175,383,873</u>	<u>\$ 152,916,314</u>	<u>\$ 161,813,101</u>

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

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

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

## 8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>			
Negotiable certificates of deposit	\$ 19,135,197	\$ 76,508,885	\$ 96,330,443
Commercial paper	107,254,556	94,737,469	75,614,044
Treasury bills	1,953,511	1,933,379	16,981,932
Corporate bonds	53,897,646	63,547,802	66,965,131
Bank debentures	46,593,042	48,509,761	49,540,331
Overseas bonds	6,422,027	8,477,240	-
Listed stocks	868,326	517,682	401,990
Currency swap contracts	46,784,007	33,337,361	87,343,086
Interest rate swap contracts	28,178,734	24,699,752	29,375,756
Currency option contracts	1,896,298	1,884,884	3,902,792
Forward contracts	749,824	721,165	1,155,783
Futures exchange margins	128,562	86,071	95,624
Non-deliverable forward contracts	968,046	829,893	2,039,177
Metal commodity swap contracts	67	-	280
Cross-currency swap contracts	64,805	155,242	58,975
			(Continued)

	September 30, 2023	December 31, 2022	September 30, 2022
Credit default swap contracts	\$ -	\$ 636	\$ 26,260
Interest rate option contracts	<u>8,226</u>	<u>-</u>	<u>-</u>
	<u>\$ 314,902,874</u>	<u>\$ 355,947,222</u>	<u>\$ 429,831,604</u>

Held-for-trading financial liabilities

Currency swap contracts	\$ 32,659,688	\$ 25,884,719	\$ 50,993,779
Interest rate swap contracts	31,948,630	22,058,694	22,305,128
Currency option contracts	2,266,661	2,579,681	4,978,773
Forward contracts	695,148	530,768	1,231,968
Non-deliverable forward contracts	642,079	296,913	855,473
Cross-currency swap contracts	306,147	330,854	1,349,324
Credit default swap contracts	13,919	22,468	7,693
Metal commodity swap contracts	1,618	1,044	619
Interest rate option contracts	<u>258,009</u>	<u>59,421</u>	<u>92,510</u>
	<u>68,791,899</u>	<u>51,764,562</u>	<u>81,815,267</u>

Financial liabilities designated as at fair value through profit or loss

Bank debentures (Note 26)	<u>37,994,191</u>	<u>37,805,089</u>	<u>45,303,601</u>
	<u>\$ 106,786,090</u>	<u>\$ 89,569,651</u>	<u>\$ 127,118,868</u> (Concluded)

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

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

The contract (nominal) amounts of derivative transactions by the Company as of September 30, 2023, December 31, 2022 and September 30, 2022 were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Currency swap contracts	\$ 1,798,404,795	\$ 1,626,401,629	\$ 1,839,430,948
Interest rate swap contracts	918,391,559	883,116,053	928,963,392
Currency option contracts	331,811,496	276,153,216	377,272,315
Interest rate option contracts	16,322,880	14,000,000	12,000,000
Forward contracts	55,196,771	38,615,247	59,122,776
Non-deliverable forward contracts	50,599,517	26,896,489	43,869,723
Cross-currency swap contracts	12,587,527	14,622,702	20,561,947
Metal commodity swap contracts	36,333	13,613	13,900
Credit default swap contracts	3,237,210	3,177,860	2,833,850
Interest rate futures contracts	782,578	49,158	476,220
Commodity futures contracts	36,337	39,403	84,196

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Investments in equity instruments at FVTOCI	\$ 13,384,720	\$ 13,208,413	\$ 12,989,218
Investments in debt instruments at FVTOCI	<u>342,485,188</u>	<u>332,611,579</u>	<u>326,273,613</u>
	<u>\$ 355,869,908</u>	<u>\$ 345,819,992</u>	<u>\$ 339,262,831</u>

a. Investments in equity instruments at FVTOCI

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Listed shares	\$ 12,140,764	\$ 12,074,935	\$ 11,781,919
Unlisted shares	<u>1,243,956</u>	<u>1,133,478</u>	<u>1,207,299</u>
	<u>\$ 13,384,720</u>	<u>\$ 13,208,413</u>	<u>\$ 12,989,218</u>

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

For the nine months ended September 30, 2023 and 2022, the Company sold shares of stocks for \$5,991,480 thousand and \$11,879,798 thousand, respectively, for the return on investment positions and risk management. The related other equity - unrealized gains of \$88,288 thousand and unrealized losses of \$495,174 thousand on financial assets at FVTOCI were transferred to retained earnings, respectively.

Dividend income of \$926,731 thousand and \$1,356,406 thousand were recognized in profit or loss for the nine months ended September 30, 2023 and 2022, respectively. The dividends related to investments held at the end of the reporting period were \$914,926 thousand and \$1,318,456 thousand, respectively.

b. Investments in debt instruments at FVTOCI

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Bank debentures	\$ 165,516,577	\$ 165,856,290	\$ 162,994,327
Government bonds	47,553,013	53,132,650	53,001,714
Corporate bonds	113,041,172	103,810,275	102,470,739
Overseas bonds	16,362,308	9,483,988	7,451,514
Negotiable certificates of deposit	-	307,871	319,198
Discounted note	<u>12,118</u>	<u>20,505</u>	<u>36,121</u>
	<u>\$ 342,485,188</u>	<u>\$ 332,611,579</u>	<u>\$ 326,273,613</u>

As of September 30, 2023, December 31, 2022 and September 30, 2022, the investments in debt instruments at FVTOCI, which amounted to \$17,730,420 thousand, \$19,335,552 thousand and \$15,547,056 thousand, respectively, had been sold under repurchase agreements.

Refer to Note 41 for information relating to their credit risk management and impairment.

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

#### 10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	September 30, 2023	December 31, 2022	September 30, 2022
Overseas bonds	\$ 44,082,554	\$ 33,694,068	\$ 29,976,681
Bank debentures	51,748,615	46,605,479	47,596,619
Corporate bonds	22,592,627	14,951,609	13,893,701
Negotiable certificates of deposit	302,705,760	286,077,350	238,278,160
Government bonds	21,613,990	19,929,604	8,574,270
Securitization products	-	178,794	169,323
	<u>442,743,546</u>	<u>401,436,904</u>	<u>338,488,754</u>
Less: Allowance for impairment loss	<u>(36,923)</u>	<u>(31,161)</u>	<u>(22,421)</u>
	<u>\$ 442,706,623</u>	<u>\$ 401,405,743</u>	<u>\$ 338,466,333</u>

As of September 30, 2023, December 31, 2022 and September 30, 2022, the investments in debt instruments at amortized cost, which amounted to \$6,144,515 thousand, \$946,453 thousand and \$2,940,487 thousand, respectively, had been sold under repurchase agreements.

Refer to Note 41 for information relating to their credit risk management and impairment.

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

#### 11. FINANCIAL INSTRUMENTS FOR HEDGING

September 30,  
2023

##### Financial assets for hedging

Fair value hedge - interest rate swaps \$ 44,316

##### 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:

September 30, 2023

Hedging Instrument	Contract Amount	Maturity	Line Item in Balance Sheet	Carrying Amount of Assets	Change in Value Used for Calculating Hedge Ineffectiveness
Fair value hedge					
Interest rate swap contracts	\$ 645,760	2031.10.29	Financial assets for hedging	\$ 44,316	\$ 44,349

<b>Hedged Item</b>	<b>Carrying Amount of Assets</b>	<b>Accumulated Amount of Fair Value Hedge Adjustments of Assets</b>	<b>Change in Value Used for Calculating Hedge Ineffectiveness</b>
Fair value hedge			
Interest rate risk			
Financial assets at FVTOCI	\$ 509,297	\$ (43,416)	\$ (43,416)

For the nine months ended September 30, 2023

<b>Impact on Comprehensive Income</b>	<b>Amount of Hedge Ineffectiveness Recognized in Comprehensive Income (Loss)</b>		<b>Line Item in Which Hedge Ineffectiveness Is Included in Comprehensive Income</b>
	<b>For the Three Months Ended September 30, 2023</b>	<b>For the Nine Months Ended September 30, 2023</b>	
Fair value hedge			
Interest rate risk			
Financial assets at FVTOCI	\$ 2,671	\$ 900	Other non-interest gains, net

## 12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$4,547,401 thousand and \$7,881,831 thousand under resell agreements as of September 30, 2023 and December 31, 2022, respectively, would subsequently be sold for \$4,551,799 thousand and \$7,899,935 thousand, respectively.

## 13. RECEIVABLES, NET

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Receivables on credit cards	\$ 104,851,095	\$ 93,047,186	\$ 92,241,758
Accounts receivable factored without recourse	9,979,840	10,412,770	12,999,159
Accrued interest	11,695,085	8,728,662	7,008,769
Accounts receivable	2,875,020	1,971,176	2,923,310
Acceptances	1,254,578	1,381,774	1,776,314
Others	<u>1,931,725</u>	<u>2,117,388</u>	<u>2,318,449</u>
	132,587,343	117,658,956	119,267,759
Less: Allowance for possible losses	<u>(1,732,761)</u>	<u>(1,890,794)</u>	<u>(1,878,308)</u>
	<u>\$ 130,854,582</u>	<u>\$ 115,768,162</u>	<u>\$ 117,389,451</u>

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

For the nine months ended September 30, 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	(455)	874	(419)	-	-	-
Credit-impaired financial assets	(897)	(20,251)	21,148	-	-	-
12-month ECL	13,869	(13,030)	(839)	-	-	-
Derecognition of financial assets in the reporting period	(6,162)	(2,947)	(24,409)	(33,518)	-	(33,518)
New financial assets purchased or originated	6,000	2,428	8,710	17,138	-	17,138
Difference of impairment loss under regulations	-	-	-	-	(340,026)	(340,026)
Write-offs	-	-	(429,203)	(429,203)	-	(429,203)
Recovery of written-off receivables	-	-	341,939	341,939	-	341,939
Change in model or risk parameters	(47,584)	31,396	306,586	290,398	-	290,398
Change in exchange rates or others	31	23	1,847	1,901	(6,662)	(4,761)
Balance at September 30, 2023	<u>\$ 87,312</u>	<u>\$ 37,130</u>	<u>\$ 651,745</u>	<u>\$ 776,187</u>	<u>\$ 956,574</u>	<u>\$ 1,732,761</u>

For the nine months ended September 30, 2022

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

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

For the nine months ended September 30, 2023

<b>Gross Carrying Amount</b>	<b>12-month ECL</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL (Credit-impaired Financial Assets)</b>	<b>Total</b>
Balance at January 1, 2023	\$ 114,782,667	\$ 291,493	\$ 2,584,796	\$ 117,658,956
Transfers to				
Lifetime ECL	(278,554)	279,922	(1,368)	-
Credit-impaired financial assets	(574,301)	(145,927)	720,228	-
12-month ECL	102,204	(99,522)	(2,682)	-
Derecognition of financial assets in the reporting period	(18,064,497)	(27,294)	(489,942)	(18,581,733)
New financial assets purchased or originated	33,797,179	60,691	65,266	33,923,136
Write-offs	-	-	(429,203)	(429,203)
Change in exchange rates or others	<u>13,520</u>	<u>293</u>	<u>2,374</u>	<u>16,187</u>
Balance at September 30, 2023	<u>\$ 129,778,218</u>	<u>\$ 359,656</u>	<u>\$ 2,449,469</u>	<u>\$ 132,587,343</u>

For the nine months ended September 30, 2022

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

## 14. DISCOUNTS AND LOANS, NET

	September 30, 2023	December 31, 2022	September 30, 2022
Loans			
Short-term	\$ 295,762,146	\$ 298,077,932	\$ 301,400,449
Medium-term	540,786,137	520,695,187	509,171,474
Long-term	1,189,828,001	1,135,959,195	1,125,822,413
Overdue loans	3,237,175	2,594,751	2,623,052
Bills negotiated and discounts	<u>1,707,621</u>	<u>1,940,308</u>	<u>2,356,904</u>
	2,031,321,080	1,959,267,373	1,941,374,292
Less: Allowance for possible losses	(24,959,043)	(24,457,810)	(23,988,658)
Adjustment of premium or discount	<u>(29,558)</u>	<u>(17,646)</u>	<u>24,193</u>
	<u>\$ 2,006,332,479</u>	<u>\$ 1,934,791,917</u>	<u>\$ 1,917,409,827</u>

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

As of September 30, 2023, December 31, 2022 and September 30, 2022, the loan and credit balances of the Bank, for which the accrual of interest revenues was discontinued, amounted to \$2,807,030 thousand, \$2,575,008 thousand and \$2,602,163 thousand, respectively. The unrecognized interest revenues on these loans and credits of the Bank were \$53,396 thousand and \$30,714 thousand for the nine months ended September 30, 2023 and 2022, respectively.

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

### For the nine months ended September 30, 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	(8,865)	24,482	(15,617)	-	-	-
Credit-impaired financial assets	(11,250)	(244,419)	255,669	-	-	-
12-month ECL	149,599	(118,212)	(31,387)	-	-	-
Derecognition of financial assets in the reporting period	(317,004)	(52,487)	(345,231)	(714,722)	-	(714,722)
New financial assets purchased or originated	727,205	257,461	573,728	1,558,394	-	1,558,394
Difference of impairment loss under regulations	-	-	-	-	(222,302)	(222,302)
Write-offs	-	-	(1,186,151)	(1,186,151)	-	(1,186,151)
Recovery of written-off credits	-	-	425,255	425,255	-	425,255
Change in model or risk parameters	(449,552)	623,466	358,251	532,165	-	532,165
Change in exchange rates or others	<u>13,238</u>	<u>164</u>	<u>3,972</u>	<u>17,374</u>	<u>91,220</u>	<u>108,594</u>
Balance at September 30, 2023	<u>\$ 1,698,269</u>	<u>\$ 1,997,839</u>	<u>\$ 3,169,458</u>	<u>\$ 6,865,566</u>	<u>\$ 18,093,477</u>	<u>\$ 24,959,043</u>



For the nine months ended September 30, 2022

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

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

For the nine months ended September 30, 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	(3,051,082)	3,195,050	(143,968)	-
Credit-impaired financial assets	(1,737,231)	(699,631)	2,436,862	-
12-month ECL	1,013,768	(660,885)	(352,883)	-
Derecognition of financial assets in the reporting period	(556,034,481)	(1,950,643)	(2,041,059)	(560,026,183)
New financial assets purchased or originated	629,116,772	1,797,963	1,296,081	632,210,816
Write-offs	-	-	(1,186,151)	(1,186,151)
Change in exchange rates or others	<u>1,028,794</u>	<u>7,696</u>	<u>18,735</u>	<u>1,055,225</u>
Balance at September 30, 2023	<u>\$ 2,013,053,469</u>	<u>\$ 9,557,511</u>	<u>\$ 8,710,100</u>	<u>\$ 2,031,321,080</u>

For the nine months ended September 30, 2022

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

The bad-debt expenses and provision for losses on commitments and guarantees for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022 were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Provision (reversal of provision) for possible losses on due from banks	\$ 56	\$ 251	\$ (7,723)	\$ 13,211
Provision (reversal of provision) for possible losses on call loans to other banks	(12,053)	11,534	(19,468)	13,192
Provision (reversal of provision) for possible losses on receivables	1,880	53,667	(66,008)	(199,262)
Provision for possible losses on discounts and loans	556,680	551,766	1,153,535	1,656,183
Reversal of provision for possible losses on remittance	-	-	-	(10)
Provision (reversal of provision) for possible losses on guarantees	(9,676)	(816)	(78,416)	2,701
Provision (reversal of provision) for possible losses on financing commitments	<u>29,910</u>	<u>(258)</u>	<u>8,065</u>	<u>7,540</u>
	<u>\$ 566,797</u>	<u>\$ 616,144</u>	<u>\$ 989,985</u>	<u>\$ 1,493,555</u>

The FSC stipulated that banks should make at least 1.5% provisions each for sound credit assets in mainland China (pertaining to short-term advances for trade finance) and loans for house purchases, renovations and constructions. As of September 30, 2023, December 31, 2022 and September 30, 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.

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

- b. As of September 30, 2023, December 31, 2022 and September 30, 2022, the carrying amounts of the unconsolidated structured entities recognized by the Bank were as below:

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Assets securitization products and asset-based loan</u>			
Investments in debt instruments at amortized cost	\$ -	\$ 177,156	\$ 167,749
Discounts and loans	<u>-</u>	<u>780,184</u>	<u>738,856</u>
	<u>\$ -</u>	<u>\$ 957,340</u>	<u>\$ 906,605</u>

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

#### 16. OTHER FINANCIAL ASSETS, NET

	September 30, 2023	December 31, 2022	September 30, 2022
Due from banks	<u>\$ 4,880,600</u>	<u>\$ 2,442,798</u>	<u>\$ 5,117,617</u>

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

#### 17. PROPERTIES AND EQUIPMENT, NET

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Carrying amount</u>			
Land	\$ 14,622,892	\$ 14,382,742	\$ 14,393,574
Buildings	13,733,361	12,836,705	12,794,168
Computers	2,468,186	2,643,425	2,652,114
Transportation equipment	514,954	441,207	446,031
Miscellaneous equipment	1,523,910	1,495,037	1,511,285
Prepayments for properties and equipment	<u>1,178,038</u>	<u>2,267,917</u>	<u>1,901,487</u>
	<u>\$ 34,041,341</u>	<u>\$ 34,067,033</u>	<u>\$ 33,698,659</u>

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Prepayments	Total
<u>Cost</u>							
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	258,480	443,147	268,020	79,555	162,926	616,257	1,828,385
Disposal	-	-	(88,913)	(10,548)	(101,033)	-	(200,494)
Net exchange difference	16,544	41,944	8,053	1,367	24,534	56	92,498
Reclassification and others	<u>(34,874)</u>	<u>955,228</u>	<u>149,074</u>	<u>63,644</u>	<u>29,455</u>	<u>(1,706,192)</u>	<u>(543,665)</u>
Balance, September 30, 2023	<u>\$ 14,622,892</u>	<u>\$ 19,779,644</u>	<u>\$ 7,496,903</u>	<u>\$ 1,151,144</u>	<u>\$ 4,004,442</u>	<u>\$ 1,178,038</u>	<u>\$ 48,233,063</u>

(Continued)

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Prepayments	Total
Balance, January 1, 2022	\$ 14,369,786	\$ 18,614,172	\$ 6,749,894	\$ 968,679	\$ 3,904,066	\$ 1,390,375	\$ 45,996,972
Addition	-	156,866	301,074	77,217	185,631	1,007,015	1,727,803
Disposal	(14,027)	(24,594)	(146,229)	(61,301)	(153,833)	-	(399,984)
Net exchange difference	42,936	142,012	27,539	6,016	81,935	1,727	302,165
Reclassification and others	(5,121)	111,839	96,023	25,968	103,347	(497,630)	(165,574)
Balance, September 30, 2022	<u>\$ 14,393,574</u>	<u>\$ 19,000,295</u>	<u>\$ 7,028,301</u>	<u>\$ 1,016,579</u>	<u>\$ 4,121,146</u>	<u>\$ 1,901,487</u>	<u>\$ 47,461,382</u>

(Concluded)

	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	-	-	88,633	10,355	100,633	199,621
Depreciation expenses	-	(533,251)	(593,375)	(69,195)	(169,695)	(1,365,516)
Net exchange difference	-	(11,242)	(6,731)	(1,431)	(17,947)	(37,351)
Reclassification and others	-	830	-	-	-	830
Balance, September 30, 2023	<u>\$ -</u>	<u>\$ (6,046,283)</u>	<u>\$ (5,028,717)</u>	<u>\$ (636,190)</u>	<u>\$ (2,480,532)</u>	<u>\$ (14,191,722)</u>
Balance, January 1, 2022	\$ -	\$ (5,705,685)	\$ (3,918,906)	\$ (567,262)	\$ (2,539,392)	\$ (12,731,245)
Disposal	-	16,308	146,121	61,064	145,300	368,793
Depreciation expenses	-	(490,976)	(583,447)	(60,078)	(166,975)	(1,301,476)
Net exchange difference	-	(27,607)	(19,955)	(4,272)	(48,794)	(100,628)
Reclassification and others	-	1,833	-	-	-	1,833
Balance, September 30, 2022	<u>\$ -</u>	<u>\$ (6,206,127)</u>	<u>\$ (4,376,187)</u>	<u>\$ (570,548)</u>	<u>\$ (2,609,861)</u>	<u>\$ (13,762,723)</u>

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

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Carrying amounts</u>			
Land and superficies royalties	\$ 3,712,248	\$ 3,772,244	\$ 3,792,242
Buildings	3,159,498	3,221,222	2,842,796
Office equipment	3,071	6,412	7,616
Transportation equipment	<u>6,648</u>	<u>5,265</u>	<u>5,253</u>
	<u>\$ 6,881,465</u>	<u>\$ 7,005,143</u>	<u>\$ 6,647,907</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Additions to right-of-use assets			<u>\$ 768,097</u>	<u>\$ 714,674</u>
Depreciation charge for right-of-use assets				
Land and superficies				
royalties	\$ 19,999	\$ 19,999	\$ 59,996	\$ 59,996
Buildings	275,693	247,343	811,285	769,693
Office equipment	1,110	1,123	3,348	3,355
Transportation equipment	<u>976</u>	<u>972</u>	<u>3,015</u>	<u>2,964</u>
	<u>\$ 297,778</u>	<u>\$ 269,437</u>	<u>\$ 877,644</u>	<u>\$ 836,008</u>

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 nine months ended September 30, 2023 and 2022.

b. Lease liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Carrying amounts	<u>\$ 4,105,218</u>	<u>\$ 4,169,899</u>	<u>\$ 3,760,809</u>

Range of discount rates for lease liabilities was as follows:

	September 30, 2023	December 31, 2022	September 30, 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%	0.70%-2.98%
Transportation equipment	0.73%-2.98%	0.73%-2.98%	0.73%-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 September 30, 2023, December 31, 2022 and September 30, 2022, refundable deposits on these leases totaled \$715,580 thousand, \$760,596 thousand and \$745,205 thousand, respectively.

d. Other lease information

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Expenses relating to short-term leases	\$ <u>15,241</u>	\$ <u>1,507</u>	\$ <u>29,897</u>	\$ <u>23,657</u>
Expenses relating to low-value asset leases	\$ <u>128</u>	\$ <u>141</u>	\$ <u>327</u>	\$ <u>314</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ <u>57</u>	\$ <u>(91)</u>	\$ <u>193</u>	\$ <u>4,957</u>
Total cash outflow for leases			\$ <u>(880,249)</u>	\$ <u>(852,382)</u>

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Land	\$ 421,035	\$ 386,161	\$ 386,161
Buildings	1,645,435	1,637,822	1,673,505
Right-of-use assets	<u>46,437</u>	<u>47,222</u>	<u>47,484</u>
	<u>\$ 2,112,907</u>	<u>\$ 2,071,205</u>	<u>\$ 2,107,150</u>

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

Except for depreciation expenses recognized, the company had no significant addition, disposal, and impairment on investment properties during the nine months ended September 30, 2023 and 2022.

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

As of September 30, 2023, December 31, 2022 and September 30, 2022, the fair values of investment properties were \$3,180,021 thousand, \$3,098,075 thousand and \$3,419,770 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:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Rental income from investment properties	\$ 14,551	\$ 13,763	\$ 42,397	\$ 39,234
Direct operating expenses of investment properties that generate rental income	(14,174)	(14,023)	(42,366)	(42,049)
Direct operating expenses of investment properties that do not generate rental income	<u>(142)</u>	<u>(138)</u>	<u>(422)</u>	<u>(415)</u>
	<u>\$ 235</u>	<u>\$ (398)</u>	<u>\$ (391)</u>	<u>\$ (3,230)</u>

Lease agreements on premises occupied by other companies or individuals are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods. As of September 30, 2023, December 31, 2022 and September 30, 2022, refundable deposits on these leases totaled \$16,909 thousand, \$16,354 thousand and \$16,488 thousand, respectively (part of guarantee deposits received). The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Year 1	\$ 55,727	\$ 58,018	\$ 62,587
Year 2	34,135	52,396	52,659
Year 3	9,659	15,823	28,700
Year 4	7,042	6,732	7,029
Year 5	2,254	2,819	4,053
Over 5 years	<u>180</u>	<u>-</u>	<u>73</u>
	<u>\$ 108,997</u>	<u>\$ 135,788</u>	<u>\$ 155,101</u>

## 20. INTANGIBLE ASSETS, NET

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Goodwill	\$ 4,518,799	\$ 4,487,419	\$ 4,507,965
Computer software	1,226,237	1,051,907	1,012,724
Banking licenses	515,058	490,109	506,444
Core deposits	11,698	13,733	14,411
Developed technology	17,786	21,891	23,259
Customer relationship	<u>9,871</u>	<u>11,902</u>	<u>12,579</u>
	<u>\$ 6,299,449</u>	<u>\$ 6,076,961</u>	<u>\$ 6,077,382</u>

	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	-	222,189	-	-	-	-	222,189
Amortization expenses	-	(509,647)	-	(2,035)	(4,105)	(2,031)	(517,818)
Reclassification	-	461,304	-	-	-	-	461,304
Net exchange difference	31,380	484	24,949	-	-	-	56,813
Balance, September 30, 2023	<u>\$ 4,518,799</u>	<u>\$ 1,226,237</u>	<u>\$ 515,058</u>	<u>\$ 11,698</u>	<u>\$ 17,786</u>	<u>\$ 9,871</u>	<u>\$ 6,299,449</u>
Balance, January 1, 2022	\$ 4,426,526	\$ 1,207,580	\$ 441,695	\$ 16,445	\$ 27,364	\$ 14,610	\$ 6,134,220
Separate acquisition	-	164,479	-	-	-	-	164,479
Amortization expenses	-	(519,600)	-	(2,034)	(4,105)	(2,031)	(527,770)
Reclassification	-	155,265	-	-	-	-	155,265
Net exchange difference	81,439	5,000	64,749	-	-	-	151,188
Balance, September 30, 2022	<u>\$ 4,507,965</u>	<u>\$ 1,012,724</u>	<u>\$ 506,444</u>	<u>\$ 14,411</u>	<u>\$ 23,259</u>	<u>\$ 12,579</u>	<u>\$ 6,077,382</u>

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

	September 30, 2023	December 31, 2022	September 30, 2022
Refundable deposits, net	\$ 19,147,832	\$ 11,361,640	\$ 11,596,196
Prepaid expenses	748,293	482,071	687,515
Defined benefit assets	796,282	631,185	494,622
Others	<u>73,628</u>	<u>10,354</u>	<u>7,285</u>
	<u>\$ 20,766,035</u>	<u>\$ 12,485,250</u>	<u>\$ 12,785,618</u>



**22. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS**

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Call loans from banks	\$ 32,196,283	\$ 43,812,095	\$ 60,566,088
Deposits from Chunghwa Post Co., Ltd.	2,276,177	22,276,985	22,276,985
Call loans from the Central Bank	2,260,160	3,379,640	3,809,760
Banks overdrafts	404,245	1,217,016	824,375
Deposits from banks	3,850,548	1,801,904	2,501,948
Deposits from the Central Bank	<u>29,173</u>	<u>26,794</u>	<u>27,430</u>
	<u>\$ 41,016,586</u>	<u>\$ 72,514,434</u>	<u>\$ 90,006,586</u>

**23. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS**

Securities sold for \$23,396,386 thousand, \$18,495,295 thousand and \$17,319,141 thousand under repurchase agreements as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively, would subsequently be purchased for \$23,575,817 thousand, \$18,555,769 thousand and \$17,391,199 thousand, respectively.

**24. PAYABLES**

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Checks for clearing	\$ 6,846,533	\$ 8,558,300	\$ 2,363,313
Accrued interest	10,588,248	5,621,639	4,678,349
Accounts payable	2,918,204	1,694,949	3,421,682
Accrued expenses	3,817,492	4,414,817	3,450,063
Factored accounts payable	4,129,724	3,211,212	4,129,853
Acceptances	1,250,114	1,410,606	1,786,942
Collections payable	4,789,189	836,516	7,430,838
Tax payable	355,355	474,685	284,460
Interbank remittance clearing payables	1,639,585	2,075,617	1,585,909
Others	<u>1,599,573</u>	<u>1,756,240</u>	<u>2,158,756</u>
	<u>\$ 37,934,017</u>	<u>\$ 30,054,581</u>	<u>\$ 31,290,165</u>

**25. DEPOSITS AND REMITTANCES**

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Deposits			
Checking	\$ 13,294,628	\$ 19,663,408	\$ 12,563,086
Demand	687,844,298	748,403,824	754,436,230
Savings - demand	743,152,465	715,721,562	715,133,304
Time	1,033,982,024	1,007,132,818	997,357,372
Negotiable certificates of deposit	15,483,954	9,398,169	8,020,589

(Continued)

	September 30, 2023	December 31, 2022	September 30, 2022
Savings - time	\$ 460,708,639	\$ 386,458,484	\$ 352,584,752
Treasury deposits	15,469,226	15,918,036	14,229,053
Remittances	<u>1,050,439</u>	<u>1,685,053</u>	<u>1,493,796</u>
	<u>\$ 2,970,985,673</u>	<u>\$ 2,904,381,354</u>	<u>\$ 2,855,818,182</u> (Concluded)

## 26. BANK DEBENTURES

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

	September 30, 2023	December 31, 2022	September 30, 2022
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
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
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	4,500,000
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	3,650,000
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 (Continued)

	September 30, 2023	December 31, 2022	September 30, 2022
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
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	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	7,300,000
Bonds issued on December 27, 2022; interest rate at 2.30%; interest payable annually; principal repayable on maturity (7 years after the issue date).	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).	<u>1,900,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 38,250,000</u>	<u>\$ 37,850,000</u>	<u>\$ 35,550,000</u> (Concluded)

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

	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured USD-denominated subordinated bonds issued on May 27, 2015	\$ 3,071,227	\$ 2,983,976	\$ 3,425,425
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on May 27, 2015	1,372,919	1,553,813	1,863,527
Unsecured USD-denominated subordinated bonds issued on October 28, 2015	2,250,048	2,173,492	2,529,254
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on October 28, 2015	740,241	805,369	976,171
Unsecured USD-denominated subordinated bonds issued on January 22, 2016	8,435,777	8,330,092	9,709,483
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on January 22, 2016	4,794,265	5,360,604	6,613,663
Unsecured USD-denominated subordinated bonds issued on June 6, 2016	2,650,792	2,656,420	3,155,248
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on June 6, 2016	1,941,670	2,145,343	2,642,194
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on December 29, 2016	1,860,351	2,062,697	2,540,401
Unsecured USD-denominated bonds issued on May 19, 2017	1,597,635	1,598,987	1,906,285
Unsecured USD-denominated bonds issued on November 21, 2017	3,490,234	3,482,836	4,189,665
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on February 12, 2018	4,182,169	4,651,460	5,752,285
Unsecured USD-denominated foreign exchange-linked bonds issued on July 28, 2023	692,518	-	-
Unsecured USD-denominated redeemable interest rate-linked bonds issued on July 28, 2023	625,096	-	-
Unsecured USD-denominated redeemable interest rate-linked bonds issued on August 18, 2023	<u>289,249</u>	<u>-</u>	<u>-</u>
	<u>\$ 37,994,191</u>	<u>\$ 37,805,089</u>	<u>\$ 45,303,601</u>

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.

On July 28, 2023, the Bank issued unsecured foreign exchange-linked bank debentures amounting to US\$21,300 thousand with a 6-month maturity, and the interest rate is determined by the exchange rate. If the USD/CNY exchange rate is 7.3 or higher, the interest rate is 5.85%; otherwise, it is 5.15%. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may calculate and pay interest at the maturity date and repay the full principal at that time.

On July 28, 2023, the Bank issued unsecured redeemable interest rate-linked bank debentures amounting to US\$19,600 thousand with a 3-year maturity and a range of 5.5%-5.8% interest rate. It is determined by a 10-year fixed-term swap rate for USD (annual interest). In accordance with the terms of the bank debentures, the Bank may calculate and pay interest quarterly and repay the principal in full at maturity, unless the issuer exercises the redemption option.

On August 18, 2023, the Bank issued unsecured redeemable interest rate-linked bank debentures amounting to US\$9,100 thousand with a 3-year maturity and a range of 5.5%-5.8% interest rate. It is determined by a 10-year fixed-term swap rate for USD (annual interest). In accordance with the terms of the bank debentures, the Bank may calculate and pay interest quarterly and repay the principal in full at maturity, unless the issuer exercises the redemption option.

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

The FSC on January 19 and July 28, 2023, respectively, approved the issuance of unsecured foreign currency bank debentures US\$50,000 thousand (or foreign currency equivalent) and offshore structured products US\$50,000 thousand (or foreign currency equivalent) with no more than 30 years to maturity and can be issued in installments within 10 years to strengthen operating capital and capital structure.

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.

## 27. OTHER FINANCIAL LIABILITIES

	September 30, 2023	December 31, 2022	September 30, 2022
Principal of structured products	\$ 101,642,133	\$ 90,349,763	\$ 89,585,778
Guarantee deposits received	8,369,219	7,191,632	26,941,977
Long-term borrowings	371,312	359,910	374,173
Short-term borrowings	<u>278,709</u>	<u>3,140,581</u>	<u>2,131,801</u>
	<u>\$ 110,661,373</u>	<u>\$ 101,041,886</u>	<u>\$ 119,033,729</u>

## 28. PROVISIONS

	September 30, 2023	December 31, 2022	September 30, 2022
Provision for losses on financing commitments	\$ 622,699	\$ 611,342	\$ 584,454
Provision for losses on guarantees	253,970	331,511	354,948
Others	<u>161,142</u>	<u>162,141</u>	<u>162,105</u>
	<u>\$ 1,037,811</u>	<u>\$ 1,104,994</u>	<u>\$ 1,101,507</u>

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

### For the nine months ended September 30, 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	(28)	28	-	-	-	-
Credit-impaired financial instruments	(2)	(3)	5	-	-	-
12-month ECL	6,152	(5,589)	(563)	-	-	-
Derecognition of financial instruments in the reporting period	(15,930)	(41,948)	(66)	(57,944)	-	(57,944)
New financial instruments purchased or originated	57,962	68,168	146	126,276	-	126,276
Difference of impairment loss under regulations	-	-	-	-	(151,375)	(151,375)
Change in model or risk parameters	(9,997)	21,125	1,564	12,692	-	12,692
Change in exchange rates or others	<u>73</u>	<u>6</u>	<u>-</u>	<u>79</u>	<u>4,088</u>	<u>4,167</u>
Balance at September 30, 2023	<u>\$ 148,937</u>	<u>\$ 89,542</u>	<u>\$ 4,314</u>	<u>\$ 242,793</u>	<u>\$ 633,876</u>	<u>\$ 876,669</u>

### For the nine months ended September 30, 2022

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

## 29. POST-EMPLOYMENT BENEFIT PLAN

### a. Defined contribution plan

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

The Company recognized expenses of \$309,773 thousand and \$295,954 thousand in the consolidated statements of comprehensive income for the nine months ended September 30, 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 nine months ended September 30, 2023 and 2022, the pension expenses under defined benefit plan recognized in the consolidated statements of comprehensive income amounted to \$3,082 thousand and \$10,699 thousand, respectively.



### 30. OTHER LIABILITIES

	September 30, 2023	December 31, 2022	September 30, 2022
Advance receipts	\$ 3,351,574	\$ 3,034,614	\$ 2,841,486
Deferred revenue	759,707	677,997	673,859
Others	<u>20,254</u>	<u>10,433</u>	<u>31,853</u>
	<u>\$ 4,131,535</u>	<u>\$ 3,723,044</u>	<u>\$ 3,547,198</u>

### 31. NET INTEREST

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Interest revenue				
From discounts and loans	\$ 14,964,961	\$ 10,694,691	\$ 42,716,557	\$ 26,808,881
From investments	4,696,757	2,691,302	13,076,716	6,470,072
From revolving interests of credit cards	503,669	490,003	1,505,019	1,445,807
From due from banks and call loans to other banks	1,132,505	434,845	3,277,891	797,706
Others	<u>341,592</u>	<u>175,461</u>	<u>846,387</u>	<u>287,894</u>
	<u>21,639,484</u>	<u>14,486,302</u>	<u>61,422,570</u>	<u>35,810,360</u>
Interest expense				
From deposits	(12,705,025)	(5,863,570)	(35,786,182)	(11,111,991)
From due to the Central Bank and other banks	(527,705)	(378,299)	(1,580,948)	(721,274)
From issuing bank debentures	(153,152)	(143,086)	(459,494)	(397,410)
From lease liabilities	(12,715)	(9,633)	(34,770)	(29,875)
Others	<u>(911,906)</u>	<u>(420,927)</u>	<u>(2,406,255)</u>	<u>(829,434)</u>
	<u>(14,310,503)</u>	<u>(6,815,515)</u>	<u>(40,267,649)</u>	<u>(13,089,984)</u>
	<u>\$ 7,328,981</u>	<u>\$ 7,670,787</u>	<u>\$ 21,154,921</u>	<u>\$ 22,720,376</u>

### 32. SERVICE FEE INCOME, NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Service fee income				
From credit cards	\$ 2,683,793	\$ 2,340,300	\$ 7,570,731	\$ 6,663,756
From trust business	1,223,651	968,046	3,372,322	3,478,729
From insurance	1,046,564	945,302	3,078,543	2,456,629
From loans	508,498	465,381	1,495,822	1,543,836
Others	<u>535,638</u>	<u>515,938</u>	<u>1,545,466</u>	<u>1,604,062</u>
	<u>5,998,144</u>	<u>5,234,967</u>	<u>17,062,884</u>	<u>15,747,012</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Service charge				
From agency	\$ (534,858)	\$ (509,932)	\$ (1,536,270)	\$ (1,466,626)
From credit cards	(179,624)	(153,451)	(531,395)	(452,772)
From cross-bank transactions	(84,537)	(83,751)	(252,710)	(244,125)
From computer processing	(70,913)	(78,799)	(249,640)	(207,246)
Others	<u>(182,086)</u>	<u>(193,452)</u>	<u>(526,307)</u>	<u>(520,202)</u>
	<u>(1,052,018)</u>	<u>(1,019,385)</u>	<u>(3,096,322)</u>	<u>(2,890,971)</u>
	<u>\$ 4,946,126</u>	<u>\$ 4,215,582</u>	<u>\$ 13,966,562</u>	<u>\$ 12,856,041</u>
				(Concluded)

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

	For the Three Months Ended September 30, 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	\$ 26,182	\$ 689,012	\$ 7,902,953	\$ 26,235,805	\$ 34,853,952
Held-for-trading financial liabilities	-	-	(6,759,868)	(30,670,301)	(37,430,169)
Financial liabilities designated as at fair value through profit or loss	-	(635,987)	-	5,514,118	4,878,131
	<u>\$ 26,182</u>	<u>\$ 53,025</u>	<u>\$ 1,143,085</u>	<u>\$ 1,079,622</u>	<u>\$ 2,301,914</u>
	For the Three Months Ended September 30, 2022				
	Dividend Income	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 8,928	\$ 475,159	\$ 5,457,357	\$ 67,419,105	\$ 73,360,549
Held-for-trading financial liabilities	-	-	(5,758,575)	(69,733,495)	(75,492,070)
Financial liabilities designated as at fair value through profit or loss	-	(582,684)	-	3,164,001	2,581,317
	<u>\$ 8,928</u>	<u>\$ (107,525)</u>	<u>\$ (301,218)</u>	<u>\$ 849,611</u>	<u>\$ 449,796</u>
	For the Nine Months Ended September 30, 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	\$ 40,513	\$ 1,926,060	\$ 27,676,808	\$ 10,071,823	\$ 39,715,204
Held-for-trading financial liabilities	-	-	(18,869,397)	(17,121,116)	(35,990,513)
Financial liabilities designated as at fair value through profit or loss	-	(1,826,807)	-	6,174,568	4,347,761
	<u>\$ 40,513</u>	<u>\$ 99,253</u>	<u>\$ 8,807,411</u>	<u>\$ (874,725)</u>	<u>\$ 8,072,452</u>

	For the Nine Months Ended September 30, 2022				
	Dividend Income	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 24,504	\$ 1,855,479	\$ 13,529,689	\$ 131,998,072	\$ 147,407,744
Held-for-trading financial liabilities	-	-	(11,417,228)	(143,525,118)	(154,942,346)
Financial liabilities designated as at fair value through profit or loss	-	(1,675,944)	-	9,181,865	7,505,921
	<u>\$ 24,504</u>	<u>\$ 179,535</u>	<u>\$ 2,112,461</u>	<u>\$ (2,345,181)</u>	<u>\$ (28,681)</u>

#### 34. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Employee benefits				
Salaries	\$ 3,370,844	\$ 2,596,678	\$ 9,571,867	\$ 7,999,254
Insurance	189,914	196,196	634,191	629,985
Excessive interest from preferential rates	-	-	-	26,744
Post-employment benefits	103,834	101,884	312,855	306,653
Others	200,830	211,433	608,207	574,938
Depreciation expenses	773,360	722,103	2,283,728	2,177,950
Amortization expenses	173,877	174,207	517,818	527,770

Under the Articles of Incorporation of the Bank, the Bank accrued employees' compensation and remuneration of directors at the rates 3% and no higher than 0.6%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors (after offsetting accumulated deficit). For the nine months ended September 30, 2023 and 2022, the employees' compensation were \$538,920 thousand and \$408,346 thousand, respectively; and the remuneration of directors were \$75,000 thousand and \$57,000 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>).

### 35. INCOME TAX

#### a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Current tax				
Current period	\$ 729,796	\$ 899,926	\$ 3,365,452	\$ 2,892,237
Additional income tax on unappropriated earnings	-	-	-	373
Prior year's adjustments	<u>35</u>	<u>(3,183)</u>	<u>(20,463)</u>	<u>(82,556)</u>
	<u>729,831</u>	<u>896,743</u>	<u>3,344,989</u>	<u>2,810,054</u>
Deferred tax				
Current period	<u>237,855</u>	<u>255,504</u>	<u>165,464</u>	<u>222,700</u>
Income tax expense recognized in profit or loss	<u>\$ 967,686</u>	<u>\$ 1,152,247</u>	<u>\$ 3,510,453</u>	<u>\$ 3,032,754</u>

#### b. Income tax recognized directly in equity

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Current tax				
Disposals of investment in equity instruments at fair value through other comprehensive income	\$ -	\$ (16,626)	\$ (23,226)	\$ (19,790)
Deferred tax				
Disposals of investment in equity instruments at fair value through other comprehensive income	<u>-</u>	<u>16,626</u>	<u>23,226</u>	<u>19,790</u>
Income tax recognized directly in equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

c. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
<u>Deferred tax</u>				
In respect of the current period				
Income tax relating to items that will not be reclassified subsequently to profit or loss				
Fair value changes of financial assets in equity instruments at fair value through other comprehensive income	\$ (2,596)	\$ (38,140)	\$ (2,779)	\$ (66,825)
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	291,704	352,405	269,755	718,538
Fair value changes of financial assets in debt instruments at fair value through other comprehensive income	<u>(263,844)</u>	<u>(358,959)</u>	<u>(87,505)</u>	<u>(1,522,840)</u>
Income tax expense (benefit) recognized in other comprehensive income	<u>\$ 25,264</u>	<u>\$ (44,694)</u>	<u>\$ 179,471</u>	<u>\$ (871,127)</u>

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

### 36. EARNINGS PER SHARE

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

	Amount (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (Dollars)
<u>For the three months ended September 30, 2023</u>			
Basic earnings per share			
Net income	<u>\$ 4,430,341</u>	<u>11,707,200</u>	<u>\$ 0.38</u>
<u>For the three months ended September 30, 2022</u>			
Basic earnings per share			
Net income	<u>\$ 4,445,216</u>	<u>10,947,200</u>	<u>\$ 0.41</u>

(Continued)

	<b>Amount (Numerator)</b>	<b>Shares (Denominator in Thousands)</b>	<b>Earnings Per Share (Dollars)</b>
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For the nine months ended September 30, 2023

Basic earnings per share			
Net income	\$ 13,939,250	11,303,537	\$ 1.23

For the nine months ended September 30, 2022

Basic earnings per share			
Net income	\$ 10,746,465	10,947,200	\$ 0.98
			(Concluded)

The number of shares outstanding was retrospectively adjusted to reflect the effects of the stock dividends distributed in the year following earnings appropriation. Due to stock dividends distributed, the earnings per share was retrospectively adjusted as follows:

**Unit: NT\$ Per Share**

	<b>Before Retrospective Adjustment</b>		<b>After Retrospective Adjustment</b>	
	<b>For the Three Months Ended September 30, 2022</b>	<b>For the Nine Months Ended September 30, 2022</b>	<b>For the Three Months Ended September 30, 2022</b>	<b>For the Nine Months Ended September 30, 2022</b>
Basic earnings per share	\$ 0.43	\$ 1.04	\$ 0.41	\$ 0.98

### 37. EQUITY

a. Capital stock

Common stock

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Authorized number of shares (in thousands)	11,707,200	10,363,700	10,363,700
Authorized capital	\$ 117,072,000	\$ 103,637,000	\$ 103,637,000
Number of shares issued (in thousands)	11,707,200	10,363,700	10,363,700
Common stock issued	\$ 117,072,000	\$ 103,637,000	\$ 103,637,000
Common stock issued			
Public offering	\$ 57,040,453	\$ 54,000,123	\$ 54,000,123
Private placement	60,031,547	49,636,877	49,636,877
	\$ 117,072,000	\$ 103,637,000	\$ 103,637,000

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).

On April 21, 2023, the board of directors, on behalf of the stockholders, resolved to increase cash capital by \$14,000,000 thousand through private placement. A total of 760,000 thousand ordinary shares was issued at a premium of \$18.421053 per share. ESFHC subscribed for all the new shares. This issuance was approved by the 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 was approved by the MOEA.

b. Capital surplus

On February 20, 2023, the board of directors of ESFHC resolved the issuance of ordinary stocks for cash and reserved 15% of the capital increase shares for the Company's employees under related regulations. The Company's grant date was the date that the employee's subscription, the fair value determined at the share-based payment, was recognized as a capital surplus of \$430,870 thousand for the nine months ended September 30, 2023.

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 \$463,641 thousand and \$325,362 thousand for the nine months ended September 30, 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 2022 and 2021 approved by the ESFHC's board of directors to the Bank's employees was \$439,247 thousand and \$591,159 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, 2023 and 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

	September 30, 2023	December 31, 2022	September 30, 2022
Reclassification of the trading loss reserve and default loss reserve	\$ 83,866	\$ 83,866	\$ 83,866
The debit balance of other equity	5,101,537	830,159	830,159
Fintech development employee transfer or placement expenditure	<u>218,987</u>	<u>218,987</u>	<u>218,987</u>
	<u>\$ 5,404,390</u>	<u>\$ 1,133,012</u>	<u>\$ 1,133,012</u>

Under FSC guidelines, the Bank reclassified its trading loss reserve, which was accrued until December 31, 2010 to special reserve. The reclassification of this special reserve is only permitted in compliance with regulatory requirements; any other use is strictly prohibited.

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:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
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

	<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Balance, January 1	\$ 175,358	\$ 169,084
Share-based payment transactions of the parent company's stock to the Company's employees	2,282	-
Cash dividends distributed by subsidiary	(13,800)	(19,320)
Attributable to non-controlling interests:		
Net income	10,891	13,113
Exchange differences on the translation of financial statements of foreign operations	<u>249</u>	<u>691</u>
Balance, September 30	<u>\$ 174,980</u>	<u>\$ 163,568</u>

### 38. RELATED-PARTY TRANSACTIONS

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

a. Related parties

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

b. Significant transactions between the Company and related parties

1) Loans

	<b>Highest Balance (Note)</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Ending Interest Rate (%)</b>
<u>For the nine months ended September 30, 2023</u>				
Sister companies	\$ 70,000	\$ -	\$ 5	
Key management	460,754	421,442	4,975	
Others	<u>4,332,304</u>	<u>3,969,799</u>	<u>47,671</u>	
	<u>\$ 4,863,058</u>	<u>\$ 4,391,241</u>	<u>\$ 52,651</u>	1.70-2.53
<u>For the nine months ended September 30, 2022</u>				
Sister companies	\$ 40,000	\$ -	\$ 2	
Key management	355,349	307,204	3,137	
Others	<u>3,618,464</u>	<u>3,192,783</u>	<u>30,565</u>	
	<u>\$ 4,013,813</u>	<u>\$ 3,499,987</u>	<u>\$ 33,704</u>	1.52-2.22

2) Deposits

	<b>Highest Balance (Note)</b>	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Ending Interest Rate (%)</b>
<u>For the nine months ended September 30, 2023</u>				
ESFHC	\$ 28,329,061	\$ 2,923,895	\$ 12,461	
Sister companies	2,958,733	2,376,094	23,960	
Key management	1,286,294	424,682	3,293	
Others	<u>7,020,849</u>	<u>4,424,477</u>	<u>43,869</u>	
	<u>\$ 39,594,937</u>	<u>\$ 10,149,148</u>	<u>\$ 83,583</u>	0-6.55
<u>For the nine months ended September 30, 2022</u>				
ESFHC	\$ 9,296,614	\$ 588,075	\$ 3,348	
Sister companies	10,089,525	2,886,387	6,151	
Key management	896,937	355,755	872	
Others	<u>2,550,331</u>	<u>1,641,114</u>	<u>6,649</u>	
	<u>\$ 22,833,407</u>	<u>\$ 5,471,331</u>	<u>\$ 17,020</u>	0-5.30

Note: The sum of the respective highest balances of each account for the nine months ended September 30, 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 2 to 5 years.

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
ESFHC	\$ 20	\$ 30	\$ 30
Sister companies	<u>1,011</u>	<u>856</u>	<u>856</u>
	<u>\$ 1,031</u>	<u>\$ 886</u>	<u>\$ 886</u>

Future lease payment receivables were as follows:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
ESFHC	\$ 8,816	\$ 12,292	\$ 13,861
Sister companies	<u>33,973</u>	<u>31,427</u>	<u>33,844</u>
	<u>\$ 42,789</u>	<u>\$ 43,719</u>	<u>\$ 47,705</u>

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

	For the Nine Months Ended September 30	
	2023	2022
ESFHC	\$ 4,495	\$ 4,485
Sister companies	<u>7,769</u>	<u>6,728</u>
	<u>\$ 12,264</u>	<u>\$ 11,213</u>
	September 30, 2023	December 31, 2022
		September 30, 2022

4) Accounts receivable (part of receivables)

Sister companies	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,502</u>
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5) Interest receivable (part of receivables)

Key management	\$ 416	\$ 259	\$ 220
Others	<u>3,212</u>	<u>2,584</u>	<u>2,134</u>
	<u>\$ 3,628</u>	<u>\$ 2,843</u>	<u>\$ 2,354</u>

6) Consolidated tax return receivables (part of current tax assets)

ESFHC	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,205</u>
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	September 30, 2023	December 31, 2022	September 30, 2022
7) Prepaid expense (part of other assets)			
Sister companies	\$ <u>3,020</u>	\$ <u>3,020</u>	\$ <u>3,020</u>
8) Accounts payable (part of payables)			
Sister companies	\$ <u>27,494</u>	\$ <u>630</u>	\$ <u>-</u>
9) Interest payable (part of payables)			
ESFHC	\$ 3,870	\$ 49	\$ 837
Sister companies	5,299	1,197	1,392
Key management	536	261	211
Others	<u>8,572</u>	<u>2,136</u>	<u>2,038</u>
	\$ <u>18,277</u>	\$ <u>3,643</u>	\$ <u>4,478</u>
10) Remuneration of directors (part of payables)			
ESFHC	\$ <u>75,000</u>	\$ <u>72,000</u>	\$ <u>57,000</u>
11) Consolidated tax return payables (part of current tax liabilities)			
ESFHC	\$ <u>610,468</u>	\$ <u>1,247,468</u>	\$ <u>872,922</u>
12) Guarantee deposits received (part of other financial liabilities)			
ESFHC	\$ 1,585	\$ 1,562	\$ 1,562
Sister companies	<u>2,943</u>	<u>2,407</u>	<u>2,407</u>
	\$ <u>4,528</u>	\$ <u>3,969</u>	\$ <u>3,969</u>

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

	For the Nine Months Ended September 30	
	2023	2022
13) Service fee income (part of service fee income, net)		
Sister companies	\$ <u>140</u>	\$ <u>137</u>

		<b>For the Nine Months Ended September 30</b>	
		<b>2023</b>	<b>2022</b>
14) Rental income from operating assets (part of other noninterest gains, net)			
ESFHC	\$ 145	\$ 173	
Sister companies	<u>2,210</u>	<u>2,649</u>	
	<u>\$ 2,355</u>	<u>\$ 2,822</u>	
15) Donation (part of general and administrative expenses)			
Others - E.SUN Volunteer & Social Welfare Foundation	<u>\$ 39,984</u>	<u>\$ 31,282</u>	
16) Other (part of employee benefits, general and administrative expenses)			
ESFHC	\$ 57,000	\$ 36,000	
Sister companies	<u>13,590</u>	<u>13,590</u>	
	<u>\$ 70,590</u>	<u>\$ 49,590</u>	

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

- 17) In August 2012, E.SUN Volunteer & Social Welfare Foundation entrusted some properties to the Bank. The Bank charged \$425 thousand and \$437 thousand (part of service fee income, net) accordingly for the nine months ended September 30, 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 nine months ended September 30, 2023 and 2022 are summarized as follows:

	<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Salaries and other short-term employment benefits	\$ 226,917	\$ 244,900
Post-employment benefits	1,757	1,814
Interest arising from the employees' preferential rates in excess of normal rates	<u>-</u>	<u>109</u>
	<u>\$ 228,674</u>	<u>\$ 246,823</u>

### 39. PLEDGED ASSETS

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Financial assets at fair value through profit or loss (face value)	\$ 25,305,000	\$ 25,305,000	\$ 25,305,000
Investments in debt instruments at amortized cost (face value)	6,244,180	5,169,139	5,313,903
Investments in debt instruments at fair value through other comprehensive income (face value)	<u>8,427,720</u>	<u>8,345,679</u>	<u>6,660,979</u>
	<u>\$ 39,976,900</u>	<u>\$ 38,819,818</u>	<u>\$ 37,279,882</u>

As of September 30, 2023, December 31, 2022 and September 30, 2022, the foregoing bonds and securities, with aggregate face value of \$20,305,000 thousand at each period end, had been provided as collaterals for day-term overdraft to comply with the clearing system requirement of the Central Bank (CB) of the Republic of China for real-time gross settlement (RTGS). The unused overdraft amount at day's end can also be treated as the Bank's liquidity reserve. For covering its call loans from the CB, the Bank had provided collaterals consisting of securities with aggregate face values of \$5,000,000 thousand as of September 30, 2023, December 31, 2022 and September 30, 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:

	<b>(In Thousands of U.S. Dollars)</b>	
<b>Date</b>	<b>Pledged Amount</b>	<b>Collateral Value</b>
September 30, 2023	<u>\$ 255,000</u>	<u>\$ 233,404</u>
December 31, 2022	<u>\$ 250,800</u>	<u>\$ 227,365</u>
September 30, 2022	<u>\$ 185,000</u>	<u>\$ 166,962</u>

- c. As of September 30, 2023, December 31, 2022 and September 30, 2022, UCB has provided US\$3,650 thousand, US\$2,774 thousand and US\$6,042 thousand, respectively, due from the National Bank of Cambodia as collaterals for guarantees of both loan and settlement accounts in the National Bank of Cambodia in accordance with relevant regulations.

#### 40. CONTINGENCIES AND COMMITMENTS

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

a. E.SUN Bank

As of September 30, 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 \$2,974,542 thousand, and the remaining unpaid amount was approximately \$1,666,146 thousand.

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

As of September 30, 2023, decoration of buildings and various purchases related to the improvements of existing premises occupied by ESBC amounted to approximately \$153,591 thousand, and the remaining unpaid amount was approximately \$64,418 thousand.

#### 41. FINANCIAL INSTRUMENTS

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

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

	September 30, 2023		December 31, 2022		September 30, 2022	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>						
Investments in debt instruments at amortized cost	\$ 442,706,623	\$ 436,177,849	\$ 401,405,743	\$ 395,017,074	\$ 338,466,333	\$ 331,551,028
<u>Financial liabilities</u>						
Bank debentures	38,250,000	37,822,760	37,850,000	37,157,386	35,550,000	35,919,427

Fair value hierarchy as of September 30, 2023

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 436,177,849	\$ 62,198,930	\$ 373,978,919	\$ -
<u>Financial liabilities</u>				
Bank debentures	37,822,760	-	37,822,760	-

Fair value hierarchy as of December 31, 2022

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

Fair value hierarchy as of September 30, 2022

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

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. Fair values of currency option contracts are based on estimates made using the Black Scholes model, binomial method or Monte Carlo simulation. The fair values of futures contracts are calculated using the prices quoted by the futures exchange.

For valuation of debt instruments with no active market, the fair value is determined on the basis of the discounted cash flow method. The Company uses a discount rate approximating the rate of return of financial instruments with similar terms and characteristics, including the credit risk of the debtors, the residual period during which the fixed interest rate prescribed by contracts is accrued, the residual period for principal repayments, and the type of currency (New Taiwan dollars, U.S. dollars, etc.) to be used for payments. As of September 30, 2023, December 31, 2022 and September 30, 2022, the discount rates used ranged from 1.145% to 1.755%, 1.011% to 1.750% and 0.707% to 1.700%, respectively, for the New Taiwan dollar and from 4.040% to 5.935%, 3.454% to 5.285% and 3.025% to 4.640%, respectively, for the U.S. dollar.



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

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

- c. The fair value hierarchies of the Company's financial instruments, which were measured at fair value on a recurring basis, as of September 30, 2023, December 31, 2022 and September 30, 2022, were as follows:

	September 30, 2023			
	Total	Level 1	Level 2	Level 3
<u>Financial assets at fair value through profit or loss</u>				
Derivative instruments	\$ 78,778,569	\$ 128,562	\$ 78,650,007	\$ -
Equity instruments	868,326	868,326	-	-
Debt instruments	106,912,715	6,477,867	100,434,848	-
Others	128,343,264	-	128,343,264	-
<u>Financial assets at fair value through other comprehensive income</u>				
Equity instruments	13,384,720	12,045,602	-	1,339,118
Debt instruments	342,485,188	157,878,418	184,606,770	-
<u>Financial assets for hedging, net</u>				
Derivative instruments	44,316	-	44,316	-
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative instruments	68,791,899	-	68,791,899	-
Financial liabilities designated as at fair value through profit or loss	37,994,191	-	37,994,191	-
	December 31, 2022			
	Total	Level 1	Level 2	Level 3
<u>Financial assets at fair value through profit or loss</u>				
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	-
<u>Financial assets at fair value through other comprehensive income</u>				
Equity instruments	13,208,413	12,074,935	-	1,133,478
Debt instruments	332,611,579	149,175,333	183,436,246	-
<u>Financial liabilities at fair value through profit or loss</u>				
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	-

	September 30, 2022			
	Total	Level 1	Level 2	Level 3
<u>Financial assets at fair value through profit or loss</u>				
Derivative instruments	\$ 123,997,733	\$ 95,624	\$ 123,902,109	\$ -
Equity instruments	401,990	401,990	-	-
Debt instruments	116,505,462	199,177	116,306,285	-
Others	188,926,419	-	188,926,419	-
<u>Financial assets at fair value through other comprehensive income</u>				
Equity instruments	12,989,218	11,781,919	-	1,207,299
Debt instruments	326,273,613	166,653,709	159,619,904	-
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative instruments	81,815,267	-	81,815,267	-
Financial liabilities designated as at fair value through profit or loss	45,303,601	-	45,303,601	-

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

There were no significant transfers between Level 1 and Level 2 for the nine months ended September 30, 2023 and 2022.

d. Reconciliation of the financial instruments classified in Level 3

For the nine months ended September 30, 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	153,074
Additions	51,480
Change in exchange rates	<u>1,086</u>
Balance at September 30, 2023	<u>\$ 1,339,118</u>

For the nine months ended September 30, 2022

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

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:

September 30, 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	\$ 562,094	Market approach	Lack of liquidity discount	5%-20%	The higher the lack of liquidity, the lower the fair value is
	199,926	Asset approach	Lack of liquidity discount; allowance of minority interest	20%; 10%	The higher the lack of liquidity or the higher the allowance of minority interest, the lower the fair value is
	577,098	Income approach	Lack of liquidity discount; allowance of minority interest	10%-20%; -%	The higher the lack of liquidity or the higher the allowance of minority interest, the lower the fair value is

December 31, 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 allowance of minority interest, 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 allowance of minority interest, the lower the fair value is

September 30, 2022

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

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

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

September 30, 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	\$ 133,912	\$ (133,912)

December 31, 2022

	<b>Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period</b>	
	<b>Favorable Changes</b>	<b>Unfavorable Changes</b>
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	\$ 113,348	\$ (113,348)

September 30, 2022

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

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>	
Difference between carrying amounts and the amounts due on maturity				
Fair value	\$ 37,994,191	\$ 37,805,089	\$ 45,303,601	
Amounts due on maturity	<u>56,615,210</u>	<u>51,650,659</u>	<u>52,761,414</u>	
	<u>\$ (18,621,019)</u>	<u>\$ (13,845,570)</u>	<u>\$ (7,457,813)</u>	
				<b>Change in Fair Values Resulting from Credit Risk Variations</b>
Accumulated amount of change				
As of September 30, 2023				<u>\$ (4,395,183)</u>
As of December 31, 2022				<u>\$ (5,794,301)</u>
As of September 30, 2022				<u>\$ 373,403</u>

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

i. Information on financial risk management

1) Risk management

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

2) Credit risk

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

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

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

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

On each reporting date, the Company assesses the change in the default risk of financial assets, as well as consider reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, including the overdue status of credit assets from clients, actual repayment situation, credit investigation result, announcement of dishonored checks and negotiation of the debts from other financial institutions, or the debtor has reorganized or is likely to reorganize to determine whether the credit risk has increased significantly.

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

September 30, 2023

	<b>At FVTOCI</b>	<b>At Amortized Cost</b>	<b>Total</b>
Gross carrying amount	\$ 354,546,176	\$ 442,743,546	\$ 797,289,722
Less: Allowance for impairment loss	<u>(104,020)</u>	<u>(36,923)</u>	<u>(140,943)</u>
Amortized cost	354,442,156	<u>\$ 442,706,623</u>	797,148,779
Adjustment to fair value	<u>(11,956,968)</u>		<u>(11,956,968)</u>
	<u>\$ 342,485,188</u>		<u>\$ 785,191,811</u>

December 31, 2022

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

September 30, 2022

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

The Company only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Company's exposure and the external credit ratings are continuously monitored. The Company reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the investment was recognized.

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



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

September 30, 2023

<b>Credit Rating</b>	<b>Description</b>	<b>Basis for Recognizing Expected Credit Losses</b>	<b>Expected Credit Loss Rate</b>	<b>Gross Carrying Amount</b>
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL	-%-6.14%	\$ 797,289,722

December 31, 2022

<b>Credit Rating</b>	<b>Description</b>	<b>Basis for Recognizing Expected Credit Losses</b>	<b>Expected Credit Loss Rate</b>	<b>Gross Carrying Amount</b>
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

September 30, 2022

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

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

For the nine months ended September 30, 2023

Allowance for Impairment Loss	Credit Rating		Total
	Performing (12-month ECL)	Risk Increase Significantly (Lifetime ECL and Not Credit- impaired)	
Balance at January 1, 2023	\$ 143,747	\$ 999	\$ 144,746
New financial assets purchased	14,738	1,976	16,714
Derecognition	(28,800)	(3,019)	(31,819)
Change in model or risk parameters	10,402	-	10,402
Change in exchange rates or others	<u>856</u>	<u>44</u>	<u>900</u>
Balance at September 30, 2023	<u>\$ 140,943</u>	<u>\$ -</u>	<u>\$ 140,943</u>

For the nine months ended September 30, 2022

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

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

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

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

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

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

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

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

#### September 30, 2023

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Difference of Impairment Loss under Regulations	Total
Maximum exposure to credit risk	\$ 1,374,439,520	\$ 1,814,138	\$ 73,626	\$ -	\$ 1,376,327,284
Allowance for possible losses	(148,937)	(89,542)	(4,314)	-	(242,793)
Difference of impairment loss under regulations	-	-	-	(633,876)	(633,876)
	<u>\$ 1,374,290,583</u>	<u>\$ 1,724,596</u>	<u>\$ 69,312</u>	<u>\$ (633,876)</u>	<u>\$ 1,375,450,615</u>

#### 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)
	<u>\$ 1,323,679,950</u>	<u>\$ 1,174,231</u>	<u>\$ 63,664</u>	<u>\$ (781,163)</u>	<u>\$ 1,324,136,682</u>

September 30, 2022

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

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

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

September 30, 2023

		Maximum Exposure to Credit Risk Mitigated by			
	Carrying Amount	Collateral	Master Netting Arrangements	Other Credit Enhancements	Total
<u>Credit-impaired financial assets</u>					
Receivables					
Credit cards	\$ 2,371,198	\$ -	\$ -	\$ -	\$ -
Others	78,271	-	-	-	-
Discounts and loans	8,710,100	4,073,252	-	-	4,073,252

December 31, 2022

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

September 30, 2022

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

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

Credit Risk Profile by Group or Industry	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	%	Amount	%	Amount	%
Natural person	\$ 1,006,769,104	50	\$ 966,057,987	50	\$ 956,056,320	50
Manufacturing	348,058,408	17	357,043,714	18	355,058,288	18
Finance, insurance and real estate	253,084,801	13	243,595,587	13	239,001,521	12
Credit Risk Profile by Regions	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 1,720,803,126	86	\$ 1,648,022,853	85	\$ 1,631,964,141	85
Credit Risk Profile by Collaterals	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	%	Amount	%	Amount	%
Unsecured	\$ 505,717,394	25	\$ 500,572,589	26	\$ 503,091,418	26
Secured Real estate	1,300,679,973	65	1,261,661,428	65	1,248,249,587	65

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

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

	September 30, 2023	December 31, 2022	September 30, 2022
Credit rating			
Strong	\$ 1,470,538,781	\$ 1,429,042,829	\$ 1,408,411,972
Medium	496,140,434	492,073,699	493,593,180
Weak	<u>46,374,254</u>	<u>21,600,401</u>	<u>23,917,850</u>
Carrying amount	2,013,053,469	1,942,716,929	1,925,923,002
Allowance for possible losses	<u>(1,698,269)</u>	<u>(1,594,898)</u>	<u>(1,736,133)</u>
	<u>\$ 2,011,355,200</u>	<u>\$ 1,941,122,031</u>	<u>\$ 1,924,186,869</u>

### 3) Market risk

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

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

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

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

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

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

#### Effect of interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of LIBOR with alternative, nearly risk-free rates. Under the announcement of the Financial Conduct Authority of the United Kingdom, the non-USD LIBOR and USD LIBOR 1-week and 2-month day tenors have been discontinued at the end of 2021, while the USD LIBOR other day tenors will be retired at the end of June 2023.

The risks arising from the transition relate principally to the potential impact of interest rate basis risk. E.SUN Bank and its subsidiaries have established a LIBOR transition project plan. The transition project considers product conversion, contract modification, communication between customers and investors, adjustments to systems and processes, finance and tax implications, as well as the risk model. The transition project has been implemented by the corresponding LIBOR transition response team. As of September 30, 2023, E.SUN Bank and its subsidiaries have finished the amendments to the related systems and operational processes, contract conversions with counterparties and due diligence customer rights notifications. For those parts of financial instruments for which contractual conversions have not yet been completed, negotiations and conversions will continue to ensure that the interest rate basis before and after modifications is economically appropriate.

The following table contains the details of non-derivative financial instruments held by the Company on September 30, 2023, which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	<b>Carrying Amount</b>
Financial assets that reference the USD LIBOR	
Discounts and loans	<u>\$ 1,400,235</u>
Non-derivative financial assets affected by the interest rate benchmark reform	<u>\$ 1,400,235</u>

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

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

Information on the VaR of the Bank was as follows:

For the nine months ended September 30, 2023

<b>Historical Values at Risk (99%, 10-day)</b>	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>	<b>September 30, 2023</b>
<u>By risk type</u>				
Currency	\$ 4,207,507	\$ 2,156,029	\$ 5,311,501	\$ 4,624,606
Interest	12,417,129	6,503,349	15,185,073	6,503,349
Equity	808,678	628,526	980,088	628,526
Risk diversification	<u>(9,196,646)</u>	-	-	<u>(3,621,155)</u>
Total risk exposure	<u>\$ 8,236,668</u>			<u>\$ 8,135,326</u>

For the year ended December 31, 2022

Historical Values at Risk (99%, 10-day)	Average	Minimum	Maximum	December 31, 2022	September 30, 2022
<u>By risk type</u>					
Currency	\$ 3,071,900	\$ 2,156,029	\$ 4,562,202	\$ 3,280,214	\$ 2,713,392
Interest	11,251,012	5,702,952	15,185,073	13,486,178	13,809,743
Equity	976,594	684,604	1,311,178	814,411	685,743
Risk diversification	<u>(8,318,495)</u>	-	-	<u>(9,409,144)</u>	<u>(9,016,207)</u>
Total risk exposure	<u>\$ 6,981,011</u>			<u>\$ 8,171,659</u>	<u>\$ 8,192,671</u>

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

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

4) Liquidity risk

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

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

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

The liquidity reserve ratios of the Bank for September 30, 2023, December 31, 2022 and September 30, 2022 were 26.85%, 32.69% and 30.19%, respectively.



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

September 30, 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	\$ 26,384,063	\$ 9,042,002	\$ 2,849,891	\$ 1,473,449	\$ 1,267,181	\$ 41,016,586
Nonderivative financial liabilities at fair value through profit or loss	6,091	1,930	693,933	296,339	55,616,917	56,615,210
Securities sold under repurchase agreements	7,058,883	8,701,951	3,328,819	4,486,164	-	23,575,817
Payables	20,821,217	4,584,772	1,434,834	2,078,819	8,578,940	37,498,582
Deposits and remittances	981,404,128	282,932,103	320,721,266	504,473,940	881,454,236	2,970,985,673
Bank debentures	-	-	2,200,000	-	36,050,000	38,250,000
Lease liabilities	84,192	164,231	283,271	485,473	3,458,119	4,475,286
Other items of cash outflow on maturity	5,343,299	4,478,544	1,678,923	2,886,990	96,273,617	110,661,373

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

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

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

a) Derivative financial liabilities to be settled at net amounts

September 30, 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	\$ 141,621	\$ 179,588	\$ 238,251	\$ 83,374	\$ 104	\$ 642,938
Interest derivatives	469	1,642	542	-	-	2,653

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

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

b) Derivative financial liabilities to be settled at gross amounts

September 30, 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	\$ 189,416,306	\$ 221,892,293	\$ 213,713,281	\$ 176,105,475	\$ 4,051,963	\$ 805,179,318
Cash inflow	183,998,168	211,479,236	197,773,336	166,601,842	4,020,590	763,873,172
Interest derivatives						
Cash outflow	1,011,882	1,765,599	2,497,409	6,187,471	66,863,817	78,326,178
Cash inflow	191,494	374,046	1,010,497	947,629	40,187,060	42,710,726
Total cash outflow	190,428,188	223,657,892	216,210,690	182,292,946	70,915,780	883,505,496
Total cash inflow	184,189,662	211,853,282	198,783,833	167,549,471	44,207,650	806,583,898
Net cash outflow	\$ 6,238,526	\$ 11,804,610	\$ 17,426,857	\$ 14,743,475	\$ 26,708,130	\$ 76,921,598

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

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

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

September 30, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 521,781	\$ 3,416,103	\$ 3,031,087	\$ 4,365,267	\$ 60,193,444	\$ 71,527,682
Credit card commitments	2,989,754	6,404,364	10,191,462	31,665,718	559,232,746	610,484,044
Letters of credit issued and yet unused	2,526,151	4,574,191	1,720,662	246,135	609,491	9,676,630
Other guarantees	5,032,676	4,104,634	2,005,945	5,920,808	6,637,651	23,701,714

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

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

j. Transfers of financial assets

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

September 30, 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	\$ 17,730,420	\$ 16,209,539	\$ 17,730,420	\$ 16,209,539	\$ 1,520,881
Investments in debt instruments at amortized cost - securities sold under repurchase agreements	6,144,515	7,186,847	6,155,658	7,186,847	(1,031,189)

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

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

k. Offsetting financial assets and financial liabilities

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

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

September 30, 2023

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	\$ 78,778,569	\$ -	\$ 78,778,569	\$ (40,811,435)	\$ (9,342,825)	\$ 28,624,309
Resell agreements	<u>4,549,149</u>	<u>-</u>	<u>4,549,149</u>	<u>(4,549,149)</u>	<u>-</u>	<u>-</u>
	<u>\$ 83,327,718</u>	<u>\$ -</u>	<u>\$ 83,327,718</u>	<u>\$ (45,360,584)</u>	<u>\$ (9,342,825)</u>	<u>\$ 28,624,309</u>

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Pledged	
Derivatives	\$ 68,791,899	\$ -	\$ 68,791,899	\$ (40,811,435)	\$ (17,511,312)	\$ 10,469,152
Repurchase agreements	<u>23,476,466</u>	<u>-</u>	<u>23,476,466</u>	<u>(22,397,533)</u>	<u>-</u>	<u>1,078,933</u>
	<u>\$ 92,268,365</u>	<u>\$ -</u>	<u>\$ 92,268,365</u>	<u>\$ (63,208,968)</u>	<u>\$ (17,511,312)</u>	<u>\$ 11,548,085</u>

December 31, 2022

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Received	
Derivatives	\$ 61,715,004	\$ -	\$ 61,715,004	\$ (35,552,553)	\$ (7,849,094)	\$ 18,313,357
Resell agreements	<u>7,892,518</u>	<u>-</u>	<u>7,892,518</u>	<u>(7,892,518)</u>	<u>-</u>	<u>-</u>
	<u>\$ 69,607,522</u>	<u>\$ -</u>	<u>\$ 69,607,522</u>	<u>\$ (43,445,071)</u>	<u>\$ (7,849,094)</u>	<u>\$ 18,313,357</u>

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Pledged	
Derivatives	\$ 51,764,562	\$ -	\$ 51,764,562	\$ (35,552,553)	\$ (9,847,389)	\$ 6,364,620
Repurchase agreements	<u>18,535,596</u>	<u>-</u>	<u>18,535,596</u>	<u>(18,535,596)</u>	<u>-</u>	<u>-</u>
	<u>\$ 70,300,158</u>	<u>\$ -</u>	<u>\$ 70,300,158</u>	<u>\$ (54,088,149)</u>	<u>\$ (9,847,389)</u>	<u>\$ 6,364,620</u>

September 30, 2022

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Received	
Derivatives	\$ 123,997,733	\$ -	\$ 123,997,733	\$ (54,078,841)	\$ (27,539,152)	\$ 42,379,740
Settlements	<u>360,405</u>	<u>(7,733)</u>	<u>352,672</u>	<u>-</u>	<u>-</u>	<u>352,672</u>
	<u>\$ 124,358,138</u>	<u>\$ (7,733)</u>	<u>\$ 124,350,405</u>	<u>\$ (54,078,841)</u>	<u>\$ (27,539,152)</u>	<u>\$ 42,732,412</u>

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Pledged	
Derivatives	\$ 81,815,267	\$ -	\$ 81,815,267	\$ (54,078,841)	\$ (10,099,387)	\$ 17,637,039
Repurchase agreements	17,346,337	-	17,346,337	(17,255,512)	-	90,825
Settlements	<u>106,276</u>	<u>(7,733)</u>	<u>98,543</u>	<u>-</u>	<u>-</u>	<u>98,543</u>
	<u>\$ 99,267,880</u>	<u>\$ (7,733)</u>	<u>\$ 99,260,147</u>	<u>\$ (71,334,353)</u>	<u>\$ (10,099,387)</u>	<u>\$ 17,826,407</u>

## 42. 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.

## 43. 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)	September 30, 2023			September 30, 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	\$ 9,120,700	4.12	Group B Manufacture of other electronic parts and components not elsewhere classified	\$ 9,472,202	5.27
2	Group B Manufacture of other electronic parts and components not elsewhere classified	8,720,744	3.94	Group K Other activities auxiliary to financial service activities not elsewhere classified	8,672,661	4.82
3	Group C Retail sale of computers, computer peripheral equipment and software	8,286,476	3.74	Group A Real estate development	7,795,400	4.34
4	Company D Real estate activities for sale and rental with own or leased property	6,833,208	3.08	Group C Retail sale of computers, computer peripheral equipment and software	7,506,911	4.18
5	Group E Manufacture of integrated circuits	6,582,734	2.97	Group H Manufacture of computers	6,972,234	3.88
6	Group F Activities of head offices	6,106,267	2.76	Group L Electricity supply	6,945,722	3.86
7	Group G Quarrying of rocks and gravel and other mining	5,871,520	2.65	Group F Activities of head offices	6,869,680	3.82
8	Group H Manufacture of computers	5,829,928	2.63	Group E Manufacture of integrated circuits	5,865,892	3.26
9	Group I Wholesale of computers, computer peripheral equipment and software	5,708,298	2.58	Group M Wholesale of electronic and communication equipment and parts	5,661,064	3.15
10	Group J Car rental and leasing	5,676,783	2.56	Group N Activities of head offices	5,499,733	3.06

Note 1: The list shows top 10 rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate - General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: Group enterprise refers to a group of corporate entities as defined by Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings".

Note 3: Total amount of credit, endorsement or other transactions is the sum of various loans (including import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans and overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances and guarantees.

c. Interest rate sensitivity information

**Interest Rate Sensitivity (New Taiwan Dollars)**

(In Thousands of New Taiwan Dollars, %)

September 30, 2023

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 2,053,057,524	\$ 81,208,891	\$ 39,510,229	\$ 136,073,302	\$ 2,309,849,946
Interest rate-sensitive liabilities	1,654,720,355	122,274,266	157,696,001	121,745,828	2,056,436,450
Interest rate sensitivity gap	398,337,169	(41,065,375)	(118,185,772)	14,327,474	253,413,496
Net worth					199,844,830
Ratio of interest rate-sensitive assets to liabilities					112.32
Ratio of interest rate sensitivity gap to net worth					126.81

September 30, 2022

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

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

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

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

**Interest Rate Sensitivity (U.S. Dollars)**

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

September 30, 2023

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 16,115,170	\$ 921,149	\$ 1,319,069	\$ 3,577,758	\$ 21,933,146
Interest rate-sensitive liabilities	20,420,289	4,151,262	3,766,887	1,560,428	29,898,866
Interest rate sensitivity gap	(4,305,119)	(3,230,113)	(2,447,818)	2,017,330	(7,965,720)
Net worth					129,980
Ratio of interest rate-sensitive assets to liabilities					73.36
Ratio of interest rate sensitivity gap to net worth					(6,128.42)

September 30, 2022

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

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

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

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars).

d. Profitability

Unit: %

Items		September 30, 2023	September 30, 2022
Return on total assets	Before income tax	0.67	0.55
	After income tax	0.54	0.44
Return on equity	Before income tax	11.18	9.82
	After income tax	9.00	7.79
Net income ratio		32.28	29.66

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets

Note 2: Return on equity = Income before (after) income tax ÷ Average equity

Note 3: Net income ratio = Income after income tax ÷ Total net revenues

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

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

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars)

September 30, 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	\$ 2,806,952,935	\$ 283,366,307	\$ 267,342,223	\$ 223,116,755	\$ 190,813,307	\$ 196,775,635	\$ 1,645,538,708
Main capital outflow on maturity	3,414,005,030	99,709,636	170,777,251	419,764,124	516,692,304	736,166,702	1,470,895,013
Gap	(607,052,095)	183,656,671	96,564,972	(196,647,369)	(325,878,997)	(539,391,067)	174,643,695

September 30, 2022

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

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



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

(In Thousands of U.S. Dollars)

September 30, 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	\$ 57,505,488	\$ 12,030,212	\$ 11,508,499	\$ 10,349,913	\$ 9,463,008	\$ 14,153,856
Main capital outflow on maturity	67,177,907	14,984,685	17,029,149	13,832,520	16,857,655	4,473,898
Gap	(9,672,419)	(2,954,473)	(5,520,650)	(3,482,607)	(7,394,647)	9,679,958

September 30, 2022

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

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

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

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

(In Thousands of U.S. Dollars)

September 30, 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	\$ 15,815,961	\$ 3,756,009	\$ 2,841,824	\$ 2,455,442	\$ 2,000,356	\$ 4,762,330
Main capital outflow on maturity	16,474,815	4,461,672	5,535,841	3,189,183	2,460,628	827,491
Gap	(658,854)	(705,663)	(2,694,017)	(733,741)	(460,272)	3,934,839

September 30, 2022

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

#### 44. TRUST BUSINESS UNDER THE TRUST ENTERPRISE ACT

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

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

Balance Sheets of Trust Accounts September 30, 2023, December 31, 2022 and September 30, 2022							
Trust Assets	September 30, 2023	December 31, 2022	September 30, 2022	Trust Liabilities	September 30, 2023	December 31, 2022	September 30, 2022
Cash in banks	\$ 15,208,824	\$ 9,431,296	\$ 6,094,646	Accounts payable on administrative expense	\$ 3	\$ 4	\$ 4
Investments	343,629,928	311,318,781	318,016,436	Accounts payable on securities under custody	879,152,030	712,069,347	697,658,100
Receivables	303	276	277	Trust capital			
Real estate	8,511,200	7,144,272	7,103,302	Cash	355,953,841	316,148,363	319,635,447
Securities under custody	<u>879,152,030</u>	<u>712,069,347</u>	<u>697,658,100</u>	Securities	5,855,608	5,583,576	5,397,083
				Real estate	8,599,847	7,262,073	7,216,676
				Reserves and accumulated deficit	(11,515,342)	960,828	(395,217)
				Net income (loss)	<u>8,456,298</u>	<u>(2,060,219)</u>	<u>(639,332)</u>
Total assets	<u>\$ 1,246,502,285</u>	<u>\$ 1,039,963,972</u>	<u>\$ 1,028,872,761</u>	Total liabilities	<u>\$ 1,246,502,285</u>	<u>\$ 1,039,963,972</u>	<u>\$ 1,028,872,761</u>

Note: Investments of the OBU are included in total trust-related assets. As of September 30, 2023, December 31, 2022 and September 30, 2022, the amounts of the OBU's investments were \$26,812,265 thousand, \$25,468,930 thousand and \$28,643,027 thousand, respectively.

#### Trust Property List September 30, 2023, December 31, 2022 and September 30, 2022

	September 30, 2023	December 31, 2022	September 30, 2022
Cash in the Bank	\$ 15,196,742	\$ 9,421,860	\$ 6,087,950
Cash in other banks	12,082	9,436	6,696
Stocks	21,264,215	22,764,400	20,987,146
Mutual funds	246,239,123	232,504,986	240,291,064
Bonds	67,269,666	49,032,754	44,698,333
Structured products	8,771,350	6,886,924	11,982,877
Beneficial certificates pending settlement	85,574	129,717	57,016
Receivables	303	276	277
Real estate	8,511,200	7,144,272	7,103,302
Securities under custody	<u>879,152,030</u>	<u>712,069,347</u>	<u>697,658,100</u>
	<u>\$ 1,246,502,285</u>	<u>\$ 1,039,963,972</u>	<u>\$ 1,028,872,761</u>

**Statements of Income on Trust Accounts**  
**For the Nine Months Ended September 30, 2023 and 2022**

	<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
<u>Revenues</u>		
Interest	\$ 101,007	\$ 9,950
Cash dividends	9,076,000	9,265,784
Realized capital gain - common stocks	11,834	1,270
Unrealized capital gain - common stocks	8,872	(563)
Property gain	3,165,905	2,055,212
Realized capital gain - bonds	2,512,215	2,310,991
Realized capital gain - mutual funds	172,227	236,843
Other revenues	200	8,800
Revenues from beneficial certificates	49,669	41,733
Total revenues	<u>15,097,929</u>	<u>13,930,020</u>
<u>Expenses</u>		
Management fees	251,606	307,739
Supervisor fees	16	-
Service fees	572	1,842
Property loss	6,269,181	14,043,456
Income tax	5,244	294
Tax expenditures	5,229	5,290
Other expenses	16,665	17,386
Realized capital loss - common stocks	134	35
Realized capital loss - bonds	621	-
Realized capital loss - mutual funds	92,363	174,010
Unrealized capital loss - common stocks	-	19,300
Total expenses	<u>6,641,631</u>	<u>14,569,352</u>
Net income (loss)	<u>\$ 8,456,298</u>	<u>\$ (639,332)</u>

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

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

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

	Bank	E.SUN Securities	Total	Allocation Method
For the nine months ended September 30, 2023				
Others	\$ 1,395	\$ 299	\$ 1,694	50% each or based on space actually occupied
For the nine months ended September 30, 2022				
Others	\$ 204	\$ 196	\$ 400	50% each or 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 Nine Months Ended September 30	
	2023	2022
Revenue	\$ 3,618	\$ 2,912
Expense	\$ 117,373	\$ 116,027

#### 46. CASH FLOW INFORMATION

##### Changes in Liabilities Arising from Financing Activities

For the nine months ended September 30, 2023

	Opening Balance	Cash Inflows (Outflows)	New Leases	Non-cash Changes Fair Value Adjustments (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Others	Closing Balance
Short-term borrowings	\$ 3,140,581	\$ (2,892,932)	\$ -	\$ -	\$ 31,060	\$ 278,709
Bank debentures	37,850,000	400,000	-	-	-	38,250,000
Long-term borrowings	359,910	(6,630)	-	-	18,032	371,312
Financial liabilities designated as at fair value through profit or loss - bank debentures	37,805,089	1,575,323	-	(4,775,450)	3,389,229	37,994,191
Guarantee deposits received	7,191,632	1,177,587	-	-	-	8,369,219
Lease liabilities	4,169,899	(849,832)	766,411	-	18,740	4,105,218
	\$ 90,517,111	\$ (596,484)	\$ 766,411	\$ (4,775,450)	\$ 3,457,061	\$ 89,368,649

For the nine months ended September 30, 2022

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

#### 47. 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 or 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 41 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).

#### 48. OPERATING SEGMENTS

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

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

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

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

(In Millions of New Taiwan Dollars)

	For the Nine Months Ended September 30, 2023				
	Corporate Banking Unit	Individual Banking Unit	Overseas Branches and Subsidiaries	Others	Total
Net interest revenues (expenses)	\$ 26,264	\$ 20,957	\$ 7,425	\$ (33,491)	\$ 21,155
Total net revenues (expenses)	\$ 16,879	\$ 33,524	\$ 8,890	\$ (14,640)	\$ 44,653
Reversal of (provision for) bad-debt expenses and reversal of (provision for) losses on commitments and guarantees	(121)	(938)	-	69	(990)
Operating expenses	(4,358)	(17,176)	(2,314)	(2,354)	(26,202)
Income (loss) before income tax	\$ 12,400	\$ 15,410	\$ 6,576	\$ (16,925)	\$ 17,461

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

**TABLE 1**

**E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES**

**CONSOLIDATED ENTITIES**  
**SEPTEMBER 30, 2023, DECEMBER 31, 2022 AND SEPTEMBER 30, 2022**

Entities included in the consolidated financial statements

Investor Company	Investee Company	Location	Businesses and Products	Percentage of Ownership (%)			Note
				September 30, 2023	December 31, 2022	September 30, 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
				September 30, 2023	December 31, 2022	September 30, 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  
SEPTEMBER 30, 2023 AND 2022  
(In Thousands of New Taiwan Dollars)

Loans

September 30, 2023

Type	Account Volume or Name	Highest Balance for the Nine Months Ended September 30, 2023 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	139	\$ 81,630	\$ 62,040	\$ 62,040	\$ -	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	516	3,786,624	2,874,880	2,874,880	-	Land and buildings	None
Other loans	Others	2,203,632	1,454,321	1,454,321	-	Land, buildings and plant	None

September 30, 2022

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

Note: The sum of the respective highest balances of each account for the nine months ended September 30, 2023 and 2022.

**TABLE 3****E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES****INFORMATION ON FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES WITH SIGNIFICANT EFFECT  
SEPTEMBER 30, 2023, DECEMBER 31, 2022 AND SEPTEMBER 30, 2022  
(In Thousands)**

	September 30, 2023			December 31, 2022			September 30, 2022		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>									
Monetary items									
USD	\$ 25,107,297	32.2880	\$ 810,664,406	\$ 24,388,008	30.7240	\$ 749,297,158	\$ 25,091,690	31.7480	\$ 796,610,974
CNY	26,504,126	4.4102	116,888,496	24,748,728	4.4076	109,082,494	23,938,862	4.4733	107,085,711
AUD	5,967,889	20.5510	122,646,087	6,552,826	20.8330	136,515,024	6,632,979	20.6560	137,010,814
Non-monetary items									
USD	1,159,587	32.2880	37,440,745	1,116,306	30.7240	34,297,386	1,612,770	31.7480	51,202,222
CNY	245,867	4.4102	1,084,323	78,701	4.4076	346,883	189,544	4.4733	847,887
AUD	15,017	20.5510	308,614	976	20.8330	20,333	7,056	20.6560	145,749
<u>Financial liabilities</u>									
Monetary items									
USD	\$ 33,952,049	32.2880	\$ 1,096,243,758	\$ 38,168,195	30.7240	\$ 1,172,679,623	\$ 38,885,515	31.7480	\$ 1,234,537,330
CNY	22,397,926	4.4102	98,779,333	23,148,601	4.4076	102,029,774	23,785,944	4.4733	106,401,663
AUD	2,849,189	20.5510	58,553,683	3,007,740	20.8330	62,660,247	3,320,442	20.6560	68,587,050
Non-monetary items									
USD	908,778	32.2880	29,342,624	821,086	30.7240	25,227,046	1,209,843	31.7480	38,410,096
CNY	118,710	4.4102	523,535	106,458	4.4076	469,224	160,114	4.4733	716,238
AUD	3,773	20.5510	77,539	8,431	20.8330	175,643	2,611	20.6560	53,933

**TABLE 4**

**E.SUN COMMERCIAL BANK, LTD.**

**ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES**  
**SEPTEMBER 30, 2023 AND 2022**  
(In Thousands of New Taiwan Dollars, %)

Period			September 30, 2023				September 30, 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		\$ 1,486,439	\$ 474,259,267	0.31	\$ 5,432,237	365.45	\$ 998,544	\$ 462,155,806	0.22	\$ 5,280,161	528.79
	Unsecured		237,655	492,552,267	0.05	5,273,491	2,218.97	849,628	468,232,513	0.18	5,332,752	627.66
Consumer banking	Residential mortgage (Note 4)		264,053	548,242,567	0.05	8,023,510	3,038.60	263,629	528,562,737	0.05	7,734,143	2,933.72
	Cash card		-	589	-	10	-	-	727	-	14	-
	Small-scale credit loans (Note 5)		1,156,958	121,441,813	0.95	1,703,057	147.20	829,420	134,513,438	0.62	1,642,662	198.05
	Other (Note 6)	Secured	210,261	334,384,908	0.06	3,404,699	1,619.27	165,032	289,044,333	0.06	2,973,306	1,801.65
		Unsecured	-	2,624,456	-	28,869	-	-	2,906,084	-	31,385	-
Loan			3,355,366	1,973,505,867	0.17	23,865,873	711.27	3,106,253	1,885,415,638	0.16	22,994,423	740.26
			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			198,041	103,953,662	0.19	752,159	379.80	119,254	91,705,559	0.13	881,450	739.14
Accounts receivable factored without recourse (Note 7)			-	9,812,715	-	120,293	-	-	12,528,696	-	172,982	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			2,807				4,452					
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			11,681				15,652					
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			1,246,456				1,242,912					
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			1,497,398				1,593,279					

- Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans.” Nonperforming receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).
- Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loans balance.  
Ratio of nonperforming receivables: Nonperforming receivables ÷ Outstanding receivables balance.
- Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.  
Coverage ratio of receivables: Allowance for possible losses for receivables ÷ Nonperforming receivables.
- Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.
- Note 5: Based on the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.
- Note 6: Other consumers’ banking loans refer to secured or unsecured loans that exclude residential mortgage, cash cards, credit cards and small-scale credit loans.
- Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.
- Note 8: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau’s letter dated April 25, 2006 (Ref. No. 09510001270).
- Note 9: Amounts of executed debt-restructuring projects not reported as nonperforming loans or receivables are disclosed to the public in accordance with the Banking Bureau’s letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

TABLE 5

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 2023.02.20	\$ 776,370 (Note)	\$776,370 has been paid as of September 30, 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 September 30, 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 September 30, 2023	Yang, Yang and Yang	-	-	-	-	-	Appraisal report	For the operation of the branch of E.SUN Bank	None
	Xinzhuang Fuduxin branch	2023.04.21	323,000	\$323,000 has been paid as of September 30, 2023	Chung Mao Property Development Co., Ltd., Lee	-	-	-	-	-	Appraisal report	For the operation of the branch of E.SUN Bank	None

Note: The initial transaction amount was \$707,000 thousand, additional amount of \$38,300 thousand and second additional amount of \$31,070 thousand.

TABLE 6

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2023	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Amount as of September 30, 2023	Accumulated Inward Remittance of Earnings as of September 30, 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	\$ 267,274	\$ 9,763,806	\$ -

Accumulated Investment in Mainland China as of September 30, 2023	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
\$9,758,742 (Note 1)	\$9,758,742 (Note 1)	\$133,043,256

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

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

**TABLE 7**

**E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES**

**BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT COMPANY AND SUBSIDIARIES  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 7,064,070	Note 4	0.20
1	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	b	Deposits from the Central Bank and other banks	7,064,070	Note 4	0.20
0	E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	a	Discounts and loans	4,100,576	Note 4	0.12
2	Union Commercial Bank PLC.	E.SUN Commercial Bank, Ltd.	b	Other financial liabilities	4,100,576	Note 4	0.12
0	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	a	Interest revenue	190,884	Note 4	0.43
1	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	b	Interest expense	190,884	Note 4	0.43
0	E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	a	Interest revenue	212,268	Note 4	0.48
2	Union Commercial Bank PLC.	E.SUN Commercial Bank, Ltd.	b	Interest expense	212,268	Note 4	0.48

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.