

## **Bank SinoPac and Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2022 and 2021 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholder  
Bank SinoPac

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Bank SinoPac and its subsidiaries (collectively referred to as the Group) as of March 31, 2022 and 2021 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2022 and 2021 and related notes, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, the guidelines issued by the authority, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

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

### **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, the guidelines issued by the authority, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Mei-Hui Wu and Cheng-Hung Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 11, 2022

Notice to Readers

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

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

## BANK SINOPAC AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	March 31, 2022 (Reviewed)		December 31, 2021 (Audited)		March 31, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
CASH AND CASH EQUIVALENTS, NET (Notes 4 and 6)	\$ 35,480,655	2	\$ 45,487,854	2	\$ 20,068,931	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS, NET (Notes 7, 40 and 41)	166,574,603	8	217,618,752	10	151,975,304	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 40)	51,759,045	2	45,048,153	2	44,217,171	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 40 and 41)	376,075,500	17	380,769,066	18	351,028,727	17
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10 and 41)	180,609,915	8	167,247,985	8	152,426,235	8
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 11, and 40)	37,778,868	2	46,121,524	2	63,778,418	3
RECEIVABLES, NET (Notes 4, 12 and 40)	55,652,445	3	58,254,361	3	47,584,326	2
CURRENT INCOME TAX ASSETS (Notes 4, 29 and 40)	1,109,433	-	1,104,414	-	1,259,900	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 13, 40 and 41)	1,268,463,322	58	1,184,692,221	55	1,187,013,925	58
OTHER FINANCIAL ASSETS, NET (Notes 14, 40 and 41)	2,076,716	-	3,942,295	-	8,514,856	-
PROPERTY AND EQUIPMENT, NET (Notes 4, 15, 17 and 40)	9,835,952	-	9,848,477	-	9,671,896	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 16 and 40)	2,840,328	-	2,680,065	-	2,559,540	-
INVESTMENT PROPERTY, NET (Notes 4 and 17)	1,044,230	-	1,051,692	-	1,044,223	-
INTANGIBLE ASSETS, NET (Notes 4, 18 and 40)	1,647,358	-	1,623,772	-	1,573,445	-
DEFERRED INCOME TAX ASSETS (Notes 4 and 29)	1,293,627	-	1,414,843	-	1,326,268	-
OTHER ASSETS, NET (Notes 19 and 40)	<u>8,952,370</u>	<u>-</u>	<u>2,590,709</u>	<u>-</u>	<u>2,886,255</u>	<u>-</u>
<b>TOTAL</b>	<u><u>\$ 2,201,194,367</u></u>	<u><u>100</u></u>	<u><u>\$ 2,169,496,183</u></u>	<u><u>100</u></u>	<u><u>\$ 2,046,929,420</u></u>	<u><u>100</u></u>
<b>LIABILITIES AND EQUITY</b>						
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 20 and 40)	\$ 76,640,056	4	\$ 70,265,085	3	\$ 89,402,568	4
DUE TO THE CENTRAL BANK AND BANKS	224,740	-	205,030	-	118,350	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 40)	22,280,396	1	9,244,086	-	16,955,148	1
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 9, 10, 11 and 21)	42,603,732	2	12,584,215	1	13,605,676	1
PAYABLES (Notes 4, 22, 27, 36 and 40)	19,788,657	1	21,443,888	1	20,979,907	1
CURRENT INCOME TAX LIABILITIES (Notes 4, 29 and 40)	1,202,886	-	889,901	-	819,507	-
DEPOSITS AND REMITTANCES (Notes 23 and 40)	1,811,783,237	82	1,840,387,303	85	1,697,592,796	83
BANK DEBENTURES (Notes 24 and 40)	55,549,184	3	50,548,494	2	45,078,979	2
OTHER FINANCIAL LIABILITIES (Note 25)	19,518,396	1	12,042,527	1	11,405,148	1
PROVISIONS (Notes 4, 26 and 27)	2,902,376	-	2,961,134	-	3,170,850	-
LEASE LIABILITIES (Notes 4, 16 and 40)	2,865,434	-	2,697,037	-	2,563,196	-
DEFERRED INCOME TAX LIABILITIES (Notes 4 and 29)	1,009,919	-	807,276	-	761,184	-
OTHER LIABILITIES (Notes 28 and 40)	<u>1,932,901</u>	<u>-</u>	<u>2,291,543</u>	<u>-</u>	<u>3,321,456</u>	<u>-</u>
Total liabilities	<u>2,058,301,914</u>	<u>94</u>	<u>2,026,367,519</u>	<u>93</u>	<u>1,905,774,765</u>	<u>93</u>
<b>EQUITY</b>						
Capital stock						
Common stock	<u>86,889,193</u>	<u>4</u>	<u>86,889,193</u>	<u>4</u>	<u>86,061,159</u>	<u>4</u>
Capital surplus						
Additional paid-in capital in excess of par	4,001,872	-	4,001,872	-	4,001,872	-
Capital surplus from business combination	8,076,524	-	8,076,524	1	8,076,524	1
Others	<u>69,244</u>	<u>-</u>	<u>69,244</u>	<u>-</u>	<u>69,244</u>	<u>-</u>
Total capital surplus	<u>12,147,640</u>	<u>-</u>	<u>12,147,640</u>	<u>1</u>	<u>12,147,640</u>	<u>1</u>
Retained earnings						
Legal reserve	29,790,449	1	29,790,449	1	26,912,280	1
Special reserve	361,146	-	361,146	-	373,453	-
Unappropriated earnings	<u>15,940,848</u>	<u>1</u>	<u>12,259,998</u>	<u>1</u>	<u>13,075,600</u>	<u>1</u>
Total retained earnings	<u>46,092,443</u>	<u>2</u>	<u>42,411,593</u>	<u>2</u>	<u>40,361,333</u>	<u>2</u>
Other equity	<u>(2,236,823)</u>	<u>-</u>	<u>1,680,238</u>	<u>-</u>	<u>2,584,523</u>	<u>-</u>
Total equity	<u>142,892,453</u>	<u>6</u>	<u>143,128,664</u>	<u>7</u>	<u>141,154,655</u>	<u>7</u>
<b>TOTAL</b>	<u><u>\$ 2,201,194,367</u></u>	<u><u>100</u></u>	<u><u>\$ 2,169,496,183</u></u>	<u><u>100</u></u>	<u><u>\$ 2,046,929,420</u></u>	<u><u>100</u></u>

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

# BANK SINOPAC AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2022		2021	
	Amount	%	Amount	%
INTEREST INCOME	\$ 7,643,689	81	\$ 7,010,914	87
INTEREST EXPENSES	<u>(2,205,551)</u>	<u>(23)</u>	<u>(2,168,702)</u>	<u>(27)</u>
NET INTEREST REVENUE (Notes 4, 31 and 40)	<u>5,438,138</u>	<u>58</u>	<u>4,842,212</u>	<u>60</u>
NET REVENUES OTHER THAN INTEREST (Note 4)				
Service fee income, net (Notes 32 and 40)	2,991,800	32	2,527,503	31
Gains on financial assets and liabilities at fair value through profit or loss, net (Notes 33 and 40)	452,240	5	263,345	3
Realized gains on financial assets at fair value through other comprehensive income (Note 34)	131,536	1	288,401	4
Gains (losses) arising from derecognition of financial assets measured at amortized cost	8,291	-	(670)	-
Foreign exchange gains	376,388	4	176,373	2
Reversal of impairment loss on assets (impairment loss on assets) (Note 14)	16,020	-	(12,458)	-
Net other revenue other than interest income (Notes 35 and 40)	<u>37,017</u>	<u>-</u>	<u>34,198</u>	<u>-</u>
Net revenues other than interest	<u>4,013,292</u>	<u>42</u>	<u>3,276,692</u>	<u>40</u>
NET REVENUE	<u>9,451,430</u>	<u>100</u>	<u>8,118,904</u>	<u>100</u>
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4, 5, 6, 7, 12, 13, 14 and 26)	<u>(773,614)</u>	<u>(8)</u>	<u>(489,874)</u>	<u>(6)</u>
OPERATING EXPENSES				
Employee benefits expenses (Notes 4, 27, 36 and 40)	(2,803,952)	(30)	(2,526,713)	(31)
Depreciation and amortization expense (Notes 4, 16, 37 and 40)	(387,967)	(4)	(372,077)	(5)
Other general and administrative expenses (Notes 38 and 40)	<u>(1,123,985)</u>	<u>(12)</u>	<u>(988,717)</u>	<u>(12)</u>
Total operating expenses	<u>(4,315,904)</u>	<u>(46)</u>	<u>(3,887,507)</u>	<u>(48)</u>

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# BANK SINOPAC AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2022		2021	
	Amount	%	Amount	%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	\$ 4,361,912	46	\$ 3,741,523	46
INCOME TAX EXPENSE (Notes 4 and 29)	<u>(681,078)</u>	<u>(7)</u>	<u>(553,456)</u>	<u>(7)</u>
NET INCOME	<u>3,680,834</u>	<u>39</u>	<u>3,188,067</u>	<u>39</u>
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified to profit or loss:				
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income (Note 30)	631,304	7	1,113,815	14
Change in fair value of financial liability attributable to change in credit risk of liability (Note 30)	<u>11,501</u>	<u>-</u>	<u>3,051</u>	<u>-</u>
Items that will not be reclassified to profit or loss	<u>642,805</u>	<u>7</u>	<u>1,116,866</u>	<u>14</u>
Items that will be reclassified to profit or loss:				
Exchange differences on translation of foreign operations (Note 30)	355,919	4	(76,359)	(1)
(Losses) gains from investments in debt instruments measured at fair value through other comprehensive income (Note 30)	(4,881,638)	(52)	(2,772,973)	(34)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 29 and 30)	<u>(34,131)</u>	<u>-</u>	<u>32,782</u>	<u>-</u>
Items that will be reclassified to profit or loss	<u>(4,559,850)</u>	<u>(48)</u>	<u>(2,816,550)</u>	<u>(35)</u>
Other comprehensive income	<u>(3,917,045)</u>	<u>(41)</u>	<u>(1,699,684)</u>	<u>(21)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ (236,211)</u>	<u>(2)</u>	<u>\$ 1,488,383</u>	<u>18</u>
EARNINGS PER SHARE (Note 39)				
Basic	<u>\$ 0.42</u>		<u>\$ 0.37</u>	

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

(Concluded)

## BANK SINOPAC AND SUBSIDIARIES

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

	Capital Stock (Note 30)	Capital Surplus (Note 30)	Retained Earnings (Notes 9 and 30)				Exchange Differences on Translation of Foreign Operations	Other Equity (Notes 4, 9 and 30)		Total	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Total		Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability		
BALANCE AT JANUARY 1, 2021	\$ 86,061,159	\$ 12,147,640	\$ 26,912,280	\$ 373,453	\$ 9,593,897	\$ 36,879,630	\$ (582,164)	\$ 5,242,350	\$ (82,343)	\$ 4,577,843	\$ 139,666,272
Net income for the three months ended March 31, 2021	-	-	-	-	3,188,067	3,188,067	-	-	-	-	3,188,067
Other comprehensive income for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	(61,087)	(1,641,648)	3,051	(1,699,684)	(1,699,684)
Total comprehensive income for the three months ended March 31, 2021	-	-	-	-	3,188,067	3,188,067	(61,087)	(1,641,648)	3,051	(1,699,684)	1,488,383
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	293,636	293,636	-	(293,636)	-	(293,636)	-
BALANCE AT MARCH 31, 2021	<u>\$ 86,061,159</u>	<u>\$ 12,147,640</u>	<u>\$ 26,912,280</u>	<u>\$ 373,453</u>	<u>\$ 13,075,600</u>	<u>\$ 40,361,333</u>	<u>\$ (643,251)</u>	<u>\$ 3,307,066</u>	<u>\$ (79,292)</u>	<u>\$ 2,584,523</u>	<u>\$ 141,154,655</u>
BALANCE AT JANUARY 1, 2022	\$ 86,889,193	\$ 12,147,640	\$ 29,790,449	\$ 361,146	\$ 12,259,998	\$ 42,411,593	\$ (643,875)	\$ 2,409,995	\$ (85,882)	\$ 1,680,238	\$ 143,128,664
Net income for the three months ended March 31, 2022	-	-	-	-	3,680,834	3,680,834	-	-	-	-	3,680,834
Other comprehensive income for the three months ended March 31, 2022, net of income tax	-	-	-	-	-	-	284,735	(4,213,281)	11,501	(3,917,045)	(3,917,045)
Total comprehensive income for the three months ended March 31, 2022	-	-	-	-	3,680,834	3,680,834	284,735	(4,213,281)	11,501	(3,917,045)	(236,211)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	16	16	-	(16)	-	(16)	-
BALANCE AT MARCH 31, 2022	<u>\$ 86,889,193</u>	<u>\$ 12,147,640</u>	<u>\$ 29,790,449</u>	<u>\$ 361,146</u>	<u>\$ 15,940,848</u>	<u>\$ 46,092,443</u>	<u>\$ (359,140)</u>	<u>\$ (1,803,302)</u>	<u>\$ (74,381)</u>	<u>\$ (2,236,823)</u>	<u>\$ 142,892,453</u>

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

# BANK SINOPAC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit from continuing operations before tax	\$ 4,361,912	\$ 3,741,523
Adjustments to reconcile profit:		
Depreciation expenses	328,945	317,117
Amortization expenses	59,022	54,960
Provision for bad debt expense	943,195	646,375
Interest expenses	2,205,551	2,168,702
Net (gain) loss arising from derecognition of financial assets measured at amortized cost	(8,291)	670
Interest income	(7,643,689)	(7,010,914)
Dividend income	(55,500)	(39,113)
Net change in provisions for guarantee liabilities	(16,867)	33,671
Net change in other provisions	23,607	(8,781)
Losses on disposal and retirement of property and equipment	973	1,045
(Reversal of) impairment loss on financial assets	(16,020)	12,458
Net loss (gains) on changing in leasing contract	646	(78)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and call loans to banks	(12,524,301)	1,200,735
(Increase) decrease in financial assets at fair value through profit or loss	(6,710,892)	11,936,684
Decrease (increase) in financial assets at fair value through other comprehensive income	435,308	(12,956,771)
(Increase) decrease in investments in debt instruments at amortized cost	(13,354,942)	9,947,275
Increase in securities purchased under resell agreements	(158,614)	(38,717)
Decrease in receivables	2,798,901	1,271,241
Increase in discounts and loans	(84,787,805)	(46,650,303)
Decrease (increase) in other financial assets	1,889,516	(650,697)
(Increase) decrease in other assets	(6,356,264)	859,527
Increase in deposits from the Central Bank and banks	6,374,971	13,888,198
Increase (decrease) in financial liabilities at fair value through profit or loss	13,047,811	(5,933,619)
Increase in securities sold under repurchase agreements	30,019,517	9,904,353
(Decrease) increase in payables	(1,980,909)	2,336,081
(Decrease) increase in deposits and remittances	(28,604,066)	37,641,729
Increase (decrease) in other financial liabilities	7,475,869	(4,761,934)
Decrease in provisions for employee benefits	(69,860)	(68,608)
Decrease in other liabilities	(358,642)	(2,390,409)
Net cash (used in) generated from operations	(92,680,918)	15,452,400
Interest received	7,624,795	6,963,265
Dividend received	19,717	3,565

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# **BANK SINOPAC AND SUBSIDIARIES**

## **CONSOLIDATED STATEMENTS OF CASH FLOWS**

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

**(Reviewed, Not Audited)**

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Interest paid	\$ (2,070,248)	\$ (2,321,978)
Income tax paid	<u>(89,226)</u>	<u>(123,720)</u>
Net cash (used in) generated from operating activities	<u>(87,195,880)</u>	<u>19,973,532</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(173,053)	(140,178)
Proceeds from disposal of property and equipment	56	14
Acquisition of intangible assets	(23,318)	(25,397)
Acquisition of right-of-use assets	(147)	(100)
Acquisition of investment properties	<u>(196)</u>	<u>(12)</u>
Net cash used in investing activities	<u>(196,658)</u>	<u>(165,673)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in funds borrowed from Central Bank and banks	19,710	37,970
Bank debentures issued	5,000,000	-
Repayments of lease liabilities	<u>(169,753)</u>	<u>(182,253)</u>
Net cash generated from (used in) financing activities	<u>4,849,957</u>	<u>(144,283)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>462,793</u>	<u>(74,575)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(82,079,788)	19,589,001
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>246,348,875</u>	<u>158,248,011</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 164,269,087</u>	<u>\$ 177,837,012</u>

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## **BANK SINOPAC AND SUBSIDIARIES**

### **CONSOLIDATED STATEMENTS OF CASH FLOWS**

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

**(Reviewed, Not Audited)**

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

	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Cash and cash equivalents in consolidated balance sheets	\$ 35,480,655	\$ 20,068,931
Due from the Central Bank and call loans to banks reclassified as cash and cash equivalents under the definition of IAS 7	91,196,272	94,052,322
Securities purchased under resell agreements reclassified as cash and cash equivalents under the definition of IAS 7	<u>37,592,160</u>	<u>63,715,759</u>
Cash and cash equivalents at the end of the period	<u>\$ 164,269,087</u>	<u>\$ 177,837,012</u>

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

(Concluded)

# **BANK SINOPAC AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)**

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### **1. ORGANIZATION**

August 8, 1991	Bank SinoPac (“the Bank”) obtained government approval to incorporate.
January 28, 1992	The Bank started operations.
May 9, 2002	The Bank swap shares with SinoPac Securities Corporation and SinoPac Securities Co., Ltd. (SPS) to establish SinoPac Financial Holdings Company Limited (SPH), a financial holding company, resulting in the Bank becoming an unlisted wholly owned subsidiary of SPH, the ultimate parent company of SPH.
December 26, 2005	SPH finished the merger with International Bank of Taipei Co., Ltd. (IBT), through a 100% share swap.
May 8, 2006	The board of directors of IBT resolved to transfer credit card business and related assets and liabilities to SinoPac Card Services Co., Ltd. (SinoPac Card). The transaction has been approved by the authorities on June 22, 2006 and the assets have been transferred at the book value of \$5,171,080 on August 4, 2006.
November 13, 2006	The preliminary effective date of the share swap and merger. The Bank acquired the assets and liabilities of IBT through a share swap at ratio of 1.175 shares of the Bank to swap for 1 share of IBT.
June 1, 2009	The Bank’s cash merger with SinoPac Card took effect, with this merger amounting to \$3,873,675. Under this merger, the Bank was the surviving entity.
November 1, 2015	The Bank assumed all of the assets and liabilities of the Ho Chi Minh City Branch of Far East National Bank and renamed this branch Bank SinoPac, Ho Chi Minh City Branch. The transaction price was US\$28,540 thousand.
May 1, 2019	SinoPac Call Center Co., Ltd. (SinoPac Call Center) which is a wholly-owned subsidiary of SPH was cash merged by the Bank. Under this merger, SinoPac Call Center was the dissolved company and the Bank was the surviving entity, assuming all business, assets, liabilities and all rights and obligations.
August 1, 2019	Due to permission, the Bank may also operate within the insurance industry. Then the board of directors of the Bank applied for the qualification to operate as an insurance agency and for the rights to merge SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd., which are both 100% shareholding subsidiaries of the Bank. The Bank is the surviving company, and the two subsidiaries were liquidated.

The Bank’s ultimate parent and controller is SinoPac Holdings, which holds 100% common stock of the Bank.

The functional currency of the Bank is the New Taiwan dollar. The consolidated financial statements of the Bank and its subsidiaries (“the Group”) are presented in New Taiwan dollars.

For the information on consolidated entities, please refer to Note 4.

## 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's board of directors on May 11, 2022.

## 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 Financial Supervisory Commission (FSC)

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

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

<b>New IFRSs</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 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

The Group assessed that the abovementioned amendments are not expected to have material impact on the Group's accounting policies. As of the date the financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Statement of Compliance

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

##### 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, payable for cash-settled share-based payment transaction and net defined benefit liability which is stated at the present value of defined benefit obligation less 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:

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

##### Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the Banking industry cannot be reasonably identified, the accounts included in the Group’s consolidated financial statements were not classified as current or noncurrent. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity. Please refer to Note 44 for the maturity analysis of assets and liabilities.

##### Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (i.e., its subsidiaries). Control is achieved when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by the Bank.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation; for related information please refer to Table 2.

The consolidated entities were as follows:

Investor	Investee	Main Business	% of Ownership			Remark
			March 31, 2022	December 31, 2021	March 31, 2021	
Bank SinoPac	Bank SinoPac (China) Ltd.	Commercial bank	100	100	100	
	SinoPac Insurance Brokers Ltd.	Insurance brokerage business	100	100	100	

## **Foreign Currencies**

### **a. Foreign currencies**

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

### **b. Exchange differences on translation of the financial statements of foreign operations**

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

## **Cash and Cash Equivalents**

Cash and cash equivalent in financial statements includes cash on hand, demand deposits and investments with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. For the purposes of presenting cash flows, the cash and cash equivalent includes cash and cash equivalents in balance sheets, due from the Central Bank and call loans to banks and securities purchased under resell agreements under IAS 7.

## **Financial Instruments**

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

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

### **Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a. Measurement category

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

1) Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria. A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 43.

2) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, receivables and discount and loans, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

3) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- a) The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

#### 4) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

#### b. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost and investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime Expected Credit Loss (ECL) for receivables. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" (the Regulations), the Bank evaluates credit losses on the basis of the estimated collectability of loans. In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mentioned, assets with substandard credit quality, assets with doubtful collectability, and assets on which there is loss. The Bank evaluates the value of collaterals of specified loans and assesses recoverability of non-performing loans. These will be written off after approved by the board of directors when evaluated as unrecoverable.

Based on the above Regulations, the minimum allowance for credit losses and provision for losses on guarantees for assets that are normal excluding claims against the ROC government agencies that require special mentioned, assets that are substandard, assets with doubtful collectability, and assets on which there is loss were 1%, 2%, 10%, 50% and 100%, respectively of outstanding. In addition, under the Financial Supervisory Commission (FSC) Official Letter No. 10010006830, there should be a provision at more than 1% of the sum of the minimum allowance for credit losses and the provision for losses on guarantees.



For enhanced risk management of banks, the FSC issued Official Letter No. 10300329440, which requires domestic banks to allocate an allowance of at least 1.5% of repair loans and construction loans. In addition, under the FSC Official Letter No. 10410001840, Category 1 credits granted to enterprises in the China region should be covered by an allowance of at least 1.5% of the balance of these credits.

SinoPac (China) conforms to the “Guidelines for the Provision of Bank Loan Loss” for the special provisions, issued by the People’s Bank of China. For the special-mentioned loan, substandard loans, doubtful loans and loss loans, recognizing special provisions based on 2%, 20% to 30%, 40% to 60% and 100% of the loan balance, respectively.

c. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of a debt instrument at FVTOCI in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss. On derecognition of an equity instrument at FVTOCI in its entirety, cumulative gain or loss is transferred directly to retained earnings instead of reclassifying as profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Equity and debt instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

a. Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

1) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or is designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 43.

A financial liability may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the Banking is provided internally on that basis; or

- c) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividend paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

## 2) Financial guarantee contracts

Financial guarantee contracts issued by the Group, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit loss or the amount initially recognized less accumulated amortization.

## b. Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

### Modification of financial instruments

When a financial instrument is modified, the Group assesses whether the modification will result in derecognition. If modification of a financial instrument results in derecognition, it is accounted for as derecognition of financial assets or liabilities. If the modification does not result in derecognition, the Group recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liability based on the modified cash flows discounted at the original effective interest rate with any modification gain or loss recognized in profit or loss. The cost incurred is adjusted to the carrying amount of the modified financial asset or financial liability and amortized over the modified remaining period.

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the Group elects to apply the practical expedient in which the changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis. When multiple changes are made to a financial asset or a financial liability, the Group first applies the practical expedient to those changes required by interest rate benchmark reform, and then applies the requirements of modification of financial instruments to the other changes that cannot apply the practical expedient.

### **Derivative Financial Instruments**

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in hybrid contracts that contain hosts which are not assets (e.g. financial liabilities) within the scope of IFRS 9 shall be separated from the host and accounted for as a derivative under IFRS 9 if, and only if, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host. Alternatively, the entire hybrid instrument is designated as a derivative instrument included in financial liabilities at fair value through profit or loss upon initial recognition, and no separate accounting is required.

### **Repurchase and Reverse Repurchase Transactions**

Securities purchased under resell (reverse repurchase) agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements or interest incurred on repurchase agreements is recognized as interest income or interest expense over the life of each agreement.

### **Property and Equipment**

Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation on property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

### **Investment Properties**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

### **Leases**

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

#### **a. The Group as lessor**

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

### **Intangible Assets**

#### **a. Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently recognized at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

#### **b. Derecognition of intangible assets**

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

### **Goodwill**

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

## **Impairment of Tangible and Intangible Assets Other Than Goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## **Provisions**

Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## **Employee Benefits**

### **a. Short-term employee benefits**

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### **b. Retirement benefits**

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans. Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

c. Preferential interest on employees' deposits

The Bank offers preferential interest rate to its current employees for their deposits within a prescribed amount.

Under Article 28 of the Regulation Governing the Preparation of Financial Reports by Public Bank, if the Group's preferential deposit interest rate for as stated in the employment contract exceeds the market interest rate, the excess will be subject to IAS 19 "Employee Benefits" upon the employee's retirement. The actuarial valuation assumptions and parameters are based on those announced by authority, if any.

d. Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

### **Cash-settled Share-based Payment Transaction**

For cash-settled share-based payments, a liability is recognized for the services acquired, measured initially at the fair value of the liability incurred. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss.

### **Revenue Recognition**

a. Interest income and expense

Except for financial assets and liabilities at fair value through profit or loss, interest income and interest expense of all financial instruments are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, and recognized in the consolidated statements of comprehensive income.

Transaction costs and all other premium or discounts associated with the loans and receivables are adjusted to the carrying amount of the loans and receivables. The calculation of effective interest rate includes transaction costs and all other premium or discounts paid or received by the Group that is an integral part of the effective interest rate.

Interest should not be accrued for loans that are transferred to non-performing loans. The interest revenue on those loans/credits is recognized upon collection.

Under Ministry of Finance (MOF) regulations, the interest revenue on structured loans is recognized upon collection.

Interest income on revolving credit card receivables and cash advance is recognized on an accrual basis.

b. Commission revenue

Commission fee revenue and expenses are recognized when loans or other services are provided. Service fees on significant projects are recognized when the project has been completed, for instance, loans syndicated fees are recognized over the period during which the service is performed, or as an adjustment to the effective interest rate on the loan and receivables.

Annual fee income is the membership fee received from card members and is recognized when card members fail to meet the criteria for annual fee exemption; an allowance is estimated using past experience and is recognized as a deduction from annual fee income within the year the annual fee income is recognized.

Revenue from rendering services is recognized at the amount corresponding to the percentage of services completed as of the balance sheet date.

c. Dividend income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

## **Income Tax**

Income tax expense represents the sum of the current tax and deferred tax. 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.

a. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws in each tax jurisdiction of the Bank and its subsidiaries.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences, unused loss carryforward and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are generally recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.



The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current tax and deferred tax for the period

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

d. Linked-tax system

SPH and its qualified subsidiaries adopted the linked-tax system. The different amounts between tax expense and deferred tax liabilities and assets based on consolidation and SPH with its qualified subsidiaries are adjusted on SPH; related amounts are recognized as current tax assets or current tax liabilities.

The accounting principle for the effect of tax rate amendment is the same as the principle for transactions with tax consequences. They are recognized in profit or loss, other comprehensive income or equity when they occurred.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### **Estimated Impairment of Discounts and Loans**

According to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans endorsed by the Financial Supervisory Commission (FSC), for estimate of impairment of discounts and loans, the Group makes judgment to classify loan asset and evaluate credit losses based on the information of loan term and situation of pledged collateral value and financial position of debtor.

According to the International Financial Reporting Standard 9 Financial Instruments (“IFRS 9”), the Group also makes assumptions about probability of default and loss given default. In making these assumptions and in selecting the inputs to the impairment calculation, the Group uses judgment based on past history, existing market conditions, forward-looking estimates, as well as the economic effects of COVID-19. Where the actual future cash inflows are less than expected, a material impairment loss may arise. Furthermore, the estimate of the probability of default is subject to greater uncertainties in the 2022 due to impact on credit risk of financial assets arising from the uncertainty on COVID-19 pandemic and volatility in financial markets.

## 6. CASH AND CASH EQUIVALENTS, NET

	March 31, 2022	December 31, 2021	March 31, 2021
Cash on hand	\$ 6,502,220	\$ 6,383,284	\$ 7,094,111
Due from other banks	28,135,291	34,935,306	11,629,933
Notes and checks for clearing	<u>844,771</u>	<u>4,178,657</u>	<u>1,363,806</u>
	35,482,282	45,497,247	20,087,850
Less: Allowance for credit losses	<u>(1,627)</u>	<u>(9,393)</u>	<u>(18,919)</u>
Net amount	<u>\$ 35,480,655</u>	<u>\$ 45,487,854</u>	<u>\$ 20,068,931</u>

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

	March 31, 2022	December 31, 2021	March 31, 2021
Call loans to banks	\$ 76,849,906	\$ 120,027,269	\$ 48,639,955
Trade finance advance - interbank	9,033,402	8,727,495	6,547,088
Deposit reserve - checking accounts	28,554,161	36,110,430	46,107,237
Due from the Central Bank - interbank settlement funds	6,000,385	6,000,477	6,000,284
Deposit reserve - demand accounts	40,330,576	38,955,034	36,677,043
Deposit reserve - foreign currencies	572,430	553,791	427,990
Deposit - other	<u>5,249,371</u>	<u>7,262,753</u>	<u>7,576,330</u>
	166,590,231	217,637,249	151,975,927
Less: Allowance for credit losses	<u>(15,628)</u>	<u>(18,497)</u>	<u>(623)</u>
Net amount	<u>\$ 166,574,603</u>	<u>\$ 217,618,752</u>	<u>\$ 151,975,304</u>

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar (NTD) - denominated deposit reserves are determined monthly at prescribed rates based on average balances of customers’ NTD-denominated deposits. Deposit reserve - demand account should not be used, except for adjusting the deposit reserve account monthly. In addition, the foreign-currency deposit reserves are determined at prescribed rates based on the balances of foreign-currency deposits. These reserves can be withdrawn momentarily anytime at no interest.

Under the relevant provisions issued by the People’s Bank of China, Bank SinoPac (China) showed deposit reserves in proportion on the basis of deposit account balances at the end of the months.

Please refer to Note 41 for due from the Central Bank and call loans to banks as pledged or mortgaged assets.

## 8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2022	December 31, 2021	March 31, 2021
Financial assets mandatorily classified as at fair value through profit or loss			
Government bonds	\$ 9,922,707	\$ 19,499,020	\$ 19,832,774
Commercial paper	3,797,544	2,698,706	2,848,168
Certificates of deposits purchased	3,617,639	2,782,335	1,339,403
Convertible bonds	3,001,135	1,532,353	1,142,836
Bank debentures	721,755	814,147	420,500
Stocks	59,010	147,365	263,135
Currency swap contracts	13,648,352	3,860,432	10,907,709
Interest rate swap contracts	5,530,600	2,394,029	2,868,294
Forward contracts	610,686	421,640	710,438
Option contracts	414,848	341,514	363,128
Hybrid FX swap structured instruments	318,182	300,992	318,695
Others	<u>687,764</u>	<u>293,808</u>	<u>801,543</u>
	<u>42,330,222</u>	<u>35,086,341</u>	<u>41,816,623</u>
Financial assets designated at fair value through profit or loss			
Corporate bonds	9,157,975	8,874,520	1,185,094
Government bonds	<u>270,848</u>	<u>1,087,292</u>	<u>1,215,454</u>
	<u>9,428,823</u>	<u>9,961,812</u>	<u>2,400,548</u>
	<u>\$ 51,759,045</u>	<u>\$ 45,048,153</u>	<u>\$ 44,217,171</u>
Held-for-trading financial liabilities			
Securities purchased under resell agreements - borrowing	\$ 600,731	\$ -	\$ -
Currency swap contracts	13,636,296	4,459,470	11,587,493
Interest rate swap contracts	3,753,742	1,611,721	1,733,537
Option contracts	1,234,588	485,890	821,538
Forward contracts	661,397	507,685	763,465
Hybrid FX swap structured instruments	318,010	300,830	318,505
Others	<u>462,218</u>	<u>334,743</u>	<u>191,846</u>
	<u>20,666,982</u>	<u>7,700,339</u>	<u>15,416,384</u>
Financial liabilities designated at fair value through profit or loss			
Bank debentures	<u>1,613,414</u>	<u>1,543,747</u>	<u>1,538,764</u>
	<u>1,613,414</u>	<u>1,543,747</u>	<u>1,538,764</u>
	<u>\$ 22,280,396</u>	<u>\$ 9,244,086</u>	<u>\$ 16,955,148</u>

- a. The Group's financial assets at fair value through profit or loss originally maintained the business model by cash flows derived from contracts and the sales of financial assets, and are designated to hedge against the interest rate risk; the financial liabilities at fair value through profit or loss are specified for eliminating inconsistencies in accounting recognition.

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

	March 31, 2022	December 31, 2021	March 31, 2021
Difference between carrying amount and the amount due on maturity			
Fair value	\$ 1,613,414	\$ 1,543,747	\$ 1,538,764
Amount due on maturity	<u>(1,605,042)</u>	<u>(1,552,780)</u>	<u>(1,600,059)</u>
	<u>\$ 8,372</u>	<u>\$ (9,033)</u>	<u>\$ (61,295)</u>
			<b>Changes in Fair Value Attributable to Changes in Credit Risk</b>
Change in amount during the period			
For the three months ended March 31, 2022			<u>\$ 11,501</u>
For the three months ended March 31, 2021			<u>\$ 3,051</u>
Accumulated amount of change			
As of March 31, 2022			<u>\$ (74,381)</u>
As of March 31, 2021			<u>\$ (79,292)</u>

The change in fair value attributable to changes in credit risk recognized as other comprehensive income was calculated as the difference between the total change in fair value of bank debentures and the change in fair value due to the change in market risk factors. The change in fair value due to market risk factors was calculated using benchmark interest yield curves as at the end of the reporting period holding the credit risk margin constant and interest rates swap volatility surface. The fair value of bank debentures was estimated by discounting future cash flows using quoted benchmark interest yield curves as at the end of the reporting period and credit risk margin is estimated by obtaining credit default swap spread of the company with similar credit rating.

On May 19, 2017, the Bank issued unsecured senior bank debentures amounting to US\$45,000 thousand with a 30-year maturity and zero coupon issued and an implicit internal of return of 4.5%. 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 or make bond repayments on the maturity date.

- c. The Group engages in derivative transactions mainly to accommodate customers' needs and manage its own exposure positions. Outstanding derivative contracts (nominal) on March 31, 2022, December 31, 2021 and March 31, 2021 were as follows:

	Contract Amount		
	March 31, 2022	December 31, 2021	March 31, 2021
Currency swap contracts	\$ 1,266,586,867	\$ 1,132,763,757	\$ 1,027,747,144
Interest rate swap contracts	610,980,893	639,448,805	708,735,284
Forward contracts	123,406,891	74,694,290	67,758,388
Option contracts	110,277,896	30,012,720	22,997,342
Futures contracts	12,747,839	2,974,507	10,855,775
Cross-currency swap contracts	6,447,833	6,270,641	7,799,546
Hybrid FX swap structured instruments	6,319,133	5,838,295	7,222,863
Equity-linked swap contracts	3,037,673	2,269,657	797,259
Assets swap contracts	2,683,967	1,313,081	1,055,284

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2022	December 31, 2021	March 31, 2021
Equity instruments at fair value through other comprehensive income	\$ 21,006,233	\$ 15,299,410	\$ 11,126,986
Debt instruments at fair value through other comprehensive income	<u>355,069,267</u>	<u>365,469,656</u>	<u>339,901,741</u>
	<u>\$ 376,075,500</u>	<u>\$ 380,769,066</u>	<u>\$ 351,028,727</u>

### a. Equity instruments at fair value through other comprehensive income

	March 31, 2022	December 31, 2021	March 31, 2021
Stocks	\$ 16,889,677	\$ 12,137,078	\$ 9,908,592
Real estate investment trust beneficiary securities	<u>4,116,556</u>	<u>3,162,332</u>	<u>1,218,394</u>
	<u>\$ 21,006,233</u>	<u>\$ 15,299,410</u>	<u>\$ 11,126,986</u>

The Group holds equity instruments for long-term strategic investment or for acquiring dividend income to improve the efficiency of medium and long-term capital utilization and pursue stable investment performance purpose. Therefore, the equity instruments are designated as at fair value through other comprehensive income.

Due to management the risk of investment position. The Group sold the stocks at fair value of \$516 and \$1,601,292 and transferred the gain of \$16 and \$293,636 from other equity to retained earnings for the three months ended March 31, 2022 and 2021, respectively. The gain was transferred from other equity to retained earnings.

### b. Debt instrument at fair value through other comprehensive income

	March 31, 2022	December 31, 2021	March 31, 2021
Certificates of deposits purchased	\$ 109,701,497	\$ 123,177,595	\$ 119,405,695
Bank debentures	96,508,833	83,514,922	81,002,164
Commercial papers	61,864,192	76,584,814	43,208,933
Corporate bonds	40,695,639	38,341,354	46,688,905
Government bonds	30,199,645	27,144,246	33,234,376
Others	<u>16,099,461</u>	<u>16,706,725</u>	<u>16,361,668</u>
	<u>\$ 355,069,267</u>	<u>\$ 365,469,656</u>	<u>\$ 339,901,741</u>

1) Loss allowance of debt instruments at fair value through other comprehensive income were \$56,973, \$47,558 and \$64,660 on March 31, 2022, December 31, 2021 and March 31, 2021, respectively. Credit risk management and information of impairment valuation of debt instruments at FVTOCI are shown in Note 44.

2) Please refer to Note 41 for information relating to debt instrument at fair value through other comprehensive income pledged as security.

- 3) As of March 31, 2022, December 31, 2021 and March 31, 2021, the par value of debt instruments at FVTOCI under repurchase agreements were \$20,363,856, \$5,633,600 and \$5,548,713, respectively.

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

	March 31, 2022	December 31, 2021	March 31, 2021
Government bonds	\$ 56,051,134	\$ 55,754,680	\$ 55,755,302
Certificates of deposits purchased	50,363,108	48,763,448	40,797,663
Bank debentures	47,312,842	35,908,206	29,271,537
Corporate bonds	12,855,985	12,727,316	11,292,704
Asset-based securities	12,117,336	12,379,342	13,878,976
Others	<u>1,925,569</u>	<u>1,728,307</u>	<u>1,441,913</u>
	180,625,974	167,261,299	152,438,095
Less: Loss allowance	<u>(16,059)</u>	<u>(13,314)</u>	<u>(11,860)</u>
Net amount	<u>\$ 180,609,915</u>	<u>\$ 167,247,985</u>	<u>\$ 152,426,235</u>

- Credit risk management and information of impairment valuation of investments in debt instruments at amortized cost are shown in Note 44.
- Please refer to Note 41 for information relating to investment in debt instrument at amortized cost pledged as security.
- As of March 31, 2022 and March 31, 2021, the par value of investments in debt instruments at amortized cost under repurchase agreements were \$6,418,478 and \$118,200, respectively. (December 31, 2021: None)

###### 11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	March 31, 2022	December 31, 2021	March 31, 2021
Commercial papers	\$ 18,338,482	\$ 35,734,209	\$ 51,175,559
Government bonds	14,950,995	5,801,254	4,928,031
Corporate bonds	2,449,728	2,529,746	3,041,958
Bank debentures	1,139,619	1,045,848	2,606,559
Negotiable certificates of deposits	<u>900,044</u>	<u>1,010,467</u>	<u>2,026,311</u>
	<u>\$ 37,778,868</u>	<u>\$ 46,121,524</u>	<u>\$ 63,778,418</u>
Agreed-upon resell amount	\$ 37,793,991	\$ 46,139,385	\$ 63,789,885
Par value	41,003,219	47,337,338	65,544,896
Expiry	September 2022	May 2022	July 2021

As of March 31, 2022, December 31, 2021 and March 31, 2021, the par value of securities purchased under resell agreements under repurchase agreements were \$18,471,765, \$7,034,258 and \$8,134,694, respectively.

## 12. RECEIVABLES, NET

	March 31, 2022	December 31, 2021	March 31, 2021
Credit card receivable	\$ 18,597,376	\$ 20,472,061	\$ 17,990,311
Accounts receivable - factoring	15,228,770	14,253,265	11,726,955
Accounts receivable - forfaiting	9,174,531	10,030,050	7,022,507
Acceptances	5,513,853	5,322,788	5,205,232
Interest and revenue receivables	3,754,774	4,216,929	3,694,333
Accounts and notes receivables	2,689,570	3,065,080	1,152,849
Trust administration fee revenue receivable	754,481	694,755	750,325
Others	<u>727,711</u>	<u>965,108</u>	<u>771,642</u>
	56,441,066	59,020,036	48,314,154
Less: Allowance for credit losses	(788,570)	(765,641)	(729,795)
Less: Premium or discount on receivables	<u>(51)</u>	<u>(34)</u>	<u>(33)</u>
Net amount	<u>\$ 55,652,445</u>	<u>\$ 58,254,361</u>	<u>\$ 47,584,326</u>

The Group assessed the collectability of receivables to determine the allowance. Movements in the allowance of receivables were as follows:

	For the Three Months Ended March 31	
	2022	2021
Balance, January 1	\$ 765,641	\$ 735,517
Provision	34,758	31,858
Write-off	(25,828)	(35,097)
Effect of exchange rate changes	<u>13,999</u>	<u>(2,483)</u>
Balance, March 31	<u>\$ 788,570</u>	<u>\$ 729,795</u>

Please refer to Note 44 for the analysis of receivable impairment loss. The Group received payments for loans previously written-off \$41,959 and \$40,574 for the three months ended March 31, 2022 and 2021, respectively, which were recognized as deduction of provision expenses.

## 13. DISCOUNTS AND LOANS, NET

	March 31, 2022	December 31, 2021	March 31, 2021
Export negotiation	\$ 1,732,336	\$ 848,190	\$ 1,127,473
Discounts and overdrafts	57,239	59,445	1,450,931
Accounts receivable - financing	2,356,125	2,636,695	2,119,990
Short-term loans	171,384,821	120,308,773	151,938,724
Secured short-term loans	101,646,285	106,073,662	108,383,397
Medium-term loans	255,653,136	239,960,546	272,246,418
Secured medium-term loans	179,322,582	166,326,272	145,561,974
Long-term loans	11,440,367	10,487,473	9,380,142
Secured long-term loans	560,191,435	552,730,175	509,360,599
Non-performing loans transferred from loans	<u>1,328,890</u>	<u>1,201,033</u>	<u>1,302,936</u>
	1,285,113,216	1,200,632,264	1,202,872,584

(Continued)

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Less: Allowance for credit losses	\$ (16,297,317)	\$ (15,547,927)	\$ (15,418,673)
Less: Premium or discount on discounts and loans	<u>(352,577)</u>	<u>(392,116)</u>	<u>(439,986)</u>
Net amount	<u>\$ 1,268,463,322</u>	<u>\$ 1,184,692,221</u>	<u>\$ 1,187,013,925</u> (Concluded)

- a. Please refer to Note 44 for the analysis of impairment loss on discounts and loans and Note 41 for information relating to discounts and loans pledged as security. Except the accounting policy on impairment of financial assets in Note 4, SinoPac (China) also follows the local authority, maintaining an allowance of at least 1.5% of loans and 120% of non-performing loans from April 30, 2022 and December 31, 2021.
- b. The Group assessed the collectability of discounts and loans to determine the required allowance. Movements in the allowance of discounts and loans were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Balance, January 1	\$ 15,547,927	\$ 15,001,444
Provision	909,428	618,849
Write-off	(266,286)	(199,494)
Effect of exchange rate changes	<u>106,248</u>	<u>(2,126)</u>
Balance, March 31	<u>\$ 16,297,317</u>	<u>\$ 15,418,673</u>

The Group received payments for loans previously written-off \$118,318 and \$138,125 for the three months ended March 31, 2022 and 2021, respectively, which were recognized as deduction of provision expenses.

#### 14. OTHER FINANCIAL ASSETS, NET

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Purchase of the PEM Group's instruments	\$ 4,229,074	\$ 4,091,191	\$ 4,215,395
Bank deposits not belonging to cash and cash equivalent	-	1,957,091	6,522,540
Others	<u>48,620</u>	<u>48,700</u>	<u>47,597</u>
	<u>4,277,694</u>	<u>6,096,982</u>	<u>10,785,532</u>
Less: Allowance for credit loss	(4,777)	(4,577)	(3,025)
Less: Accumulated impairment	<u>(2,196,201)</u>	<u>(2,150,110)</u>	<u>(2,267,651)</u>
Net amount	<u>\$ 2,076,716</u>	<u>\$ 3,942,295</u>	<u>\$ 8,514,856</u>

Above bank deposits not belonging to cash and cash equivalent included bank deposits over three months; no advance termination; pledged time deposits and restricted bank deposits.

Please refer to Note 41 for information relating to other financial assets pledged as security.



The Bank was delegated by professional investors to sell the PEM Group's investment products amounting to US\$146,000 thousand through private placement. A U.S. Federal Court appointed a receiver for all assets that belonged to, were being managed by, or were in the possession of or control of the PEM Group. To protect the client's interests, the Bank bought back the products at the price of the initial payment net of the distribution and redemption costs. On December 24, 2010, the Bank's board of directors resolved to abide by a court's appointment of a PEM Group receiver to take the PEM Group's insurance policies at the price of approximately US\$40.4 million. On March 7, 2011, the receiver transferred the insurance policies to a trustee established jointly by certain banks to hold insurance policies. And the Bank had submitted to the authorities the results of this policy transfer. As of March 31, 2022, a reserve of US\$76,733 thousand (NT\$2,196,201) had been set aside to cover the accumulated impairment losses. The Bank has recognized reversal of impairment loss of \$26,275 and impairment loss of \$9,286 for PEM Group for the three months ended March 31, 2022 and 2021.

The Group assessed the collectability of other financial assets to determine the required allowance. Movements in the allowance of other financial assets were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Balance, January 1	\$ 4,577	\$ 1,681
Provision	2,222	3,338
Write-off	(2,138)	(1,996)
Effect of exchange rate changes	<u>116</u>	<u>2</u>
Balance, March 31	<u>\$ 4,777</u>	<u>\$ 3,025</u>

The Group received payments for loans previously written-off \$7,327 and \$3,137 for the three months ended March 31, 2022 and 2021, respectively, which were recognized as deduction of provision expenses.

## 15. PROPERTY AND EQUIPMENT, NET

The movements of property and equipment for the three months ended March 31, 2022 and 2021 are summarized as follows:

	For the Three Months Ended March 31, 2022							
	Land and Land Improvements	Buildings	Machinery and Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments for Equipment and Construction in Progress	Total
<u>Cost</u>								
Balance, January 1	\$ 5,589,458	\$ 5,912,033	\$ 2,314,546	\$ 1,065	\$ 1,548,939	\$ 1,430,141	\$ 379,259	\$ 17,175,441
Addition	-	2,874	39,034	-	22,080	5,939	103,126	173,053
Deduction	-	-	(6,527)	-	(16,992)	(34,994)	-	(58,513)
Reclassifications	2,351	7,616	3,646	-	-	903	(58,642)	(44,126)
Effect of exchange rate changes	-	13,414	8,068	32	1,152	2,796	591	26,053
Balance, March 31	<u>5,591,809</u>	<u>5,935,937</u>	<u>2,358,767</u>	<u>1,097</u>	<u>1,555,179</u>	<u>1,404,785</u>	<u>424,334</u>	<u>17,271,908</u>
<u>Accumulated depreciation</u>								
Balance, January 1	61	3,491,982	1,435,837	1,065	1,156,234	1,241,785	-	7,326,964
Depreciation	5	37,759	74,923	-	23,679	13,439	-	149,805
Deduction	-	-	(6,210)	-	(16,315)	(34,959)	-	(57,484)
Reclassifications	-	5,214	-	-	-	458	-	5,672
Effect of exchange rate changes	-	2,141	5,885	32	730	2,211	-	10,999
Balance, March 31	<u>66</u>	<u>3,537,096</u>	<u>1,510,435</u>	<u>1,097</u>	<u>1,164,328</u>	<u>1,222,934</u>	<u>-</u>	<u>7,435,956</u>
<u>Net amount</u>								
Balance, March 31	<u>\$ 5,591,743</u>	<u>\$ 2,398,841</u>	<u>\$ 848,332</u>	<u>\$ -</u>	<u>\$ 390,851</u>	<u>\$ 181,851</u>	<u>\$ 424,334</u>	<u>\$ 9,835,952</u>

For the Three Months Ended March 31, 2021								
	Land and Land Improvements	Buildings	Machinery and Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments for Equipment and Construction in Progress	Total
<u>Cost</u>								
Balance, January 1	\$ 5,598,481	\$ 5,856,779	\$ 2,181,681	\$ 1,103	\$ 1,489,163	\$ 1,535,303	\$ 216,101	\$ 16,878,611
Addition	-	1,620	38,066	-	23,077	9,517	67,898	140,178
Deduction	-	-	(31,388)	-	(19,188)	(41,086)	-	(91,662)
Reclassifications	-	2,597	(3,537)	-	680	-	(103,902)	(104,162)
Effect of exchange rate changes	-	(2,937)	(857)	(2)	(72)	(629)	(128)	(4,625)
Balance, March 31	<u>5,598,481</u>	<u>5,858,059</u>	<u>2,183,965</u>	<u>1,101</u>	<u>1,493,660</u>	<u>1,503,105</u>	<u>179,969</u>	<u>16,818,340</u>
<u>Accumulated depreciation</u>								
Balance, January 1	37	3,348,169	1,264,956	1,103	1,151,426	1,334,449	-	7,100,140
Depreciation	6	36,168	70,668	-	20,444	14,048	-	141,334
Deduction	-	-	(30,724)	-	(18,833)	(41,046)	-	(90,603)
Reclassifications	-	-	(2,825)	-	-	-	-	(2,825)
Effect of exchange rate changes	-	(359)	(615)	(2)	(51)	(575)	-	(1,602)
Balance, March 31	<u>43</u>	<u>3,383,978</u>	<u>1,301,460</u>	<u>1,101</u>	<u>1,152,986</u>	<u>1,306,876</u>	<u>-</u>	<u>7,146,444</u>
<u>Net amount</u>								
Balance, March 31	<u>\$ 5,598,438</u>	<u>\$ 2,474,081</u>	<u>\$ 882,505</u>	<u>\$ -</u>	<u>\$ 340,674</u>	<u>\$ 196,229</u>	<u>\$ 179,969</u>	<u>\$ 9,671,896</u>

The above property and equipment are depreciated at the following estimated useful lives:

<u>Items</u>	<u>Years</u>
Land improvements	8-30 years
Buildings	2-60 years
Machinery and computer equipment	0.58-15 years
Transportation equipment	5 years
Other equipment	2-15 years
Leasehold improvements	1.58-15 years

The amounts of other equipment rented out as of March 31, 2022, December 31, 2021 and March 31, 2021, were \$1,445, \$1,524 and \$1,912.

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets, net

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Carrying amount</u>			
Land	\$ 52	\$ 64	\$ 788
Buildings	2,666,216	2,493,587	2,353,831
Machinery and computer equipment	133,731	142,075	167,291
Transportation equipment	16,664	19,493	15,403
Other equipment	2,935	2,822	1,664
Decommissioning restoration costs	<u>20,730</u>	<u>22,024</u>	<u>20,563</u>
	<u>\$ 2,840,328</u>	<u>\$ 2,680,065</u>	<u>\$ 2,559,540</u>

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets	<u>\$ 321,592</u>	<u>\$ 365,798</u>
Depreciation charge for right-of-use assets		
Land	\$ 12	\$ 349
Buildings	162,744	159,749
Machinery and computer equipment	8,386	8,388
Transportation equipment	3,066	2,623
Other equipment	222	143
Decommissioning restoration costs	<u>1,805</u>	<u>1,588</u>
	<u>\$ 176,235</u>	<u>\$ 172,840</u>

b. Lease liabilities

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Carrying amount	<u>\$ 2,865,434</u>	<u>\$ 2,697,037</u>	<u>\$ 2,563,196</u>

Range of discount rates for lease liabilities was as follows:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Land	1.0212%	0.1404%-1.0212%	0.1404%-2.6329%
Buildings	0.1553%-4.8096%	0.1553%-4.8096%	0.1553%-4.8096%
Machinery and computer equipment	0.5754%-1.0768%	0.5754%-1.0768%	0.5754%-1.0768%
Transportation equipment	0.3804%-5.5000%	0.3804%-5.5000%	0.3804%-5.5000%
Other equipment	0.3410%-3.4512%	0.3410%-3.4512%	0.3410%-3.4512%

c. Material lease-in activities and terms

The Group leases certain buildings for use as business locations and offices with lease terms of 1 year to 20 years. The lease contract for major buildings located in Taiwan for use as offices and branches specifies that lease payments will be adjusted 1% every three years. The lease contract for major buildings located in overseas branches stipulated fixed or regularly adjusted proportionally lease payments. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

- 1) Lease arrangements under operating leases for the leasing out of investment properties and equipment are set out in Notes 15, 17 and 44.

2) Other

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases	\$ 4,083	\$ 3,567
Expenses relating to low-value asset leases	\$ 10,070	\$ 10,048
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 1,032	\$ 2,989
Total cash outflow for leases	\$ (201,010)	\$ (203,311)

Recognition exemption is applied to short-term leases of various types of assets such as other equipment which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 17. INVESTMENT PROPERTY, NET

The movements of investment property are summarized as follows:

	<b>For the Three Months Ended March 31, 2022</b>		
	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance, January 1	\$ 785,118	\$ 603,570	\$ 1,388,688
Addition	-	196	196
Deduction	-	-	-
Reclassifications	(2,351)	(7,616)	(9,967)
Balance, March 31	<u>782,767</u>	<u>596,150</u>	<u>1,378,917</u>
<u>Accumulated depreciation</u>			
Balance, January 1	-	336,996	336,996
Depreciation	-	2,905	2,905
Deduction	-	-	-
Reclassifications	-	(5,214)	(5,214)
Balance, March 31	-	<u>334,687</u>	<u>334,687</u>
<u>Net amount</u>			
Balance, March 31	<u>\$ 782,767</u>	<u>\$ 261,463</u>	<u>\$ 1,044,230</u>

	<b>For the Three Months Ended March 31, 2021</b>		
	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance, January 1	\$ 776,095	\$ 592,627	\$ 1,368,722
Addition	-	12	12
Deduction	-	-	-
Reclassifications	-	-	-
Balance, March 31	<u>776,095</u>	<u>592,639</u>	<u>1,368,734</u>
<u>Accumulated depreciation</u>			
Balance, January 1	-	321,568	321,568
Depreciation	-	2,943	2,943
Deduction	-	-	-
Reclassifications	-	-	-
Balance, March 31	<u>-</u>	<u>324,511</u>	<u>324,511</u>
<u>Net amount</u>			
Balance, March 31	<u>\$ 776,095</u>	<u>\$ 268,128</u>	<u>\$ 1,044,223</u>

The above investment properties are depreciated at the following estimated useful lives:

<u>Category</u>	<u>Useful Lives</u>
Buildings	8-60 years

The above investment property of the Group is for the purpose of earning rental income or capital appreciation or both. The fair values of investment properties used mainly or partially for leasing as of March 31, 2022, December 31, 2021 and March 31, 2021 were \$15,184,279, \$15,184,279 and \$15,259,452, respectively. The fair values, which were based on an internal valuation report instead of an assessment by an independent professional appraiser, were determined assuming unobservable inputs (Level 3).

## 18. INTANGIBLE ASSETS, NET

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Goodwill	\$ 876,717	\$ 876,717	\$ 876,717
Computer software	763,563	740,162	689,645
Others	<u>7,078</u>	<u>6,893</u>	<u>7,083</u>
	<u>\$ 1,647,358</u>	<u>\$ 1,623,772</u>	<u>\$ 1,573,445</u>

Movements in the Group's intangible assets were as follows:

	<b>Goodwill</b>	<b>Computer Software</b>	<b>Others</b>	<b>Total</b>
<u>2022</u>				
Balance, January 1	\$ 876,717	\$ 740,162	\$ 6,893	\$ 1,623,772
Addition	-	23,318	-	23,318
Amortization	-	(58,957)	(65)	(59,022)
Reclassifications	-	54,996	-	54,996
Effects of exchange rate changes	-	4,044	250	4,294
Balance, March 31	<u>\$ 876,717</u>	<u>\$ 763,563</u>	<u>\$ 7,078</u>	<u>\$ 1,647,358</u>
<u>2021</u>				
Balance, January 1	\$ 876,717	\$ 618,617	\$ 7,204	\$ 1,502,538
Addition	-	25,397	-	25,397
Amortization	-	(54,896)	(64)	(54,960)
Reclassifications	-	101,337	-	101,337
Effects of exchange rate changes	-	(810)	(57)	(867)
Balance, March 31	<u>\$ 876,717</u>	<u>\$ 689,645</u>	<u>\$ 7,083</u>	<u>\$ 1,573,445</u>

The above intangible assets are amortized on a straight-line basis over the following estimated useful lives:

<u>Item</u>	<u>Years</u>
Computer software	3-10.58 years

Goodwill includes \$876,717, which resulted from the Bank's cash merger with SinoPac Card Services, and this merger was treated as a reorganization of SPH.

In assessing whether goodwill is impaired, the Bank considers the credit card department as a cash generating unit and estimates the recoverable amount by its value in use. The Bank uses the department's actual profitability and business or business recycle in making key assumption to predict future cash flows and thus calculates its value in use. Under a going-concern assumption, the Bank predicted the net cash flows that would be generated from the investee's operating activities in the next 5 years and estimated salvage value and used the Bank's weighted average cost of capital to calculate the value in use.

The goodwill of the Bank's credit card department was \$876,717 as of March 31, 2022, December 31, 2021 and March 31, 2021. The impairment tests on goodwill were conducted on October 31, 2021 and 2020. The actual net income for the three months ended March 31, 2021, for the year ended December 31, 2021 and for the three months ended March 31, 2021 amounted to \$29,652, \$94,018 and \$49,201, respectively. The expected net income for the years 2022 and 2021 as assessed by the impairment test on goodwill would be \$56,787 and \$84,069, respectively. The recoverable amount was expected to be higher than the book value. Therefore, the Group found no objective evidence that goodwill had been tested for impaired as of March 31, 2022 and 2021.

**19. OTHER ASSETS, NET**

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Guarantee deposits	\$ 8,427,342	\$ 2,114,121	\$ 2,414,678
Prepayment	335,066	200,064	286,818
Temporary payment and suspense accounts	146,483	229,628	141,801
Others	<u>51,414</u>	<u>54,903</u>	<u>51,161</u>
	8,960,305	2,598,716	2,894,458
Less: Allowance for inventory write-down - gold	-	(72)	(268)
Less: Accumulated impairment	<u>(7,935)</u>	<u>(7,935)</u>	<u>(7,935)</u>
Net amount	<u>\$ 8,952,370</u>	<u>\$ 2,590,709</u>	<u>\$ 2,886,255</u>

**20. DEPOSITS FROM THE CENTRAL BANK AND BANKS**

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Call loans from banks	\$ 65,058,614	\$ 58,564,837	\$ 79,251,548
Redeposits from Chunghwa Post	10,071,000	10,076,600	10,090,000
Call loans from Central Bank	1,431,075	1,384,478	-
Due to banks	<u>79,367</u>	<u>239,170</u>	<u>61,020</u>
	<u>\$ 76,640,056</u>	<u>\$ 70,265,085</u>	<u>\$ 89,402,568</u>

**21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS**

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Government bonds	\$ 17,908,968	\$ 5,270,814	\$ 4,453,609
Bank debentures	14,476,444	5,941,973	7,291,449
Corporate bonds	<u>10,218,320</u>	<u>1,371,428</u>	<u>1,860,618</u>
	<u>\$ 42,603,732</u>	<u>\$ 12,584,215</u>	<u>\$ 13,605,676</u>
Agreed-upon repurchase price	\$ 42,643,563	\$ 12,605,234	\$ 13,616,675
Par value	45,254,099	12,667,858	13,801,607
Maturity date	December 2022	December 2022	March 2022

## 22. PAYABLES

	March 31, 2022	December 31, 2021	March 31, 2021
Acceptances payable	\$ 5,327,821	\$ 5,142,813	\$ 5,205,232
Accounts payable - factoring	3,816,280	2,807,640	6,333,731
Accrued expenses	1,994,567	3,483,647	1,738,924
Interests payable	1,724,783	1,590,170	1,818,507
Accounts payable for securities purchased	1,602,775	115,190	390,353
Dividends payable to SPH	1,435,025	1,435,025	1,435,025
Accounts payable	990,683	868,944	1,027,720
Notes and checks in clearing	844,771	4,178,657	1,363,806
Others	<u>2,051,952</u>	<u>1,821,802</u>	<u>1,666,609</u>
	<u>\$ 19,788,657</u>	<u>\$ 21,443,888</u>	<u>\$ 20,979,907</u>

## 23. DEPOSITS AND REMITTANCES

	March 31, 2022	December 31, 2021	March 31, 2021
Checking	\$ 10,722,065	\$ 13,621,589	\$ 12,851,041
Demand	473,180,200	489,387,080	420,220,494
Savings - demand	532,641,877	507,555,116	460,479,852
Time deposits	535,173,723	574,550,785	552,728,065
Negotiable certificates of deposits	5,420,300	427,800	412,400
Savings - time	253,327,917	252,214,965	249,360,964
Inward remittances	1,213,282	1,043,879	1,459,634
Outward remittances	73,692	1,556,260	52,835
Others	<u>30,181</u>	<u>29,829</u>	<u>27,511</u>
	<u>\$ 1,811,783,237</u>	<u>\$ 1,840,387,303</u>	<u>\$ 1,697,592,796</u>

## 24. BANK DEBENTURES

To raise capital for its financial operation and increase its capital adequacy ratio, the Bank obtained approval from the FSC to issue bank debentures, as follows:

	March 31, 2022	December 31, 2021	March 31, 2021	Maturity Date	Rates
Second subordinated bank debentures issued in 2011 (B)	\$ -	\$ -	\$ 2,999,933	2011.08.18-2021.08.18 Principal is repayable on maturity date.	Fixed interest rate of 2.18%, interest is paid annually.
First subordinated bank debentures issued in 2012 (B)	1,299,965	1,299,947	1,299,892	2012.09.18-2022.09.18 Principal is repayable on maturity date.	Fixed interest rate of 1.65%, interest is paid annually.
Third subordinated bank debentures issued in 2014 (B)	699,864	699,850	699,811	2014.09.30-2024.09.30 Principal is repayable on maturity date.	Fixed interest rate of 2.05%, interest is paid annually.
First subordinated bank debentures issued in 2016	-	-	1,500,000	2016.02.23, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years.	Fixed interest rate of 3.90%, interest is paid annually.
Second subordinated bank debentures issued in 2016	-	-	1,030,000	2016.03.30, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years.	Fixed interest rate of 3.90%, interest is paid annually.
Third subordinated bank debentures issued in 2016	1,419,778	1,419,747	1,419,652	2016.12.23-2023.12.23 Principal is repayable on maturity date.	Fixed interest rate of 1.50%, interest is paid annually.

(Continued)



	March 31, 2022	December 31, 2021	March 31, 2021	Maturity Date	Rates
First subordinated bank debentures issued in 2017 (A)	\$ 149,956	\$ 149,950	\$ 149,934	2017.02.24-2024.02.24 Principal is repayable on maturity date.	Fixed interest rate of 1.60%, interest is paid annually.
First subordinated bank debentures issued in 2017 (B)	2,099,419	2,099,390	2,099,307	2017.02.24-2027.02.24 Principal is repayable on maturity date.	Fixed interest rate of 1.90%, interest is paid annually.
Third subordinated bank debentures issued in 2017 (A)	199,955	199,950	199,935	2017.06.28-2024.06.28 Principal is repayable on maturity date.	Fixed interest rate of 1.70%, interest is paid annually.
Third subordinated bank debentures issued in 2017 (B)	539,805	539,796	539,770	2017.06.28-2027.06.28 Principal is repayable on maturity date.	Fixed interest rate of 1.95%, interest is paid annually.
Fourth subordinated bank debentures issued in 2017	2,999,738	2,999,660	2,999,423	2017.06.28, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five and a half years.	Fixed interest rate of 4.00%, interest is paid annually.
First subordinated bank debentures issued in 2018 (A)	649,812	649,797	649,753	2018.04.30-2025.04.30 Principal is repayable on maturity date.	Fixed interest rate of 1.40%, interest is paid annually.
First subordinated bank debentures issued in 2018 (B)	499,799	499,791	499,768	2018.04.30-2028.04.30 Principal is repayable on maturity date.	Fixed interest rate of 1.65%, interest is paid annually.
First subordinated bank debentures issued in 2019	1,999,491	1,999,437	1,999,283	2019.01.25, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five and a half years.	Fixed interest rate of 2.40%, interest is paid annually.
Second subordinated bank debentures issued in 2019 (A)	1,199,630	1,199,605	1,199,536	2019.01.25-2026.01.25 Principal is repayable on maturity date.	Fixed interest rate of 1.40%, interest is paid annually.
Second subordinated bank debentures issued in 2019 (B)	1,799,305	1,799,280	1,799,210	2019.01.25-2029.01.25 Principal is repayable on maturity date.	Fixed interest rate of 1.55%, interest is paid annually.
Third senior bank debentures issued in 2019	2,999,816	2,999,796	2,999,735	2019.06.26-2024.06.26 Principal is repayable on maturity date.	Fixed interest rate of 0.76%, interest is paid annually.
Fourth subordinated bank debentures issued in 2019	1,499,547	1,499,503	1,499,370	2019.08.23, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and a month.	Fixed interest rate of 2.00%, interest is paid annually.
Fifth subordinated bank debentures issued in 2019 (A)	1,749,392	1,749,359	1,749,257	2019.08.23-2026.08.23 Principal is repayable on maturity date.	Fixed interest rate of 1.03%, interest is paid annually.
Fifth subordinated bank debentures issued in 2019 (B)	1,749,283	1,749,260	1,749,191	2019.08.23-2029.08.23 Principal is repayable on maturity date.	Fixed interest rate of 1.13%, interest is paid annually.
First subordinated bank debentures issued in 2020	2,999,426	2,999,382	2,999,260	2020.03.31, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and four months.	Fixed interest rate of 1.35%, interest is paid annually.
Second subordinated bank debentures issued in 2020	1,999,472	1,999,456	1,999,409	2020.03.31-2030.03.31 Principal is repayable on maturity date	Fixed interest rate of 0.75%, interest is paid annually.
Third subordinated bank debentures issued in 2020	2,899,563	2,899,532	2,899,437	2020.06.30, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and a month.	Fixed interest rate of 1.85%, interest is paid annually.
Fourth subordinated bank debentures issued in 2020	2,599,455	2,599,439	2,599,391	2020.06.30-2030.06.30 Principal is repayable on maturity date	Fixed interest rate of 1.00%, interest is paid annually.
Fifth subordinated bank debentures issued in 2020	2,099,670	2,099,648	2,099,582	2020.10.29, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and a month	Fixed interest rate of 1.70%, interest is paid annually.
Sixth subordinated bank debentures issued in 2020	2,399,521	2,399,508	2,399,467	2020.10.29-2030.10.29 Principal is repayable on maturity date.	Fixed interest rate of 0.87%, interest is paid annually.
Seventh senior bank debentures issued in 2020	999,743	999,726	999,673	2020.11.06-2025.11.06 Principal is repayable on maturity date.	Fixed interest rate of 0.46%, interest is paid annually.
First senior bank debentures issued in 2021	999,747	999,732	-	2021.05.18-2026.05.18 Principal is repayable on maturity date.	Fixed interest rate of 0.45%, interest is paid annually.
Second subordinated bank debentures issued in 2021	2,719,484	2,719,455	-	2021.05.28, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and two months.	Fixed interest rate of 1.70%, interest is paid annually.
Third subordinated bank debentures issued in 2021	2,299,582	2,299,571	-	2021.05.28-2031.05.28 Principal is repayable on maturity date.	Fixed interest rate of 0.82%, interest is paid annually.
Fourth subordinated bank debentures issued in 2021	3,279,546	3,279,522	-	2021.10.28, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and a month.	Fixed interest rate of 1.70%, interest is paid annually.
Fifth subordinated bank debentures issued in 2021	1,699,420	1,699,405	-	2021.10.28-2031.10.28 Principal is repayable on maturity date.	Fixed interest rate of 0.80%, interest is paid annually.
First subordinated bank debentures issued in 2022	<u>5,000,000</u>	<u>-</u>	<u>-</u>	2022.03.28, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and four months.	Fixed interest rate of 2.00%, interest is paid annually.
	<u>\$ 55,549,184</u>	<u>\$ 50,548,494</u>	<u>\$ 45,078,979</u>		

(Concluded)

## 25. OTHER FINANCIAL LIABILITIES

	March 31, 2022	December 31, 2021	March 31, 2021
Principal of structured products	\$ 19,493,638	\$ 12,013,819	\$ 10,630,835
Cumulative earnings on appropriated loan fund	24,758	28,708	40,368
Overseas certificate of deposit	<u>-</u>	<u>-</u>	<u>733,945</u>
	<u>\$ 19,518,396</u>	<u>\$ 12,042,527</u>	<u>\$ 11,405,148</u>

## 26. PROVISIONS

	March 31, 2022	December 31, 2021	March 31, 2021
Provision for employee benefits	\$ 2,202,990	\$ 2,272,850	\$ 2,499,836
Provision for financing commitment	180,169	163,168	199,113
Provision for guarantee liabilities	379,318	395,361	347,517
Provision for decommissioning liabilities	107,063	105,919	100,696
Other	<u>32,836</u>	<u>23,836</u>	<u>23,688</u>
	<u>\$ 2,902,376</u>	<u>\$ 2,961,134</u>	<u>\$ 3,170,850</u>

The movements of provision for financing commitment, provision for guarantee liabilities and other provisions were as follows:

	For the Three Months Ended March 31, 2022		
	Provision for Financing Commitment	Provision for Guarantee Liabilities	Other Provision
Balance, January 1	\$ 163,168	\$ 395,361	\$ 23,836
(Reversal of) provision	14,516	(16,867)	8,254
Effect of exchange rate changes	<u>2,485</u>	<u>824</u>	<u>746</u>
Balance, March 31	<u>\$ 180,169</u>	<u>\$ 379,318</u>	<u>\$ 32,836</u>
	For the Three Months Ended March 31, 2021		
	Provision for Financing Commitment	Provision for Guarantee Liabilities	Other Provision
Balance, January 1	\$ 216,315	\$ 313,880	\$ 15,420
(Reversal of) provision	(17,133)	33,671	8,276
Effect of exchange rate changes	<u>(69)</u>	<u>(34)</u>	<u>(8)</u>
Balance, March 31	<u>\$ 199,113</u>	<u>\$ 347,517</u>	<u>\$ 23,688</u>

## 27. PROVISIONS FOR EMPLOYEE BENEFITS

	March 31, 2022	December 31, 2021	March 31, 2021
Recognized in consolidated balance sheets (payables and provisions)			
Defined contribution plans	\$ 45,104	\$ 42,597	\$ 43,031
Defined benefit plans	1,827,990	1,896,474	2,178,010
Preferential interest on employees' deposits	345,139	340,375	297,900
Deferred annual leave and retirement benefits	<u>29,861</u>	<u>36,001</u>	<u>23,926</u>
	<u>\$ 2,248,094</u>	<u>\$ 2,315,447</u>	<u>\$ 2,542,867</u>

The pension expenses related to defined benefit plans and preferential interest on employee's deposits plan are recognized according to the results of actuarial valuation on December 31, 2021 and 2020.

	For the Three Months Ended March 31	
	2022	2021
Operating expenses	\$ 23,795	\$ 26,060

## 28. OTHER LIABILITIES

	March 31, 2022	December 31, 2021	March 31, 2021
Guarantee deposits received	\$ 1,072,141	\$ 1,255,606	\$ 2,457,461
Temporary receipt and suspense accounts	538,027	656,896	521,522
Advance receipts	172,464	213,132	200,408
Deferred revenue	97,637	114,579	99,869
Others	<u>52,632</u>	<u>51,330</u>	<u>42,196</u>
	<u>\$ 1,932,901</u>	<u>\$ 2,291,543</u>	<u>\$ 3,321,456</u>

## 29. INCOME TAX

Under Article 49 of the Financial Holding Company Act and related directives issued by the Ministry of Finance, a financial holding company and its domestic subsidiaries that held over 90% of shares issued by the financial holding company for 12 months within the same tax year may choose to adopt the linked-tax system for income tax filings. Thus, SPH adopted the linked-tax system for income tax and unappropriated earnings tax filings with its qualified subsidiaries since 2003.

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2022	2021
Current tax		
Current period	\$ 385,788	\$ 447,284
Adjustments for prior period	2,443	(98)
Deferred tax		
Temporary adjustment	<u>292,847</u>	<u>106,270</u>
Income tax expenses recognized in profit or loss	<u>\$ 681,078</u>	<u>\$ 553,456</u>

Due to the uncertainty of the earnings distribution in the 2022 shareholder's meeting, the potential consequence of imposing 5% income tax on unappropriated earnings could not be decided reliably.

The ROC Income Tax Act was 20%. The rate of unappropriated earnings was 5%. The income tax rate that is applicable to the subsidiaries in China is 25%; other jurisdictions are calculated based on the respective income tax rate.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2022	2021
<u>Deferred tax</u>		
Adjustments of current period		
Exchange difference on translating foreign operations	\$ (71,184)	\$ 15,272
Unrealized gains on financial assets at fair value through other comprehensive income	<u>37,053</u>	<u>17,510</u>
Income tax recognized in other comprehensive income	<u>\$ (34,131)</u>	<u>\$ 32,782</u>

c. The Bank's tax returns through 2016 had been assessed by the tax authorities.

d. SinoPac Call Center was merged into Bank SinoPac in 2019 and its profit-seeking enterprise income tax was assessed through 2016.

### 30. EQUITY

a. Common stock

The Bank's authorized capital is \$100,000,000. And the Bank issued 10,000,000 thousand common stock with par value of NT\$10.

On May 21, 2021, the Bank's board of directors, on behalf of the shareholders' meeting, resolved to issue 82,803 thousand common shares with earnings reallocated as capital at a par value of NT\$10 each, increasing the share capital issued and fully paid to \$86,889,193. The above transaction was approved by authorities and set September 13, 2021 as the record date.

b. Capital surplus

The premium from shares issued in excess of par (share premium from issuance of common stock, conversion of bonds and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Bank has no deficit, the capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Bank's paid-in capital and once a year).

On July 25, 2014, the board of directors of the parent company of the Bank, SPH, approved a capital increase and retained 10% of shares for subscription by the Bank's employees. The Bank's capital surplus - employee share options, which was determined on the basis of the grant-date fair value of the employee share options, was \$67,511 in 2014.

c. Other equity items

	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income		Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	Total
		Equity Instrument	Debt Instrument		
Balance January 1, 2022	\$ (643,875)	\$ 2,903,884	\$ (493,889)	\$ (85,882)	\$ 1,680,238
Exchange differences					
Exchange differences on translation of foreign operations	355,919	-	-	-	355,919
Related income tax	(71,184)	-	-	-	(71,184)
Financial assets at fair value through other comprehensive income					
Current adjustment for change in value	-	631,304	(4,814,819)	-	(4,183,515)
Adjustment for loss allowance of debt instruments	-	-	9,415	-	9,415
Current disposal	-	-	(76,234)	-	(76,234)
Cumulative realized gain or loss transferred to retained earnings due to disposal	-	(16)	-	-	(16)
Related income tax	-	-	37,053	-	37,053
Change in fair value of financial liability attributable to change in credit risk of liability					
Change in amount	-	-	-	11,501	11,501
Balance March 31, 2022	<u>\$ (359,140)</u>	<u>\$ 3,535,172</u>	<u>\$ (5,338,474)</u>	<u>\$ (74,381)</u>	<u>\$ (2,236,823)</u>

	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income		Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	Total
		Equity Instrument	Debt Instrument		
Balance January 1, 2021	\$ (582,164)	\$ 1,861,132	\$ 3,381,218	\$ (82,343)	\$ 4,577,843
Exchange differences					
Exchange differences on translation of foreign operations	(76,359)	-	-	-	(76,359)
Related income tax	15,272	-	-	-	15,272
Financial assets at fair value through other comprehensive income					
Current adjustment for change in value	-	1,113,815	(2,526,893)	-	(1,413,078)
Adjustment for loss allowance of debt instruments	-	-	3,208	-	3,208
Current disposal	-	-	(249,288)	-	(249,288)
Cumulative realized gain or loss transferred to retained earnings due to disposal	-	(293,636)	-	-	(293,636)
Related income tax	-	-	17,510	-	17,510
Change in fair value of financial liability attributable to change in credit risk of liability					
Change in amount	-	-	-	3,051	3,051
Balance March 31, 2021	<u>\$ (643,251)</u>	<u>\$ 2,681,311</u>	<u>\$ 625,755</u>	<u>\$ (79,292)</u>	<u>\$ 2,584,523</u>

d. Earnings distribution and dividend policy

The Bank's Articles of Incorporation provide that annual net income should be appropriated after it has:

- 1) Deducted any deficit of prior years;
- 2) Paid all outstanding taxes;
- 3) Set aside 30% of remaining earnings as legal reserve;
- 4) Set aside any special reserve or retained earnings allocated at its option;
- 5) Allocated shareholders' dividends.

The Banking Act provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, above allocation should not exceed 15% of the aggregate par value of the outstanding capital stock of the Bank.

The Bank meets the required financial position; thus, the limitation on the setting aside of earnings to legal reserve under the Company Act is not applicable.

To comply with the Bank's globalization strategy, strengthen its market position, integrate its diversified business operation and be a major local bank, the Bank has adopted the "Balanced Dividend Policy".

Under this policy, dividends available for distribution are determined by referring to its capital adequacy ratio (CAR). Cash dividends may be declared if the Bank's CAR is above 10% and stock dividends may be declared if the CAR is equal to or less than 10%. However, the Bank may make discretionary cash distribution even if the CAR is below 10%, if approved at the shareholders' meeting, for the purpose of maintaining the cash dividends at a certain level in any given year.

Cash dividends and cash bonus are paid after the approval of the shareholders, while the distribution of stock dividends requires the additional approval of the authorities.

Under the Company Act, legal reserve shall be appropriated until it has reached the Bank's paid-in capital. This reserve may be used to offset a deficit. When the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, the Banking Act provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, allocation should not exceed 15% of the aggregate par value of the outstanding capital stock of the Bank.

Under Article 50-2 of the Banking Act revised on December 30, 2008, when legal reserve has meet the total capital reserve or required financial position, the setting aside of earnings to legal reserve under the Company Act is not limited to the restriction that 30% of remaining earnings shall be set aside as legal reserve or the limitation on the appropriation of the remainder and retained earnings from previous year to 15% of total capital reserve when legal reserve has not meet the total capital reserve. The requirements for financial position of banks to be established in accordance with this Act revised on April 30, 2012 shall be as prescribed by the FSC, Executive Yuan, ROC.

According to FSC Order No. 1090150022 and the rule of "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs", of amount of equal to the net debit balance of shareholders' other equity items shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated.

Under Order No. 10510001510 (repealed on May 15, 2019, replaced by No. 10802714560 issued by the FSC), issued by the FSC on May 25, 2016, before dispatching the net income of 2016 through 2018, the Public Bank shall reserve 0.5% to 1% of net income as special reserve. Under Order No. 10802714560 issued by the FSC, it is no longer necessary to use special reserve as a way in response to the development of financial technology and the protection of the rights of employees in domestic banks from the fiscal year of 2019. The Bank can reserve the expenditure for employee transfer or placement and for employee training in financial technology development or banking business development.

Under the Financial Holding Company Act, the board of directors is empowered to execute the authority of the shareholders' meeting, which is under no jurisdiction in the related regulations in the Company Act.

The appropriations of earnings for 2020 have been proposed by the Bank's board of directors (on behalf of the shareholder's meeting) on May 21, 2021. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 2,878,169	
Reversal of special reserve	(12,307)	
Cash dividends	5,900,001	\$ 0.68555898
Stock dividends	828,034	0.09621465

The appropriations of earnings for 2021 have been proposed by the Bank's board of directors on March 11, 2022. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 3,678,000	
Reversal of special reserve	(3,977)	
Cash dividends	5,149,327	\$ 0.59263158
Stock dividends	3,436,648	0.39552080

The 2021 appropriations of earnings will be resolved by shareholder's resolution (on behalf of the shareholder's meeting) in 2022.

In accordance with FSC Guideline No. 09900146911, cash dividends and bonus to shareholders for 2009 amounting to \$1,435,025 shall not be remitted to the parent company until the land transferred to SPL from the Bank is disposed and the gain is realized.

### 31. NET INTEREST REVENUE

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Interest income		
Loans	\$ 5,620,713	\$ 5,161,028
Security investments	1,547,517	1,448,533
Due from the Central Bank and call loans to banks	191,420	141,232
Credit card revolving interest rate income	124,166	131,217
Others	<u>159,873</u>	<u>128,904</u>
	<u>7,643,689</u>	<u>7,010,914</u>
Interest expenses		
Deposits	(1,765,942)	(1,740,409)
Bank debentures	(191,468)	(196,546)
Call loans from banks	(107,036)	(107,408)
Interest expense of structured products	(84,307)	(82,491)
Others	<u>(56,798)</u>	<u>(41,848)</u>
	<u>(2,205,551)</u>	<u>(2,168,702)</u>
Net amount	<u>\$ 5,438,138</u>	<u>\$ 4,842,212</u>



**32. SERVICE FEE INCOME, NET**

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Service fee income		
Insurance services	\$ 1,416,122	\$ 1,037,525
Loan services	766,372	480,486
Trust and related services	703,709	881,117
Credit card services	141,774	168,248
Others	<u>337,187</u>	<u>294,736</u>
	<u>3,365,164</u>	<u>2,862,112</u>
Service fee expenses		
Credit card services	(151,946)	(140,588)
Interbank services	(79,837)	(65,665)
Trust services	(41,543)	(39,857)
Insurance services	(10,942)	(10,987)
Foreign exchange transaction	(9,321)	(9,586)
Others	<u>(79,775)</u>	<u>(67,926)</u>
	<u>(373,364)</u>	<u>(334,609)</u>
Net amount	<u>\$ 2,991,800</u>	<u>\$ 2,527,503</u>

**33. GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS, NET**

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Disposal gain (loss) on financial assets and liabilities at fair value through profit or loss		
Corporate bonds	\$ 14,965	\$ 80,561
Government bonds	(226,824)	(63,373)
Interest rate swap contracts	419,095	783,190
Option contracts	91,525	56,141
Future contracts	12,026	(134,243)
Others	<u>(61,175)</u>	<u>82,528</u>
	<u>249,612</u>	<u>804,804</u>
Unrealized gain (loss) on financial assets and liabilities at fair value through profit or loss		
Government bonds	(31,408)	(145,865)
Corporate bonds	(735,366)	(75,881)
Interest rate swap contracts	966,244	(451,650)
Future contracts	311,235	208,648
Option contracts	(367,973)	(58,014)
Others	<u>(35,747)</u>	<u>(77,828)</u>
	<u>106,985</u>	<u>(600,590)</u>
Interest income	95,445	59,131
Dividend income	<u>198</u>	<u>-</u>
	<u>\$ 452,240</u>	<u>\$ 263,345</u>

**34. REALIZED GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Dividends revenue		
Holding at the end of the reporting period	\$ 55,302	\$ 39,113
Gain or loss from disposal of debt instruments	<u>76,234</u>	<u>249,288</u>
	<u>\$ 131,536</u>	<u>\$ 288,401</u>

**35. NET OTHER REVENUE OTHER THAN INTEREST INCOME**

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Rental income	\$ 22,382	\$ 22,744
Operating assets rental income	6,687	6,764
Others	<u>7,948</u>	<u>4,690</u>
	<u>\$ 37,017</u>	<u>\$ 34,198</u>

**36. EMPLOYEE BENEFITS EXPENSES**

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Salaries and wages	\$ 2,324,532	\$ 2,082,153
Labor insurance and national health insurance	189,396	174,775
Pension costs	79,687	80,625
Cash-settled share based payment transaction	791	359
Others	<u>209,546</u>	<u>188,801</u>
	<u>\$ 2,803,952</u>	<u>\$ 2,526,713</u>

The Bank's Articles of Incorporation provide that the Bank shall allocate from annual profit more than 0.5% as employees' compensation and not more than 1% as remuneration of directors. But if there are accumulated losses, the Bank should make up for the losses first.

The employees' compensation and the remuneration of directors recognized were estimated on the basis of the provisions of the Bank's Articles of Incorporation and past experience. The Bank accrued \$21,746 and \$17,197 as employees' compensation and \$7,766 and \$5,737 as remuneration of directors for the three months ended March 31, 2022 and 2021.

If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The board of directors approved \$70,000 as employees' compensation and \$27,000 as remuneration of directors on January 21, 2022 and February 25, 2022, respectively. These amounts were the same as those recognized in the financial statements and will be delivered entirely in cash.

The board of directors approved \$60,000 as employees' compensation and \$18,000 as remuneration of directors on January 29, 2021 and February 26, 2021, respectively. These amounts were the same as those recognized in the financial statements and will be delivered entirely in cash. The Bank's board of directors had reported the remuneration of employees and directors in 2020 on behalf of the shareholder on May 21, 2021.

The information on employees' compensation and the remuneration of directors is available at the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange.

For short-term and long-term compensation, SPH, parent company, has set up a long-term incentive compensation plan, which defers the delivery of performance bonus to the Group's high level managers, and links the stock price of SPH with the long term performance index. The Bank expects to use virtual stocks and future stock price to calculate the compensation and deliver in cash. The Group recognizes the compensation as cash-settled share-based employee benefits expense.

### 37. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Three Months Ended March 31	
	2022	2021
Depreciation expense		
Land improvements	\$ 5	\$ 6
Buildings	40,664	39,111
Machinery and computer equipment	74,923	70,668
Other equipment	23,679	20,444
Leasehold improvements	13,439	14,048
Right-of-use assets	<u>176,235</u>	<u>172,840</u>
	<u>328,945</u>	<u>317,117</u>
Amortization expense	<u>59,022</u>	<u>54,960</u>
	<u>\$ 387,967</u>	<u>\$ 372,077</u>

### 38. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Three Months Ended March 31	
	2022	2021
Taxation and fees	\$ 350,817	\$ 321,754
Professional advisory	131,897	105,195
Automated equipment	116,512	106,782
Insurance	103,597	93,792
Marketing	101,310	71,098
Location fee	96,638	95,511
Communications expense	74,773	73,062
Others	<u>148,441</u>	<u>121,523</u>
	<u>\$ 1,123,985</u>	<u>\$ 988,717</u>

### 39. EARNINGS PER SHARE

Basic earnings per share is calculated by the gain or loss attributed to the Bank's shareholder divided by the weighted-average number of common stock outstanding.

The numerators and denominators used in computing earnings per shares (EPS) are summarized as follows:

	<b>Dollars Per Share</b>	
	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Basic EPS	<u>\$ 0.42</u>	<u>\$ 0.37</u>

Net income and the weighted-average number of common stock outstanding in the computation of basic EPS are as follows:

#### Net income

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Net income for calculating basic EPS	<u>\$ 3,680,834</u>	<u>\$ 3,188,067</u>

#### Shares

	<b>Shares in Thousands</b>	
	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
The weighted-average number of common stock outstanding in the computation of basic EPS	<u>8,688,919</u>	<u>8,688,919</u>

The three months ended March 31, 2021 EPS was retrospectively adjusted for the effects of the bonus stock issuance on September 13, 2021. Thus, the basic EPS for the three months ended March 31, 2021 is no difference.

#### 40. RELATED-PARTY TRANSACTIONS

In addition to those disclosed in other notes to the consolidated financial statements, transactions, between the Group and other related parties are summarized as follows:

a. Related parties and their relationships with the Group

Related Party	Relationship with the Group
SinoPac Financial Holdings Company Limited (SPH)	Parent company of the Bank
SinoPac Securities Corporation (SinoPac Securities)	Subsidiary of SPH
SinoPac Venture Capital Corporation (SinoPac Venture Capital)	Subsidiary of SPH
SinoPac Securities Investment Trust Co., Ltd. (SinoPac Securities Investment Trust)	Subsidiary of SPH
SinoPac Leasing Corporation (SPL)	Subsidiary of SPH
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
SinoPac Securities Investment Service Corporation (SinoPac Securities Investment Service)	Subsidiary of SinoPac Securities
SinoPac Securities Venture Capital Corporation (SinoPac Securities Venture Capital)	Subsidiary of SinoPac Securities
SinoPac Securities (Asia) Ltd. (SinoPac Securities (Asia))	Subsidiary of SinoPac Securities
SinoPac Capital (Asia) Ltd. (SinoPac Capital (Asia))	Subsidiary of SinoPac Securities
SinoPac International Leasing Corporation (SPIL)	Subsidiary of SPL
SinoPac Capital International (HK) Limited	Subsidiary of SPL
SinoPac Capital International Limited	Subsidiary of SPL (liquidation in October 2021)
Foundation of SinoPac	Affiliate of SPH's chairman
Global Unichip Corp. (GUC)	Affiliate of SPH's chairman's spouse
Nuvoton Technology Corp. (Nuvoton Technology)	Affiliate of SPH's chairman's spouse (before November 2021)
Taiwan Stock Exchange (TWSE)	Affiliate of the SPH's general manager
Taiwan Futures Exchange (TAIFEX)	Affiliate of SinoPac Securities' general manager (after July 2021)
Shin Yuan Investment Co., Ltd. (Shin Yuan Investment)	SPH's corporate director
High Entropy Materials, Inc. (High Entropy Materials)	SinoPac Venture Capital is the company's corporate director
Sun He Energy Co., Ltd. (Sun He Energy)	SinoPac Venture Capital is the company's corporate director
Hsin Yi Recreation Enterprise Co., Ltd. (Hsin Yi Recreation)	Affiliate of SPH's corporate director
Quanta Computer Inc. (Quanta Computer)	Affiliate of SPH's director
Pegatron Corporation (Pegatron)	Affiliate of SPH's director
Chunghwa Telecom Co., Ltd. (Chunghwa Telecom)	Affiliate of the Bank's director
Taiwan Riken Industrial Co., Ltd. (Taiwan Riken Industrial)	Affiliate of SinoPac Securities' director
Hua Nan Commercial Bank Ltd. (Hua Nan Bank)	Affiliate of SPL's director's spouse
Hotai Investment Limited (Hotai Investment)	Affiliate of the Bank's manager
Grand Bills Finance Corp. (Grand Bills Finance)	Affiliate of the SPH's manager's spouse
Evercast Precision Industry Corporation (Evercast Precision)	Affiliate of first-degree kin of the Bank's manager
Kim Great Co., Ltd. (Kim Great)	Affiliate of second-degree kin of the Bank's manager

(Continued)

<b>Related Party</b>	<b>Relationship with the Group</b>
Hao-Xin-Di Co., Ltd. (Hao-Xin-Di)	Affiliate of second-degree kin of the Bank's manager
Zetai Investment Limited (Zetai Investment)	Affiliate of second-degree kin of the Bank's manager
Kingstate Electronics Corporation (Kingstate Electronics)	Affiliate of second-degree kin of the Bank's manager
Froch Enterprise Co., Ltd.(Froch Enterprise)	Affiliate of second-degree-in-laws of the Bank's manager
Hao Yu Co., Ltd. (Hao Yu)	Affiliate of second-degree-in-laws of the Bank's manager
Avision Inc. (Avision)	The Bank holds more than 5% of the capital of charitable trust entrusted assets
YFY International BVI Corp. (YFY International)	Related party
Jhong Cing Investment Co., Ltd. (Jhong Cing Investment)	Related party
E Ink Holdings Inc. (E Ink Holdings)	Related party
Hsin-Yi Foundation	Related party
Taigen Biotechnology Co., Ltd. (Taigen Biotechnology)	Related party
Transyork Technology (Yangzhou) Ltd. (Transyork Technology (Yangzhou))	Related party
Shin Foong Specialty And Applied Materials Co., Ltd. (Shin Foong Specialty And Applied Materials)	Related party
Dream Universe Limited	Related party
China Color Printing Co., Ltd. (China Color Printing)	Related party
YuanHan Material Inc. (YuanHan Material)	Related party
YFY Biotech Management Co., Ltd. (YFY Biotech Management)	Related party
Effion Enertech Co., Ltd. (Effion Enertech)	Related party
Yong Hsin Yi Enterprise Co., Ltd. (Yong Hsin Yi Enterprise)	Related party
YFY Investment Co., Ltd. (YFY Investment)	Related party
Foundation of Fire Fighting Development	Related party
Rich Optronics (Yangzhou) Co., Ltd. (Rich Optronics (Yangzhou))	Related party
Transcend Optronics (Yangzhou) Co., Ltd. (Transcend Optronics (Yangzhou))	Related party
YFY Packaging Inc. (YFY Packaging)	Related party
Shen's Art Printing Co., Ltd. (Shen's Art Printing)	Related party
Hoss Capital Inc. (Hoss Capital)	Related party
Foongtone Technology Co., Ltd. (Foongtone Technology)	Related party
Tech Smart Logistics Ltd.	Related party
PVI Global Corporation	Related party
Willpower Industries Limited	Related party
Yuen Foong Shop Co., Ltd. (Yuen Foong Shop)	Related party
YFY Biotech Co., Ltd. (YFY Biotech)	Related party
Others	The Group's directors, supervisors, managers and their relatives, department chiefs, investments accounted for using the equity method and their subsidiaries, and investees of SPH's other subsidiaries, etc.

(Concluded)

b. Significant transactions with related parties

1) Due from the Central Bank and call loans to banks

2022

	<b>March 31</b>		<b>For the Three Months Ended March 31</b>
	<b>Ending Balance</b>	<b>Interest (%)</b>	<b>Interest Income</b>
Call loans to banks			
Hua Nan Bank	\$ 225,398	0.16-3.6	\$ 1,851
Grand Bills Finance	200,000	0.59	68

2021

	<b>December 31</b>	
	<b>Ending Balance</b>	<b>Interest (%)</b>
Call loans to banks		
Hua Nan Bank	\$ 553,791	0.025-2.2

	<b>March 31</b>		<b>For the Three Months Ended March 31</b>
	<b>Ending Balance</b>	<b>Interest (%)</b>	<b>Interest Income</b>
Call loans to banks			
Hua Nan Bank	\$ -	0.51-2.00	\$ 1,198

2) Derivative financial instruments

	<b>March 31, 2022</b>				
	<b>Contract (Notional) Amount</b>	<b>Contract Period</b>	<b>Valuation Gains or Losses</b>	<b>Account</b>	<b>Balance</b>
Interest rate swap contracts					
SinoPac Securities	\$ 675,000	2020.8.3-2024.8.12	\$ (7,457)	Financial liabilities at fair value through profit or loss	\$ 10,012
Hua Nan Bank	9,928,000	2020.11.13-2032.3.16	373,499	Financial assets at fair value through profit or loss	449,820
Currency swap contracts					
SinoPac Securities	270,477	2021.11.9-2022.5.12	11,282	Financial assets at fair value through profit or loss	12,742
Hua Nan Bank	572,430	2021.11.11-2023.9.28	11,618	Financial assets at fair value through profit or loss	10,580
Hua Nan Bank	2,289,720	2021.10.5-2023.3.13	(58,093)	Financial liabilities at fair value through profit or loss	47,389

December 31, 2021					
	Contract (Notional) Amount	Contract Period		Account	Balance
Interest rate swap contracts					
SinoPac Securities	\$ 500,000	2020.3.9-2022.3.9		Financial assets at fair value through profit or loss	\$ 160
SinoPac Securities	675,000	2020.8.3-2024.8.12		Financial liabilities at fair value through profit or loss	2,555
Hua Nan Bank	8,898,000	2020.11.13-2031.11.4		Financial assets at fair value through profit or loss	89,414
Currency swap contracts					
SinoPac Securities	956,800	2021.9.9-2022.5.12		Financial assets at fair value through profit or loss	9,116
Hua Nan Bank	830,687	2021.10.5-2022.7.15		Financial assets at fair value through profit or loss	10,704
Hua Nan Bank	553,791	2021.11.11-2023.9.28		Financial liabilities at fair value through profit or loss	1,039
March 31, 2021					
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Account	Balance
Interest rate swap contracts					
SinoPac Securities	\$ 500,000	2020.3.9-2022.3.9	\$ (197)	Financial assets at fair value through profit or loss	\$ 507
SinoPac Securities	675,000	2020.8.3-2024.8.12	(498)	Financial liabilities at fair value through profit or loss	1,797
Hua Nan Bank	5,546,579	2020.9.8-2031.3.12	21,220	Financial assets at fair value through profit or loss	36,382
Hua Nan Bank	500,000	2020.4.13-2030.4.15	249	Financial liabilities at fair value through profit or loss	410
Forward contracts					
YFY International	1,569,296	2020.10.16-2021.6.4	(5,549)	Financial assets at fair value through profit or loss	26,265
Currency swap contracts					
SinoPac Securities	1,539,319	2021.1.12-2021.6.15	8,459	Financial assets at fair value through profit or loss	8,459
SinoPac Securities	86,967	2021.3.29-2021.6.30	(496)	Financial liabilities at fair value through profit or loss	496

### 3) Securities purchased under resell agreements

#### 2022

	March 31		For the Three Months Ended March 31
	Face Amount	Carrying Amount	Interest Income
Others	\$ -	\$ -	\$ 14

#### 2021

	March 31		For the Three Months Ended March 31
	Face Amount	Carrying Amount	Interest Income
SinoPac Securities	\$ 970,110	\$ 830,300	\$ 1,095



4) Receivables and payables

	March 31, 2022	December 31, 2021	March 31, 2021
Receivables			
Others	<u>\$ 250,754</u>	<u>\$ 290,078</u>	<u>\$ 254,512</u>
Payables			
Others	<u>\$ 17,642</u>	<u>\$ 16,869</u>	<u>\$ 20,498</u>
Cash dividends payable to SPH	<u>\$ 1,435,025</u>	<u>\$ 1,435,025</u>	<u>\$ 1,435,025</u>

5) Current income tax assets and liabilities

	March 31, 2022	December 31, 2021	March 31, 2021
Receivables from adopting the linked-tax system	<u>\$ 1,055,020</u>	<u>\$ 1,055,020</u>	<u>\$ 1,055,020</u>
Payables from adopting the linked-tax system	<u>\$ 875,852</u>	<u>\$ 586,906</u>	<u>\$ 720,691</u>

6) Loans

For the Three Months Ended March 31, 2022				
	Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Income
Loans	<u>\$ 10,010,410</u>	<u>\$ 10,617,245</u>	0-6.53	<u>\$ 31,190</u>

Category	March 31, 2022						
	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees' consumer loans	256	\$ 417,379	\$ 407,382	V	-	None	Yes
Household mortgage loans	1,132	6,769,237	6,617,120	V	-	Real estate	Yes
Others:							
	Froch Enterprise	248,808	99,867	V	-	None, Note 1	Yes
	Jhong Cing Investment	58,160	57,264	V	-	Real estate	Yes
	Kim Great	43,566	42,830	V	-	Real estate	Yes
	Evercast Precision	32,472	-	V	-	Real estate	Yes
	Hao-Xin-Di	7,689	7,474	V	-	Real estate	Yes
	Hotai Investment	2,406	2,200	V	-	Vehicle	Yes
	Zetai Investment	1,225	1,137	V	-	Vehicle	Yes
	Others	3,036,303	2,775,136	V	-	Real estate, certificates of deposits and vehicle	Yes
	Others subtotal	3,430,629	2,985,908				
	Total	\$ 10,617,245	\$ 10,010,410				

<b>For the Year Ended December 31, 2021</b>			
	<b>Ending Balance</b>	<b>Highest Balance</b>	<b>Interest/ Fee Rates (%)</b>
Loans	<u>\$ 9,702,175</u>	<u>\$ 11,726,148</u>	0-12.9

Category	December 31, 2021						
	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees' consumer loans	266	\$ 458,173	\$ 418,550	V	-	None	Yes
Household mortgage loans	1,124	6,735,921	6,371,257	V	-	Real estate	Yes
Others:							
	SPL	970,000	-	V	-	Real estate	Yes
	Avision	98,023	-	V	-	Real estate	Yes
	Jhong Cing Investment	59,051	58,160	V	-	Real estate	Yes
	Kim Great	46,474	43,566	V	-	Real estate	Yes
	Evercast Precision	44,674	32,472	V	-	Real estate	Yes
	Kingstate Electronics	25,000	-	V	-	None, Note 1	Yes
	Hao Yu	11,600	-	V	-	Real estate	Yes
	Hao-Xin-Di	8,542	7,689	V	-	Real estate	Yes
	Hotai Investment	3,231	2,406	V	-	Vehicle	Yes
	Zetai Investment	1,400	1,225	V	-	Vehicle	Yes
	Others	3,264,059	2,766,850	V	-	Real estate, certificates of deposits, securities and vehicle	Yes
	Others subtotal	4,532,054	2,912,368				
	Total	\$ 11,726,148	\$ 9,702,175				

<b>For the Three Months Ended March 31, 2021</b>				
	<b>Ending Balance</b>	<b>Highest Balance</b>	<b>Interest/ Fee Rates (%)</b>	<b>Interest Income</b>
Loans	<u>\$ 9,895,037</u>	<u>\$ 10,387,412</u>	0-6.53	<u>\$ 30,535</u>

Category	March 31, 2021						
	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees' consumer loans	292	\$ 502,663	\$ 490,199	V	-	None	Yes
Household mortgage loans	1,075	5,908,690	5,763,684	V	-	Real estate	Yes
Others:							
	SPL	970,000	900,000	V	-	Real estate	Yes
	Evercast Precision	49,674	44,126	V	-	Real estate	Yes
	Kim Great	46,474	45,749	V	-	Real estate	Yes
	Hao Yu	11,600	-	V	-	Real estate	Yes
	Hao-Xin-Di	8,542	8,330	V	-	Real estate	Yes
	Hotai Investment	3,231	3,025	V	-	Vehicle	Yes
	Others	2,886,538	2,639,924	V	-	Real estate, certificates of deposits, securities and vehicle	Yes
	Others subtotal	3,976,059	3,641,154				
	Total	\$ 10,387,412	\$ 9,895,037				

Note 1: Non-related party of the Bank at the loan signing date.

Note 2: Debtors of related party loans are all within normal credit ranking. The Bank estimated the provision for doubtful debt periodically in accordance with the guidelines issued by the authority and IFRSs.

7) Financial assets at fair value through other comprehensive income

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Equity instrument			
TAIFX	\$ 401,653	\$ 410,315	\$ -
Quanta Computer	290,507	311,563	322,420
Others	20,713	19,659	19,727

8) Property and equipment

In the three months ended March 31, 2022 and 2021, the Bank purchased property and equipment from its related parties for a total price of \$4,615 and \$4,614, recognized as property and equipment.

The Bank leased other equipment from SPL, due to the date, March 31, 2022, December 31, 2021 and March 31, 2021, the carrying amount were \$64, \$67 and \$100, respectively.

9) Intangible assets

In the three months ended March 31, 2022 and 2021, the Bank purchased computer software from its related parties in the amount of \$4,485 and \$570, respectively, recognized as intangible assets.

10) Other assets

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Prepayments			
Others	\$ 5,000	\$ 4,708	\$ 5,006
Guarantee deposits			
SinoPac Futures	47,974	50,998	247,555
Others	8,368	8,684	8,460

The Bank signed an agreement with other related parties for the purchase. The Bank paid \$7,845 and \$10,806 for the three months ended March 31, 2022 and 2021, which were recorded as prepayments (other assets) or other operating expenses.

The amount of undiscounted guarantee deposits from lease contract were \$12,903 as of March 31, 2022, December 31, 2021 and March 31, 2021.

11) Notes and bonds transaction

	<b>For the Three Months Ended March 31, 2022</b>	
	<b>Purchase of Notes and Bonds</b>	<b>Sell of Notes and Bonds</b>
SinoPac Securities	\$ -	\$ 5,000,000
	<b>For the Three Months Ended March 31, 2021</b>	
	<b>Purchase of Notes and Bonds</b>	<b>Sell of Notes and Bonds</b>
Hua Nan Bank	\$ -	\$ 5,003,395

12) Deposits from the Central Bank and banks

2022

	<b>March 31</b>		<b>For the Three Months Ended March 31</b>
	<b>Ending Balance</b>	<b>Interest Rates (%)</b>	<b>Interest Expense</b>
Hua Nan Bank	\$ 1,144,860	0.11-2.8	\$ 814

2021

	<b>December 31</b>	
	<b>Ending Balance</b>	<b>Interest Rates (%)</b>
Hua Nan Bank	\$ 913,755	0.09-1.30

	<b>March 31</b>		<b>For the Three Months Ended March 31</b>
	<b>Ending Balance</b>	<b>Interest Rates (%)</b>	<b>Interest Expense</b>
Hua Nan Bank	\$ -	0.1-0.4	\$ 192

13) Deposits

2022

	<b>March 31</b>		<b>For the Three Months Ended March 31</b>
	<b>Ending Balance</b>	<b>Interest Rates (%)</b>	<b>Interest Expense</b>
	<u>\$ 38,044,197</u>	0-13	<u>\$ 43,817</u>
	<b>Ending Balance</b>	<b>Interest Rates (%)</b>	
Pegatron	\$ 12,543,969	0.03-0.63	
SinoPac Securities	6,181,803	0-0.82	
SinoPac Securities (Asia)	1,505,303	0-0.9	
E Ink Holdings	1,459,588	0.001-1.065	
Hsin-Yi Foundation	804,449	0.01-2.3	
Taigen Biotechnology	797,078	0-1.065	
Transyork Technology (Yangzhou)	679,195	0.05-1	
Shin Foong Specialty And Applied Materials	665,735	0.03-0.38	
GUC	439,676	0.001-0.76	
Dream Universe Limited	347,532	0.05-0.85	
China Color Printing	274,430	0.03-1.065	
Hsin Yi Recreation	258,636	0.03-1.7	
YuanHan Material	242,073	0.001-1.065	
YFY Biotech Management	208,455	0-0.76	
TAIFEX	200,001	0.03-0.76	
Effion Enertech	177,355	0.03-0.58	
SinoPac Securities Investment Service	151,070	0-1.065	
Taiwan Riken Industrial	145,702	0-0.76	
SinoPac Securities Venture Capital	145,605	0.03	
Yong Hsin Yi Enterprise	145,436	0.03-1.065	
YFY Investment	133,953	0.05-1.9	
Shin Yuan Investment	118,968	0.001-0.85	
SinoPac Capital (Asia)	114,474	0-0.2	
TWSE	100,441	0.03-0.76	
Others	<u>10,203,270</u>	0-13	
	<u>\$ 38,044,197</u>		

2021

	<b>December 31</b>	
	<b>Ending Balance</b>	<b>Interest Rates (%)</b>
	<u>\$ 68,509,961</u>	0-13

	<b>Ending Balance</b>	<b>Interest Rates (%)</b>
Pegatron	\$ 20,053,441	0.03-0.63
SinoPac Securities	17,374,974	0-0.8
Quanta Computer	7,350,088	0-0.76
SinoPac Securities (Asia)	2,781,193	0-0.9
E Ink Holdings	1,850,436	0.001-0.815
Shin Foong Specialty And Applied Materials	1,564,537	0.03-0.38
Hsin-Yi Foundation	855,914	0.01-2.3
GUC	770,390	0.001-0.76
Foundation of Fire Fighting Development	720,390	0-0.84
Transyork Technology (Yangzhou)	657,118	0.05-1.15
Taigen Biotechnology	551,865	0-0.815
YuanHan Material	423,029	0.001-0.815
Dream Universe Limited	336,700	0.05
TWSE	300,441	0.03-0.76
Rich Optronics (Yangzhou)	299,083	0.05-0.9
China Color Printing	271,089	0.03-0.815
Transcend Optronics (Yangzhou)	251,097	0.05-0.85
Hsin Yi Recreation	246,856	0.03-1.7
YFY Biotech Management	208,432	0-0.76
SinoPac Securities Venture Capital	205,408	0.03
TAIFEX	200,001	0.03-0.76
SinoPac Securities Investment Service	177,434	0-0.815
SinoPac Capital (Asia)	152,338	0-0.18
Taiwan Riken Industrial	148,918	0-2
YFY Packaging	142,639	0-0.76
SinoPac Venture Capital	142,031	0.03-0.08
Yong Hsin Yi Enterprise	141,002	0.03-0.815
High Entropy Materials	140,263	0.03
Shin Yuan Investment	135,031	0.001-0.57
Effion Enertech	127,146	0.03-0.38
SPIL	120,382	0.35-2.025
SinoPac Capital International (HK) Limited	108,347	0-0.15
Shen's Art Printing	107,842	0.03-0.84
SPL	103,038	0.02-0.2
Hoss Capital	102,453	0.03-0.2
Foongtone Technology	101,509	0-1.35
Others	<u>9,287,106</u>	0-13
	<u>\$ 68,509,961</u>	

	<b>March 31</b>	<b>For the Three Months Ended March 31</b>
<b>Ending Balance</b>	<b>Interest Rates (%)</b>	<b>Interest Expense</b>
<u>\$ 71,276,993</u>	0-24 (Note)	<u>\$ 74,899</u>

	<b>Ending Balance</b>	<b>Interest Rates (%)</b>
Pegatron	\$ 22,505,077	0.03-0.76
Quanta Computer	20,000,030	0-0.76
SinoPac Securities	4,385,439	0-0.8
SinoPac Capital International Limited	3,306,179	0.02-0.2
SinoPac Securities (Asia)	1,849,410	0-0.95
SinoPac Capital International (HK) Limited	1,100,224	0.001-0.15
Shin Foong Specialty And Applied Materials	1,065,241	0.03-0.38
E Ink Holdings	922,619	0.001-0.815
Hsin-Yi Foundation	887,311	0.01-1.95
Foundation of Fire Fighting Development	729,527	0-0.84
YFY Investment	652,912	0.05-2.025
Nuvoton Technology	550,000	0.08-0.49
YuanHan Material	503,490	0.001-0.815
Tech Smart Logistics Ltd.	450,274	0.03
Dream Universe Limited	346,852	0.05
SinoPac Venture Capital	327,898	0.01-0.38
Hsin Yi Recreation	314,346	0.03-1.5
China Color Printing	271,135	0.03-0.815
PVI Global Corporation	270,794	0.05
YFY Biotech Management	216,900	0-0.76
SPIL	200,168	0.05-2.025
TWSE	200,000	0.03-0.76
SinoPac Securities Investment Service	176,080	0-0.815
Effion Enertech	141,313	0.03-0.76
Sun He Energy	138,834	0.03
Yong Hsin Yi Enterprise	131,457	0.03-0.45
Taiwan Riken Industrial	119,093	0-2.4
Shin Yuan Investment	118,764	0.001-0.45
Willpower Industries Limited	116,459	0.03-0.21
Hoss Capital	104,028	0.03-0.2
Others	<u>9,175,139</u>	0-24
	<u>\$ 71,276,993</u>	

Note: The preferential savings rates included in the interest rates of insurance products and those transactions are at arm's length with unrelated parties.

#### 14) Bank debentures

The Bank paid interest of bank debentures to related parties for the three months ended March 31, 2022 was \$3,800.

#### 15) Other liabilities

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Guarantee deposits received	\$ 10,815	\$ 11,727	\$ 10,791
Advance receipts	8	12	7

16) Revenues and expenses

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Lease contracts - guarantee deposits interest revenue	\$ 82	\$ 78
Lease contracts - interest expenses	7,841	8,356
Commissions and fee revenues	29,625	21,616
Commissions and fee expenses	17,950	16,618
Net other revenue other than interest income - other revenues	2,864	2,688
Lease contracts - depreciation expenses	26,759	26,649
Other general and administrative expenses	68,924	36,068

17) Operating lease

The Group as a lessee

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Lease contracts - right of use, net			
SPL	\$ 611,412	\$ 626,145	\$ 660,920
Chunghwa Telecom	96,941	108,126	141,683
Others	12,610	13,451	15,973
Lease contracts - lease liability			
SPL	641,416	653,091	677,827
Chunghwa Telecom	98,315	109,522	142,978
Others	12,648	13,479	15,961

a) Guarantee deposits, please refer to Note 40,b.10).

b) The guarantee deposits interest revenue, lease interest expense, lease depreciation expense and other lease expense (recognized as other operating expense), please refer to Note 40,b.16).

The Group as a lessor

<b>Lessee</b>	<b>Rental Income For the Three Months Ended March 31</b>		<b>Lease Term</b>	<b>Receiving Frequency</b>
	<b>2022</b>	<b>2021</b>		
SinoPac Securities	\$ 7,899	\$ 7,977	November 2025	Rentals received monthly
SinoPac Securities Investment Trust	2,423	2,420	July 2024	Rentals received monthly
SPL	1,616	1,605	July 2026	Rentals received monthly
Yuen Foong Shop	1,089	1,091	January 2023	Rentals received monthly
Yuen Foong Yu Biotech	849	849	October 2025	Rentals received monthly
Others	1,690	1,582	December 2026	Rentals received monthly

Transactions between the Bank and the related parties are at arm's length commercial terms except for the preferential interest rates offered to employees for savings and loans up to prescribed limits.



Under the Banking Act, except for government and consumer loans, credit extended by the Bank to any related party should be fully secured, and the credit terms for related parties should be similar to those for unrelated parties.

For transactions between related parties with SinoPac Insurance Brokers and Bank SinoPac (China), the terms are similar to those transacted with unrelated parties.

#### 18) Others

In order to fulfill corporate social responsibility, the Bank and SinoPac Securities contributed \$25,500 and \$4,500 respectively, with the total amount of \$30,000, to set up the Foundation of SinoPac. The foundation was approved and registered by the Taipei District Court in December 2021. The Bank and SinoPac Securities approved to contribute \$27,000 and \$8,000, with the total amount of \$35,000 in January 2022, which will be used for the foundation's 2022 work plan.

#### c. Compensation of directors, supervisors and management personnel

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 26,658	\$ 25,042
Post-employment benefits	<u>553</u>	<u>12,764</u>
	<u>\$ 27,211</u>	<u>\$ 37,806</u>

The management personnel are composed of general manager, vice general manager and other employee whose job grade is higher than the former.

## 41. PLEDGED OR MORTGAGED ASSETS

In addition to those disclosed in other notes, pledged or restricted assets of the Group are summarized as follows:

<b>Restricted Assets</b>	<b>Object</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>	<b>Purposes</b>
Due from the Central Bank and call loans to banks	Deposit reserve - demand accounts	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	Note 1
Financial assets at fair value through other comprehensive income	Bank debentures	2,812,961	2,846,479	-	Note 2
Investment in debt instruments at amortized cost	Certificates of deposits	5,143,108	8,138,448	8,142,663	Note 3
Investment in debt instruments at amortized cost	Government bonds	1,610,426	1,609,325	1,402,222	Note 4
Discounts and loans	Loans	13,239,714	12,975,007	17,104,667	Note 5
Other financial assets	Certificates of deposits	-	-	2,609,016	Note 6

Note 1: The Bank undertakes loans for small and medium enterprises and applies to the Central Bank for guarantee loan refinancing, and provides the Central Bank with pledged reserve account deposits.

Note 2: Pledged with repurchase agreement.

Note 3: Pledged in accordance with the Central Bank for foreign-exchange, with the Mega Bank for USD foreign-exchange settlement and with requirements of the California Department of Financial Institutions.

Note 4: Guarantees of dealing and underwriting business, a trust reserve fund, guarantees of bills financial service, reserve for payment of VISA international card, pledged to court as collaterals for filing provisional seizure and disposition and Hong Kong branch's clearing system of real-time gross settlement.

Note 5: Pledged in accordance with the Federal Reserve Bank under the discount window program.

Note 6: Pledged with intraday overdraft of settlement banks.

## 42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. In addition to those disclosed in other notes, significant unrecognized commitments of the Group as of March 31, 2022, December 31, 2021 and March 31, 2021 were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Trust assets	\$ 681,136,372	\$ 631,453,936	\$ 559,119,846
Securities under custody	209,174,912	214,851,201	179,562,723
Agent for government bonds	75,798,000	89,466,800	87,654,000
Receipts under custody	26,392,250	27,306,635	25,177,657
Agent for marketable securities under custody	11,042,230	5,885,170	6,419,100
Guarantee notes payable	5,726,408	8,752,948	11,318,979
Appointment of investment	5,193,262	4,533,851	3,474,208
Goods under custody	1,105,904	1,215,393	1,148,276

As of March 31, 2022, in addition to abovementioned unrecognized commitments, the Bank and SinoPac Securities had applied for tax concessions to Ministry of Finance regarding their technical support service expenditure relating to the financial transaction system, and had jointly signed to the system manufacturer the letter of indemnity of which the total compensation is not more than US\$1,300 thousand to obtain the proxy of the manufacturer thereof to apply for foresaid tax concession. The compensation distributable to the Bank is US\$867 thousand and to SinoPac Securities is US\$433 thousand. The deadline for compensation guarantee period is December 31, 2027.

In order to continue the cooperation with National Cheng Kung University on the research about practical application of artificial intelligence and accelerate the digital transformation, the Bank continued to sign a three-year with the total budget of \$80,000 enterprise and industry cooperation and donation agreement effective from July 1, 2020 through June 30, 2023. As of March 31, 2022, the Bank recognized operating expense in the amount of \$63,500 and related payable in the amount of \$14,000 based on the renewed contract.

- b. The Group entered into contracts to buy computers and office equipment were for \$918,264 and \$712,337 of which \$493,930 and \$532,368 had not been paid as of March 31, 2022 and 2021.

c. Contingent liabilities and contingencies

- 1) The Securities and Futures Investors Protection Center (SFIPC) filed a lawsuit against the Bank and SinoPac Leasing Corporation's (SPL) subsidiary, Grand Capital International Limited (renamed as SinoPac Capital International Limited on October 4, 2018, liquidated), on the ground that Procomp Informatics Ltd. (Procomp) deposited US\$10,000 thousand in the Bank's Shisung Branch (formerly Sungshan Branch) and placed a restriction on the use of this deposit as a condition for a short-term loan to Addie International Limited granted by SPL and for allegedly helping Yeh, Sue-Fei and Procomp do irregular trading. But at the same time, Procomp used the restricted deposit for fictitious sale transactions. Later, when problems on Procomp's account arose, the Bank and SPL demanded compensation, which was taken from Procomp's account, resulting in damage to Procomp. The Bank was suspected of misleading investors by concealing the restricted status of Procomp's deposit and window dressing Procomp's financial statements. On behalf of investors, the SFIPC filed a lawsuit against the Bank, SPL and all other parties related to Procomp jointly. The amount of the claim was \$4,207,212 in total.

Both the courts of the first instance and the second instance ruled in favor of the Bank and SPL. The court believes that the Bank and SinoPac Leasing are not liable for the damage of Procomp as they do not hold rights and obligations to the edition, approval, recognition and announcement of Procomp's financial statements and the Bank and SinoPac Leasing did not conspire with Procomp to concealing the restricted status of Procomp.

However, the SFIPC decided to file an appeal on January 20, 2016. The Supreme Court reversed the declared judgment on July 26, 2017 and remanded the case to Taiwan High Court. The case is still under process. The SFIPC reduced their declaration to \$4,161,366, and once again reduced their declaration to \$4,161,219.

The Taiwan High Court ruled in favor of the Bank and SinoPac Leasing on May 7, 2019. However, the SFIPC decided to file an appeal to the Supreme Court on June 6, 2019. On March 17, 2021, the Supreme Court dismissed the appeal to SinoPac Leasing (conviction affirmed), and remanded the Bank's case to Taiwan High Court, currently under trial by Taiwan High Court.

- 2) The Bank dealt with Skwentex International Corporation (Skwentex) regarding Skwentex's receivables from Siltrontechnics Electronics Corporation. The relevant accounts receivable transaction involved suspected false cycle trading and was investigated by the Taiwan New Taipei District Prosecutors in 2015. This case was still under process by the Taiwan New Taipei District Prosecutors in 2016. Due to the abnormal and suspected unlawful accounts receivable transaction, the Bank cannot pay the consideration of accounts receivable to Skwentex in accordance with the credit contract. Skwentex sued the Bank in July 2017 and demanded a compensation of \$214,471.

The Taiwan Taipei District Court ruled in favor of the Bank on February 27, 2020. Skwentex was dissatisfied and appealed in March 2020, currently under trial by Taiwan High Court.

#### **43. HIERARCHY AND FAIR VALUE INFORMATION OF FINANCIAL INSTRUMENTS**

a. The definition of the hierarchy:

1) Level one

Level 1 financial instruments are traded in active market and have the identical price for the same financial instruments. “Active market” should fit the following characteristics:

- a) All financial instruments in the market are homogeneous;
- b) Willing buyers and sellers exist in the market all the time;
- c) The public can access the price information easily.

2) Level two

The products categorized in this level have the prices that can be inferred from either direct or indirect observable inputs other than the active market’s prices. Examples of these inputs are:

- a) Quoted prices from the similar products in the active market. This means the fair value can be derived from the current trading prices of similar products. It is also noted that whether they are similar products should be judged by the characteristics and trading rules. The fair value valuation in this circumstance may make some adjustment due to time lags, trading rule’s differences, related parties’ prices, and the correlation of price between itself and the similar instruments.
- b) Quoted prices for identical or similar financial instruments in inactive markets.
- c) When marking-to-model, the input of model in this level should be observable (such as interest rates, yield curves and volatilities). The observable inputs mean that they can be attained from market and can reflect the expectation of market participants.
- d) Inputs which can be derived from other observable prices or whose correlation can be verified through other observable market data.

3) Level three

The fair prices of the products in this level are based on the inputs other than the direct market data. For example, historical volatility used in valuing options is an unobservable input, because it cannot represent the entire market participants’ expectation for future volatility.

b. Financial instrument measured at fair value

1) Hierarchy information of fair value of financial instruments

Financial Instruments Measured at Fair Value	March 31, 2022			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Stocks	\$ 59,010	\$ 59,010	\$ -	\$ -
Bonds	13,645,597	10,900,249	2,745,348	-
Certificates of deposits purchased and others	7,414,174	-	7,414,174	-
Financial assets designated at fair value through profit or loss				
Bonds	9,428,823	9,428,823	-	-
Financial assets at fair value through other comprehensive income				
Equity instruments at FVTOCI				
Stocks and others	21,006,233	17,867,233	1,703,357	1,435,643
Debt instruments at FVTOCI				
Bonds	171,841,321	89,034,366	81,805,703	1,001,252
Certificates of deposits purchased and others	183,227,946	525,338	182,263,940	438,668
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	600,731	600,731	-	-
Financial liabilities designated at fair value through profit or loss	1,613,414	-	1,613,414	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	21,211,441	263,511	19,965,081	982,849
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	20,066,251	18,493	19,327,524	720,234

Financial Instruments Measured at Fair Value	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Stocks	\$ 147,365	\$ 147,365	\$ -	\$ -
Bonds	21,845,520	20,502,418	1,343,102	-
Certificates of deposits purchased and others	5,481,849	-	5,481,849	-
Financial assets designated at fair value through profit or loss				
Bonds	9,961,812	9,961,812	-	-
Financial assets at fair value through other comprehensive income				
Equity instruments at FVTOCI				
Stocks and others	15,299,410	12,617,198	1,281,565	1,400,647
Debt instruments at FVTOCI				
Bonds	153,301,380	76,116,304	76,216,426	968,650
Certificates of deposits purchased and others	212,168,276	244,036	211,498,147	426,093
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	1,543,747	-	1,543,747	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	7,611,607	2,354	7,160,077	449,176
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	7,700,339	67,489	6,875,310	757,540

Financial Instruments Measured at Fair Value	March 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Stocks	\$ 263,135	\$ 263,135	\$ -	\$ -
Bonds	21,924,262	20,848,036	1,076,226	-
Certificates of deposits purchased and others	4,187,571	-	4,187,571	-
Financial assets designated at fair value through profit or loss				
Bonds	2,400,548	2,400,548	-	-
Financial assets at fair value through other comprehensive income				
Equity instruments at FVTOCI				
Stocks and others	11,126,986	8,762,277	1,218,394	1,146,315
Debt instruments at FVTOCI				
Bonds	163,889,371	109,184,351	52,850,897	1,854,123
Certificates of deposits purchased and others	176,012,370	-	176,012,370	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	1,538,764	-	1,538,764	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	15,441,655	97,648	14,987,542	356,465
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	15,416,384	37,774	14,915,795	462,815

## 2) Fair value measurement technique

Financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income with quoted price in an active market are using market price as fair value; financial instruments above with no quoted price in an active market are estimated by valuation methods. The estimation and assumption of valuation method the Group used is the same as market participants'. The Group can obtain this information.

The basis of fair value estimation used by the Group is as follows:

The fair value of forward contract, interest rate swap contracts and cross-currency swap contracts is measured by the discounted cash flow method; the fair value of option is measured by Black & Scholes Model.

Fair values of forward contracts are estimated on the basis of the foreign exchange rates. Structured product is measured by opponents' price based on match basis. This method diminished market risk to zero. Fair value of interest rate swap contracts and cross-currency swap contracts are estimated on the basis of market quotation.

Fair value are determined as follows: (a) listed stocks and Taipei Exchange Stocks and Stocks of Real Estate Investment Trust - closing prices as of the balance sheet date; (b) beneficial certificates (open-end funds), net asset values as of the balance sheet date; (c) bonds - period-end reference prices published by the Taipei Exchange or internal model price; (d) bank debentures issued overseas and the overseas bonds-period-end reference prices published by market quotation, calculated through an internal model or provided by a counter-party.

The Group assessed the active level of market and the adequacy of fair value of emerging stocks and measured the investments at fair value.

The Group assessed the fair value of unlisted counters using the market method, income method and asset method. The above methods use the price and other relevant information generated by the market transactions involving comparable or comparable assets, liabilities or assets and liabilities.

3) Credit risk valuation adjustment is set out below:

Credit risk valuation consists of credit valuation adjustment and debit valuation adjustment.

Credit valuation adjustment adopts for derivative contracts trading in other than exchange market, over-the-counter, and reflects the non-performance risk of counter party on fair value.

Debit valuation adjustment adopts for derivative contracts trading in other than exchange market, over-the-counter, and reflects the non-performance risk of the Group on fair value.

The Group calculated debit and credit valuation adjustment based on models with inputs of Probability of Default (PD) and Loss Given Default (LGD) multiplying Exposure at Default (EAD).

The Group calculated EAD based on mark-to-market fair value of OTC derivative instruments.

The Group takes 60% as the standard LGD of counter parties, and subject to change under the risk nature and data feasibility.

The Group takes credit risk valuation adjustment into valuation of the fair value of financial instruments, thus reflect the credit quality of counter parties and the Group.

4) Transfer between Level 1 and Level 2

For the three months ended March 31, 2022, the Group transferred part of the government bonds corporate bonds and certificates of deposits purchased from Level 1 to Level 2 because the Group determined these investments were not in an active market.

For the three months ended March 31, 2021, the Group transferred part of the government bonds and corporate bonds from Level 1 to Level 2 because the Group determined these investments were not in an active market.



## 5) Reconciliation of Level 3 items of financial instruments

### a) Reconciliation of Level 3 items of financial assets

For the Three Months Ended March 31, 2022									
Items	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
<u>Non-derivative financial instruments</u>									
Financial assets at fair value through other comprehensive income									
Equity instruments at FVTOCI	\$ 1,400,647	\$ -	\$ 34,996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,435,643
Debt instruments at FVTOCI	1,394,743	-	( 37 )	-	-	-	-	45,214	1,439,920
<u>Derivative financial instruments</u>									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	449,176	533,673	-	-	-	-	-	-	982,849

For the Three Months Ended March 31, 2021									
Items	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
<u>Non-derivative financial instruments</u>									
Financial assets at fair value through other comprehensive income									
Equity instruments at FVTOCI	\$ 1,200,430	\$ -	\$ (54,115 )	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,146,315
Debt instruments at FVTOCI	1,838,716	-	13,829	-	-	-	-	1,578	1,854,123
<u>Derivative financial instruments</u>									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	277,946	78,519	-	-	-	-	-	-	356,465

For the three months ended March 31, 2022 and 2021, the gains on valuation included in net income with assets still held were \$923,727 and \$84,262, respectively.

For the three months ended March 31, 2022 and 2021, the gains or losses on valuation included in other comprehensive income with assets still held were gain \$34,959 and loss \$40,286, respectively.

### b) Reconciliation of Level 3 items of financial liabilities

For the Three Months Ended March 31, 2022								
Items	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
<u>Derivative financial instruments</u>								
Financial liabilities at fair value through profit or loss								
Held-for-trading financial liabilities	\$ 757,540	\$ (37,306 )	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 720,234

For the Three Months Ended March 31, 2021								
Items	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
<u>Derivative financial instruments</u>								
Financial liabilities at fair value through profit or loss								
Held-for-trading financial liabilities	\$ 881,535	\$ (418,720 )	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 462,815

For the three months ended March 31, 2022 and 2021, the gains or losses on valuation included in net income with liabilities still held were loss \$311,030 and gain \$412,354, respectively.

6) Quantitative information about the significant unobservable inputs (Level 3) used in the fair value measurement

Quantitative information about the significant unobservable inputs is set out below:

March 31, 2022

Financial Instruments Measured at Fair Value	Financial Assets	Financial Liabilities	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)
<u>Derivative financial instruments</u>					
Financial instruments at fair value through profit or loss					
Hybrid FX swap structured instruments	\$ 318,182	\$ 318,010	Sellers' quote	(Note 1)	-
Others	664,667	402,224	Sellers' quote	(Notes 1 and 2)	-
	<u>\$ 982,849</u>	<u>\$ 720,234</u>			
<u>Non-derivative financial instruments</u>					
Financial assets at fair value through other comprehensive income					
Equity instruments at FVTOCI					
Stocks	<u>\$ 1,435,643</u>	<u>\$ -</u>	Market approach or market value with liquidity valuation discount	Discount factor of liquidity	0%-30%
Debt instruments at FVTOCI					
Bonds	\$ 1,001,252	\$ -	Taipei Exchange's quote or Bloomberg's quote	(Note 3)	-
Certificates of deposits purchased	438,668	-	Sellers' quote	(Note 2)	-
	<u>\$ 1,439,920</u>	<u>\$ -</u>			

December 31, 2021

Financial Instruments Measured at Fair Value	Financial Assets	Financial Liabilities	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)
<u>Derivative financial instruments</u>					
Financial instruments at fair value through profit or loss					
Hybrid FX swap structured instruments	\$ 300,992	\$ 300,830	Sellers' quote	(Note 1)	-
Others	148,184	456,710	Sellers' quote	(Notes 1 and 2)	-
	<u>\$ 449,176</u>	<u>\$ 757,540</u>			
<u>Non-derivative financial instruments</u>					
Financial assets at fair value through other comprehensive income					
Equity instruments at FVTOCI					
Stock	<u>\$ 1,400,647</u>	<u>\$ -</u>	Market approach or market value with liquidity valuation discount	Discount factor of liquidity	0%-30%
Debt instruments at FVTOCI					
Bonds	\$ 968,650	\$ -	Taipei Exchange's quote or Bloomberg's quote	(Note 3)	-
Certificates of deposits purchased	426,093	-	Sellers' quote	(Note 2)	-
	<u>\$ 1,394,743</u>	<u>\$ -</u>			

March 31, 2021

Financial Instruments Measured at Fair Value	Financial Assets	Financial Liabilities	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)
<u>Derivative financial instruments</u>					
Financial instruments at fair value through profit or loss					
Hybrid FX swap structured instruments	\$ 318,695	\$ 318,505	Sellers' quote	(Note 1)	-
Others	<u>37,770</u>	<u>144,310</u>	Sellers' quote	(Notes 1 and 2)	-
	<u>\$ 356,465</u>	<u>\$ 462,815</u>			
<u>Non-derivative financial instruments</u>					
Financial assets at fair value through other comprehensive income					
Equity instruments at FVTOCI					
Unlisted common stock	<u>\$ 1,146,315</u>	<u>\$ -</u>	Market approach or market value with liquidity valuation discount	Discount factor of liquidity	0%-30%
Debt instruments at FVTOCI					
Bonds	<u>\$ 1,854,123</u>	<u>\$ -</u>	Taipei Exchange's quote or Bloomberg's quote	(Note 3)	-

Note 1: On pairs of back-to-back transactions, consequences of significant unobservable inputs and fair values are not fully captured in practice. Therefore, both inputs are not disclosed.

Note 2: Considering the risk model, the seller's quotation is provided for reference; consequences of significant unobservable inputs and fair values are not fully captured in practice. Therefore, both inputs are not disclosed.

Note 3: Due to international bonds listed in the OTC market lack liquidity, no observable liquidity reduction factor could be obtained. Therefore, no disclosure has been made.

#### 7) Valuation processes for fair value measurements categorized within Level 3

The Group assesses the derivative financial instruments' fair values according to the quote by counterparties; related assessments are compiled as risk-control reports and inform the manager and the board of directors by month.

The risk management department is responsible for independent testify of fair value of non-derivative financial instruments. The team also use the independent source data to bring the assessment results closer to market conditions, confirm that data sources are independent, reliable, consistent with other resources and represent executable price, calibrate the evaluation model periodically and update input values and data required for the evaluation model to ensure the evaluation results are reasonable.

#### 8) The sensitivity analysis of reasonable, possible and alternative hypothesis for the third level of fair value measurements

The Bank evaluates financial instruments reasonably, although using different valuation model and parameter, may cause different valuation results. For financial instruments classified as Level 3 and the fair value source used lacks observable input, i.e., liquidity reduction factor. If the change of estimated liquidity cost, estimated at 99% confidence interval and based on historical data of market turnover in the past two years, are included in the estimation, the impact on profit and loss is as follows:

March 31, 2022

Item	Changes in the Fair Value Reflected in Current Profit or Loss	
	Unfavorable Change	Favorable Change
<u>Asset</u>		
Financial assets at fair value through other comprehensive income		
Debt instruments at fair value through other comprehensive income	<u>\$ (20,174)</u>	<u>\$ 20,174</u>

December 31, 2021

Item	Changes in the Fair Value Reflected in Current Profit or Loss	
	Unfavorable Change	Favorable Change
<u>Asset</u>		
Financial assets at fair value through other comprehensive income		
Debt instruments at fair value through other comprehensive income	<u>\$ (38,321)</u>	<u>\$ 38,321</u>

March 31, 2021

Item	Changes in the Fair Value Reflected in Current Profit or Loss	
	Unfavorable Change	Favorable Change
<u>Asset</u>		
Financial assets at fair value through other comprehensive income		
Debt instruments at fair value through other comprehensive income	<u>\$ (45,194)</u>	<u>\$ 45,194</u>

c. Financial instruments not carried at fair value

1) Fair value information of financial instruments

Financial instruments not carried at fair value excluding the table below are reasonably close to their fair value, therefore no additional disclosure, for example: Cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, discounts and loans, some other financial assets, deposits from the Central Bank and banks, securities sold under repurchase agreements, payables, deposits and remittances and other financial liabilities.

Items	March 31, 2022	
	Carrying Amount	Fair Value
Investments in debt instruments at amortized cost	\$ 180,609,915	\$ 177,571,677
Bank debentures	55,549,184	55,857,472

Items	December 31, 2021	
	Carrying Amount	Fair Value
Investments in debt instruments at amortized cost	\$ 167,247,985	\$ 168,491,938
Bank debentures	50,548,494	51,262,612

Items	March 31, 2021	
	Carrying Amount	Fair Value
Investments in debt instruments at amortized cost	\$ 152,426,235	\$ 155,266,135
Bank debentures	45,078,979	45,885,664

2) Hierarchy information of fair value of financial instruments

Assets and Liabilities Item	March 31, 2022			
	Total	Level 1	Level 2	Level 3
Investments in debt instruments at amortized cost	\$ 177,571,677	\$ 49,124,683	\$ 128,446,994	\$ -
Bank debentures	55,857,472	-	30,102,472	25,755,000

Assets and Liabilities Item	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Investments in debt instruments at amortized cost	\$ 168,491,938	\$ 57,339,540	\$ 111,152,398	\$ -
Bank debentures	51,262,612	-	30,557,612	20,705,000

Assets and Liabilities Item	March 31, 2021			
	Total	Level 1	Level 2	Level 3
Investments in debt instruments at amortized cost	\$ 155,266,135	\$ 55,173,561	\$ 100,092,574	\$ -
Bank debentures	45,885,664	1,793,901	26,925,523	17,166,240

3) Methods and assumptions applied in estimating the fair values of financial instruments not carried at fair value are as follows:

- a) The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, some of other financial assets, deposits from the Central Bank and banks, securities sold under repurchase agreements, payables and other financial liabilities approximate their fair value because of the short maturity or the similarity of the carrying amount and future price.

- b) Discounts and loans (including non-performing loans): The Group usually uses base rate (floating rate) as loan rate because it can reflect market rate. Thus, using its carrying amount to consider the probability of repossession and estimate its fair value is reasonable. Long-term loans with fixed rate should estimate its fair value by its discounted value of expected cash flow. Because this kind of loans is not significant in this item, using its carrying amount to consider the probability of repossession and estimate its fair value should be reasonable.
- c) The investments in debt instruments at amortized cost: Debt instruments investments at amortized cost with quoted price in an active market are using market price as fair value; debt instruments investments at amortized cost with no quoted price in an active market are estimated by valuation methods or opponent's price.
- d) Deposits and remittances: Considering banking industry's characteristic, since deposits have one-year maturity and measured by market rate (market value), using carrying value to assess fair value is reasonable. For deposits with three-year maturity are measured by discounted cash flow, using carrying value to assess fair value is reasonable.
- e) Bank debentures: Bank debentures with quoted price in an active market are using market price as fair value; bank debentures with no quoted price in an active market are estimated by valuation methods or quotes from counterparties.

#### **44. FINANCIAL RISK MANAGEMENT**

##### **a. Overview**

The Group documents the risk management policies, including overall operating strategies and risks control philosophy. The Group's overall risk management policies are to minimize the possibility of potential unfavorable factors. The board of directors approves the documentation of overall risk management policies and specific risk management policies; including credit risk, liquidity risk, market risk, operational risk, derivative instruments transactions and managements. The board of directors reviews the policies regularly, and reviews the operation to make sure the Group's policies are executed properly.

##### **b. Risk management framework**

The board of directors is the top risk supervisor of the Group. The board not only reviewed risk management policies and rules but also authorized management to be in charge of daily risk management work. The Bank has set up a risk management committee under the chairman of the Board to be responsible for the services above; the Bank has also set up a credit committee to review the policies and supervise the abnormal cases. The credit committee also helps the board of directors approve cases over general manager's authority under the board's authorization.

The board of directors authorized the Group's management to supervise risk management activities, evaluate the performance and confirm every risk management agent having essential code of ethic and professional skills. Internal audit is responsible for the periodic review of risk management and the control environment, then reports the results directly to the board of directors.

The Bank has set up a risk management department to control risk management policies, establish rules, plan and set up risk management system. The risk management department executes these policies based on the board's approval, then reports the results and performance reviews to the authority or the board.

c. Credit risk

1) Sources and definitions of credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from lending, trade finance, treasury, and credit derivatives. The issuer's credit risk should be considered as part of the market risk when the investment target is securities in an active market.

2) Policies and strategies

The Group established policies based on operating goals and strategies, business plans and risk management goals authorized by the board of directors. These policies were established to lower potential financial losses, minimize risks and rewards to raise the performance and protect shareholders' equity through appropriate managing policies and procedures based on risk-diversification principle.

The Group's risk strategy is to strengthen the credit risk management framework, establish complete credit verification system and procedure, develop and use efficient and scientific credit risk managing instruments to identify, measure, manage and supervise credit risks. These strategies transparentize, systematize, specialize and formalize credit risk management to manage loans, non-performing assets and every kind of assets' credit risk.

The Group has set up policies of main risks as prime direction based on legislations and operational goals. These policies include risk appetite, management goals, organization structure of responsibility and accountability, measurement, evaluation, supervision and report procedure of risks. These policies are established to reach the purposes of consistency and centralized management and are put into practice in corporate government.

Credit risk management procedures and measurements are as follows:

a) Loan business (includes loan commitment and guarantee)

Loan business classification and qualities are as follows:

i. Classification

The Bank classified credit assets as normal assets, assets that require special mentioned, assets with substandard, assets with doubtful collectability, and assets on which there is loss. In order to manage credit problem, the Bank issued "Evaluate Assets and Deal with Non-performing/Non-accrual Loans" for managing credit problem and debt collection.

Bank SinoPac (China) Ltd. strictly follows the "Guidance for the Risk-Based Loan Categorization" established by the China Banking Regulatory Commission. It divides its loans into five categories based on a debtor's ability to repay the full principal and interest on time. The five categories are normal, special mention, substandard, doubtful, and loss. The last three categories are considered non-performing loans.

ii. Credit quality level

The Group sets up credit quality level (ex. internal credit risk assessment model, credit assessment rules) based on business characteristic and scale to manage risks.

In order to measure clients' credit risks, the Group established credit risk assessment model for corporate banking, personal banking and consumer banking through statistic methods, professional judgment and clients' information. Every model should be reviewed regularly to examine whether the calculations match to the actual conditions or not, then the Group will adjust parameters to optimize the results.

For personal banking and consumer banking customers, every case will be reviewed individually to assess default risks except that micro-credit and credit card business should be assessed by internal credit assessment model.

b) Investment business

The Group manages and identifies credit risks of debt investment through credit ratings by outsiders, credit qualities of the debt, regional conditions and counterparties' risks.

The Group carries out derivative instrument transactions with counterparties in financial industry which are almost above the investment level. The Group would control credit risks based on counterparties' credit lines; counterparties with no credit ratings or at non-investment level should be reviewed individually. Normal customers' credit exposure positions should be controlled by approved derivative instrument credit line and condition based on normal credit procedure.

3) Credit risk hedge or mitigation policies

a) Collateral

The Group has set up several standards dealing with credit exposures and collateral requirements in order to mitigate credit risks and maintain creditor's rights. The standards cover areas such as disposal of collateral, acceptance of real estate as collateral, real estate appraisal; credit policies for every commodity to regulate collateral categories, appraisals, procedures, deduction percentages, loan rate, loan-to-value ratio, maturity analysis, control, management and disposal.

To maintain collateral's effectiveness, the Group supervises and manages the collateral by examining the usage, custody and maintenance of collateral regularly and irregularly to avoid selling, leasing, pledging, moving and disposing collaterals without authorization. Once the loan is due but will be extended, the contract should be seen as a new case and the collateral should be revalued.

b) Credit risk limits and credit risk concentration control

The Group manages credit line and concentration of credit assets through appropriate information managing system that gathers information on credit exposure to centralized conditions, exposure of credit asset combinations, including national risk, large credit exposure, credit line of single corporation, group and industry. For cases approaching credit limit, the concerned unit should report to management and make control strategies; for cases exceeding credit limit, the management should take appropriate action and the Group should review the credit approval process and authorization level.

c) Agreement of net settlement

The Group often makes gross settlement on transactions, sign net settlement contract with other counterparties or cancel every transactions and make net settlement when default occurs to mitigate credit risk.



4) The determination since the initial recognition of the credit risk has increased significantly

a) Loan business

The Group assess the change in the risk of default of various credit assets during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition. In order to make this assessment, the main consideration is reasonable and supportable information that the credit risk has increased significantly since the initial recognition (including forward-looking information), key indicators include:

i. Quantitative indicators

Information on overdue conditions: When the contractual payments were overdue for more than 30 days to overdue 89 days, it has been determined that credit risk of the financial assets after the initial recognition was significantly increased.

ii. Qualitative indicators

i) Although the loan has not been repaid or due on the maturity date, there are other bad debts and the asset classification is not normal.

ii) The loan review report belonging to an abnormal credit.

iii) The credit card transaction with the Bank is abnormal.

On the basis of various credit asset evaluation benchmark days of the Group, if the credit risk does not increase significantly and not belong to an impaired financial asset, it can be determined that the credit risk does not increase significantly after the initial recognition.

b) Investment business

The Group adopts external credit rating scales to measure whether the credit risk after the initial recognition is significantly increased for debt instrument measured at amortized cost and debt instrument measured at fair value through other comprehensive income. The external credit rating is determined by international credit rating agency. When the external credit rating changes and the following situations occur, the credit risk is regarded to have significantly increased after the initial recognition.

i. From investment grade (Aaa-Baa3) to non-investment grade (Ba1 (inclusive) or less, without Ca-D)

ii. From grade Ba1-Ba3 to grade B1-Caa3

iii. The bonds in grade B1-Caa3 at initial recognition.

Credit	Moody's	S&P	Fitch	Taiwan Ratings	Fitch (Taiwan)
First grade	Aaa	AAA	AAA		
	Aa1	AA+	AA+		
	Aa2	AA	AA		
	Aa3	AA-	AA-		
	A1	A+	A+	twAAA	AAA (tw)
	A2	A	A	twAA+	AA+ (tw)
	A3	A-	A-	twAA	AA (tw)
	Baa1	BBB+	BBB+	twAA-	AA- (tw)
	Baa2	BBB	BBB	twA+	A+ (tw)
	Baa3	BBB-	BBB-	twA	A (tw)
Second grade	Ba1	BB+	BB+	twA-	A- (tw)
	Ba2	BB	BB	twBBB+	BBB+ (tw)
	Ba3	BB-	BB-	twBBB	BBB (tw)
				twBBB-	BBB- (tw)
Third grade	B1	B+	B+	twBB+	BB+ (tw)
	B2	B	B	twBB	BB (tw)
	B3	B-	B-	twBB-	BB- (tw)
				twB+	B+ (tw)
				twB	
	Caa1	CCC+	CCC+	twB-	B (tw)
	Caa2	CCC	CCC	twCCC+	B- (tw)
	Caa3	CCC-	CCC-	twCCC	CCC+ (tw)
Fourth grade	Ca	CC	CC	twCCC-	CCC (tw)
	C	C	C	twCC	CCC- (tw)
		SD	DDD	twC	CC (tw)
		D	DD	twSD	C (tw)
		R	D	twD	DDD (tw)
				twR	DD (tw)
					D (tw)
	P-1	A-1	F-1		
	P-2	A-2	F-2	twA-1	F1 (tw)
	P-3	A-3	F-3	twA-2	F2 (tw)

The external rating of each credit rating agency refers to the conversion chart of Basel III.

If a bond has multiple credit ratings, the lowest rating of such bond will be taken as its credit rating; if the bond itself has no credit rating, the guarantor's credit rating will be taken; if there is no guarantor, the issuer's credit rating will be taken. If the bond's, guarantor's, or issuer's external credit rating is not available, the external rating of the bond is based on the internal rating of the bond in SinoPac Holdings.

#### 5) Definition of financial asset default and credit impairment

The Group's definition of financial asset default is the same as financial asset credit impairment. If one or more of the following conditions are satisfied, the Group determines that the financial asset has defaulted and has credit impairment.

##### a) Quantitative indicators

Principal or interest is overdue for more than three months.

b) Qualitative indicators

If there is evidence that the debtor will not be able to pay the contract money, or the debtor is facing significant financial difficulties, for examples:

- i. The main debtor has been chased, or the collateral has been disposed of.
- ii. The main debtor has not paid short-term advance to the Group.
- iii. The debtor applies for debt negotiation, debt extension and debt restructuring, etc. due to financial difficulties.
- iv. Other situation with objective evidence of impairment.

Bond investment belongs to credit ratings Ca-D bonds when the following situations occur:

- i. The issuer probably cannot repay the principal or interest on the bond maturity date.
- ii. It could be objectively judged that the issuer will not be able to repay the principal and interest of the bond on time before maturity.
- iii. Probability that the debtor will enter into bankruptcy or undergo financial reorganization.
- iv. The issuer encounters bankruptcy or being reorganized or taken over due to financial difficulties before bond maturity.

The above definition of default and credit impairment applies to all financial assets held by the Group. It is consistent with the definition of relevant financial assets for internal credit risk management, and applicable to relevant impairment assessment model as well.

6) Write-off policy

If one of the following situations occurred, overdue and non-performing loans of the Bank, after deducting any estimated recoverable part, will be written off as bad debts.

- a) All or part of the creditor's right could not be enforced due to dissolution, escape, settlement, bankruptcy or other reasons of the debtors.
- b) The values of collateral and properties of the main and subordinate debtors are very low, compensation are not available after deducting the first mortgage, or it is unbeneficial that execution fee is close to or may exceed the bank's reimbursable amount.
- c) The collateral and the properties of the main and subordinate debtors are unsold after multiple discount auctions and not beneficial to the Bank.
- d) Overdue and non-performing loans have not been recovered after more than 2 years from the maturity date.

The Bank has procedures for recording accounts written-off and for keeping such records for inspection. Relevant business department continues to watch for movements of the main and subordinate debtors all the time. If there is any property available for execution, the Bank will take appropriate legal action.

## 7) Amendment to financial asset contract cash flows

The Group will amend financial asset contract cash flows when borrowers are in financial difficulties, as a result of improvement of problematic debtors' recovery rate or for maintenance of customer relationships. Financial asset contract cash flows amendment include extension of contract period, interest payment date modification, contract interest modification, or exemption from certain requirements of part of debts. The amendment could result in the Group' disposal of existing financial asset and recording of new financial asset at fair value.

If the modification of the contractual cash flows of financial asset does not result in derecognition of asset, the Group will assess whether the credit risk of financial asset has increased significantly by comparing the following:

- a) Risk of breaching the contract on the reporting date (based on revised contract terms)
- b) The risk of default in the original recognition (based on the original unmodified contract terms)

The Group will consider the borrower's subsequent payment in accordance with the revised terms and several relevant behavior indicators to assess the probability of default on the revised financial asset, and confirm whether the contract modification improves or restore the Group's ability to recover related contract payments.

## 8) Measurement of expected credit losses

For the purpose of measuring expected credit losses, the Group will look into the business attributes of the credit assets (such as corporate finance, personal finance, consumer finance, e-finance, etc.) as well as the size of the company, types of collateral, and remaining period of maturities, etc. and group the credit risk characteristics into three stages: No significant increase in credit risk (stage 1), significant increase in credit risk (stage 2), and credit impairment (stage 3) according to the credit risk level at the valuation date.

The Group provides allowance for 12-month expected credit losses when financial instruments did not have a significant increase in credit risk since the initial recognition. Financial instruments are provided with allowance for full-lifetime expected credit losses when there is significant increase in credit risk or credit impairment since the initial recognition.

To measure expected credit losses, the Group takes into account the borrower's probability of default ("PD") for the next 12 months and for the period of existence, and includes loss given default ("LGD"), and exposure at default ("EAD") taking into account the impact of the time value of money. The expected credit losses for 12 months and for full-lifetime are calculated.

The Bank assesses the amount of Exposure at default of lending based on outstanding loan principal of customers, interest receivable and short-term advances at the end of each period. In addition, when estimating the expected credit losses of lending financing commitments, Exposure at default used to calculate expected credit losses is determined based on the conditions and days of the financing commitment and by reference to the credit risk conversion factor of Basel Capital Accord.

Probability of default is the default probability of the borrower, and the default loss rate is the rate of loss caused by default of the borrower. The default probability and default loss rate used in the impairment assessment and calculation of expected credit losses of the Bank loan business are based on internal historical information (such as credit loss experience, etc.) of each borrower group, with adjustments to the historical data based on the current observable data and forward-looking economic information. The expected loss of debt instrument investment is calculated according to the default rate information and external recovery rate information published by the external credit rating agencies.

## 9) Forward-looking information considerations

### a) Credit assets

The Bank takes forward-looking information into account when determining whether the credit risk of the credit assets has increased significantly since the initial recognition and measures the expected credit losses. The impact of COVID-19 was also considered in the forward-looking information. The Bank uses historical data and expert judgments to analyze and identify the economic factors that affect the credit risk and expected credit losses of various asset groups, such as GDP and unemployment rate. The Bank obtains quarterly historical data and forecast information of the relevant economic factors from international financial organizations (such as the International Monetary Fund (IMF)) and Directorate General of Budget, Accounting and Statistics, Executive Yuan. This forecast information contains the best estimate of the economic situation in the next five years.

The relevant economic factors and their impact on PD differ among different credit business. The Bank classifies credit product types as:

- i. Enterprise, sovereignty, and bank credit exposure.
- ii. Home Mortgage Loan credit exposure.
- iii. Qualified cycling retail credit exposure.
- iv. Other retail credit exposure.

With reference to the Basel Capital Accord IRB method, the correlation coefficient of various types of credit products and risk category is calculated and forward-looking information is used to adjust the default probability.

### b) Investment business

For the debt instrument investment measured at amortized cost and measured at fair value through other comprehensive income, one of the indicators of significant increase in credit risk is the quantified change in the external rating class announced by the international credit rating agencies, and the measurement of expected credit losses is based on the information of the default ratings and default loss rates regularly announced by external rating agencies and international credit rating agencies. As international credit rating agencies have considered forward-looking information in assessing credit ratings, the Bank's assessment of forward-looking information is appropriate, and is included in the Bank's assessment of expected credit losses.

### c) Bank SinoPac (China)

Bank SinoPac (China) identifies the key indicator of credit risk and expected credit losses for various asset portfolios through historical data analysis. By combining industry best practices and internal judgment of bank, Bank SinoPac (China) incorporates the GDP year-on-year indicator and RMB incremental loan volume announced by the People's Bank of China as the credit supply index into the model, and calculates the actual default probability of forward-looking results through the calculation of the corresponding macroscopic factor forecast value.

10) The maximum credit exposure of the financial instruments held by the Bank and Bank SinoPac (China) Ltd.

Maximum credit exposures of assets on balance sheet excluding collaterals and other credit enhancement instruments are almost equivalent to the carrying value. The maximum credit exposures (excluding collaterals, other credit enhancement instruments and undrawn maximum exposure) off-balance-sheet were as follows:

Off-Balance Sheet Items	The Maximum Credit Exposure		
	March 31, 2022	December 31, 2021	March 31, 2021
Undrawn credit card commitments	\$ 214,290,947	\$ 207,556,077	\$ 201,445,081
Undrawn loan commitments	45,802,502	45,812,543	38,378,312
Guarantees	38,031,973	39,866,757	35,256,084
Standby letter of credit	8,876,562	8,218,744	7,344,439

The Bank and Bank SinoPac (China) Ltd. adopt a strict and continuous evaluation procedure and review the result regularly to control and minimize off-balance-sheet credit risk exposures.

The contract amount in the credit business and financial instruments may not be fully paid before the maturity; therefore, the contract amount is not deemed as the amount of future cash outflow. In other words, the future cash demand is lower than contract amount. If the credit limit is exceeded and collaterals lose their value, the amount of credit risk is equal to the contract amount which is the possible maximum loss.

11) Credit risk exposures concentration of the Group

When financial instruments transactions concentrated on one counter-party or several counter-parties, which engaged in similar business activities, had similar economic characteristics and abilities to execute contracts, the credit risk concentration arises.

Credit risk concentrations can arise in the Group's assets, liabilities or off-balance sheet items through the execution or processing of transactions (either product or service) or through a combination of exposures across these broad categories. It includes credit, due from the banks and call loan to banks, investment, receivables and derivatives. The Group maintains a diversified portfolio to limit its exposure to any geographic region, country or individual creditor and monitor its exposures continually. The Group's most significant concentrations of credit risk are summarized by industry, region and collateral as follows:

a) By industry

Industries	March 31, 2022		December 31, 2021		March 31, 2021	
	Amount	%	Amount	%	Amount	%
Private enterprise	\$ 600,118,358	46.70	\$ 550,733,915	45.87	\$ 564,620,578	46.94
Public enterprise	7,969,008	0.62	7,512,132	0.63	9,697,579	0.81
Government sponsored enterprise and business	36,560,748	2.84	13,993,648	1.16	51,054,351	4.24
Nonprofit organization	245,470	0.02	272,106	0.02	208,726	0.02
Private	626,510,848	48.75	615,447,654	51.26	564,546,666	46.93
Financial institutions	13,708,784	1.07	12,672,809	1.06	12,744,684	1.06
Total	\$ 1,285,113,216	100.00	\$ 1,200,632,264	100.00	\$ 1,202,872,584	100.00

b) By region

Regions	March 31, 2022		December 31, 2021		March 31, 2021	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 1,032,324,694	80.33	\$ 963,997,152	80.29	\$ 968,629,149	80.53
Asia	138,676,745	10.79	129,603,731	10.80	118,870,566	9.88
North America	78,319,494	6.09	70,626,160	5.88	78,876,255	6.56
Others	35,792,283	2.79	36,405,221	3.03	36,496,614	3.03
Total	\$ 1,285,113,216	100.00	\$ 1,200,632,264	100.00	\$ 1,202,872,584	100.00

c) By collateral

Collaterals	March 31, 2022		December 31, 2021		March 31, 2021	
	Amount	%	Amount	%	Amount	%
Credit	\$ 425,108,059	33.08	\$ 356,979,492	29.73	\$ 422,245,070	35.10
Secured						
Stocks	5,476,011	0.43	5,357,079	0.45	5,678,996	0.47
Bonds	14,910,329	1.16	15,402,440	1.28	15,441,903	1.29
Real estate	759,817,526	59.12	742,323,649	61.83	689,236,488	57.30
Movable collaterals	50,940,581	3.96	51,539,989	4.29	45,258,922	3.76
Guarantees	16,659,436	1.30	16,436,132	1.37	13,959,900	1.16
Others	12,201,274	0.95	12,593,483	1.05	11,051,305	0.92
Total	\$ 1,285,113,216	100.00	\$ 1,200,632,264	100.00	\$ 1,202,872,584	100.00

d) Credit risk exposure rating

March 31, 2022	Principal				Allowance				
	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Discounts and loans									
Corporate banking	\$ 669,495,102	\$ 1,617,939	\$ 4,432,906	\$ 675,545,947	\$ 1,649,162	\$ 379,412	\$ 679,063	\$ 5,381,745	\$ 8,089,382
Consumer banking	604,245,757	4,183,514	1,137,998	609,567,269	241,147	198,529	180,845	7,587,414	8,207,935
Receivables									
Credit card receivable	17,652,239	215,832	729,305	18,597,376	7,929	8,748	25,553	159,387	201,617
Accounts receivable - factoring (Note 1)	11,412,490	-	-	11,412,490	8,215	-	-	187,452	195,667
Other receivable (Note 2)	22,538,100	25,665	51,155	22,614,920	27,087	1,987	209,099	153,113	391,286
Debt instruments at fair value through other comprehensive income	355,069,267	-	-	355,069,267	56,973	-	-	-	56,973
Investment in debt instruments at amortized cost	180,625,974	-	-	180,625,974	16,059	-	-	-	16,059



December 31, 2021	Principal				Allowance				
	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Discounts and loans									
Corporate banking	\$ 593,972,805	\$ 1,273,533	\$ 5,365,365	\$ 600,611,703	\$ 1,505,060	\$ 337,524	\$ 830,166	\$ 4,787,285	\$ 7,460,035
Consumer banking	594,790,808	4,056,995	1,172,758	600,020,561	246,812	224,353	197,957	7,418,770	8,087,892
Receivables									
Credit card receivable	19,517,643	211,180	743,238	20,472,061	9,112	8,463	24,993	158,942	201,510
Accounts receivable - factoring (Note 1)	11,445,625	-	-	11,445,625	11,562	-	-	169,288	180,850
Other receivable (Note 2)	24,016,441	21,937	256,332	24,294,710	26,820	1,955	204,577	149,929	383,281
Debt instruments at fair value through other comprehensive income	365,469,656	-	-	365,469,656	47,558	-	-	-	47,558
Investment in debt instruments at amortized cost	167,261,299	-	-	167,261,299	13,314	-	-	-	13,314

March 31, 2021	Principal				Allowance				
	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Discounts and loans									
Corporate banking	\$ 645,875,254	\$ 1,867,838	\$ 5,434,064	\$ 653,177,156	\$ 1,998,719	\$ 778,551	\$ 1,491,302	\$ 3,688,713	\$ 7,957,285
Consumer banking	543,849,896	4,551,600	1,293,932	549,695,428	212,098	286,788	211,278	6,751,224	7,461,388
Receivables									
Credit card receivable	16,987,545	224,989	777,777	17,990,311	7,685	10,225	28,188	155,080	201,178
Accounts receivable - factoring (Note 1)	5,393,224	-	-	5,393,224	5,410	-	-	129,702	135,112
Other receivable (Note 2)	18,291,021	17,811	288,056	18,596,888	26,045	2,556	244,708	120,196	393,505
Debt instruments at fair value through other comprehensive income	339,901,741	-	-	339,901,741	64,660	-	-	-	64,660
Investment in debt instruments at amortized cost	152,438,095	-	-	152,438,095	11,860	-	-	-	11,860

Note 1: Accounts receivable - factoring and accounts payable - factoring are offset and presented net.

Note 2: The amounts of other receivable include other financial assets non-performing receivables transferred other than loans.

12) The allowance for loss of the Group

Change in allowance for discounts and loans

For the Three Months Ended March 31, 2022	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-Impaired Financial Assets)	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, January 1	\$ 1,751,872	\$ 561,877	\$ 1,028,123	\$ 3,341,872	\$ 12,206,055	\$ 15,547,927
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(2,501)	141,502	(19,667)	119,334	-	119,334
From conversion to credit-impaired financial assets	(482)	(35,052)	110,531	74,997	-	74,997
To 12-month ECL	1,700	(67,254)	(5,880)	(71,434)	-	(71,434)
Derecognizing financial assets during the current period	(550,899)	(9,686)	(112,088)	(672,673)	-	(672,673)
Purchased or originated new financial assets	679,641	786	32,929	713,356	-	713,356
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	737,113	737,113
Write-off	-	-	(240,986)	(240,986)	(25,300)	(266,286)
Changes in model/risk parameters	(26,662)	(15,165)	(25,028)	(66,855)	-	(66,855)
Effect of exchange rate changes and others	37,640	933	91,974	130,547	51,291	181,838
Balance, March 31	<u>\$ 1,890,309</u>	<u>\$ 577,941</u>	<u>\$ 859,908</u>	<u>\$ 3,328,158</u>	<u>\$ 12,969,159</u>	<u>\$ 16,297,317</u>

For the Three Months Ended March 31, 2021	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-Impaired Financial Assets)	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, January 1	\$ 2,192,750	\$ 1,033,202	\$ 999,303	\$ 4,225,255	\$ 10,776,189	\$ 15,001,444
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(4,825)	329,020	(6,993)	317,202	-	317,202
From conversion to credit-impaired financial assets	(3,401)	(191,717)	491,297	296,179	-	296,179
To 12-month ECL	1,251	(58,629)	(2,484)	(59,862)	-	(59,862)
Derecognizing financial assets during the current period	(775,734)	(44,296)	(122,454)	(942,484)	-	(942,484)
Purchased or originated new financial assets	825,685	21,006	67,858	914,549	-	914,549
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	(257,687)	(257,687)
Write-off	-	-	(123,936)	(123,936)	(75,558)	(199,494)
Changes in model/risk parameters	(21,129)	(23,529)	(37,518)	(82,176)	-	(82,176)
Effect of exchange rate changes and others	(3,780)	282	437,507	434,009	(3,007)	431,002
Balance, March 31	<u>\$ 2,210,817</u>	<u>\$ 1,065,339</u>	<u>\$ 1,702,580</u>	<u>\$ 4,978,736</u>	<u>\$ 10,439,937</u>	<u>\$ 15,418,673</u>

## Changes in allowance for receivable

For the Three Months Ended March 31, 2022	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)	Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, January 1	\$ 47,494	\$ 10,418	\$ 229,570	\$ 287,482	\$ 478,159	\$ 765,641
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(84)	5,400	(847)	4,469	-	4,469
From conversion to credit-impaired financial assets	(4)	(3,637)	13,810	10,169	-	10,169
To 12-month ECL	35	(1,153)	(25)	(1,143)	-	(1,143)
Derecognizing financial assets during the current period	(10,091)	(84)	(1,596)	(11,771)	-	(11,771)
Purchased or originated new financial assets	4,936	1	244	5,181	-	5,181
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	28,920	28,920
Write-off	-	(115)	(10,581)	(10,696)	(15,132)	(25,828)
Changes in model/risk parameters	(217)	(254)	(1,002)	(1,473)	-	(1,473)
Effect of exchange rate changes and others	1,162	159	5,079	6,400	8,005	14,405
Balance, March 31	<u>\$ 43,231</u>	<u>\$ 10,735</u>	<u>\$ 234,652</u>	<u>\$ 288,618</u>	<u>\$ 499,952</u>	<u>\$ 788,570</u>

For the Three Months Ended March 31, 2021	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)	Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, January 1	\$ 54,009	\$ 13,591	\$ 269,688	\$ 337,288	\$ 398,229	\$ 735,517
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(75)	7,220	(1,839)	5,306	-	5,306
From conversion to credit-impaired financial assets	(7)	(7,062)	20,068	12,999	-	12,999
To 12-month ECL	17	(815)	(8)	(806)	-	(806)
Derecognizing financial assets during the current period	(25,815)	(3)	(512)	(26,330)	-	(26,330)
Purchased or originated new financial assets	10,057	9	272	10,338	-	10,338
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	25,992	25,992
Write-off	(1)	(146)	(15,645)	(15,792)	(19,305)	(35,097)
Changes in model/risk parameters	2,504	(502)	(2,496)	(494)	-	(494)
Effect of exchange rate changes and others	(1,549)	489	3,368	2,308	62	2,370
Balance, March 31	<u>\$ 39,140</u>	<u>\$ 12,781</u>	<u>\$ 272,896</u>	<u>\$ 324,817</u>	<u>\$ 404,978</u>	<u>\$ 729,795</u>

Note: The amounts of receivable include other financial assets' non-performing loans transferred from loans.

Change in allowance for debt instrument at fair value through other comprehensive income

For the Three Months Ended March 31, 2022	Credit Rating			Total
	12-months ECL	Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 47,558	\$ -	\$ -	\$ 47,558
Purchased new debt instrument	10,841	-	-	10,841
Derecognized	(2,970)	-	-	(2,970)
Model/risk parameters changes	-	-	-	-
Effect of exchange rate changes and others	<u>1,544</u>	<u>-</u>	<u>-</u>	<u>1,544</u>
Balance March 31	<u>\$ 56,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,973</u>

For the Three Months Ended March 31, 2021	Credit Rating			Total
	12-months ECL	Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 61,452	\$ -	\$ -	\$ 61,452
Purchased new debt instrument	7,633	-	-	7,633
Derecognized	(4,328)	-	-	(4,328)
Model/risk parameters changes	-	-	-	-
Effect of exchange rate changes and others	<u>(97)</u>	<u>-</u>	<u>-</u>	<u>(97)</u>
Balance March 31	<u>\$ 64,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,660</u>

Change in allowance for debt instrument at amortized cost

For the Three Months Ended March 31, 2022	Credit Rating			Total
	12-months ECL	Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 13,314	\$ -	\$ -	\$ 13,314
Purchased new debt instrument	2,521	-	-	2,521
Derecognized	(18)	-	-	(18)
Model/risk parameters changes	-	-	-	-
Effect of exchange rate changes and others	<u>242</u>	<u>-</u>	<u>-</u>	<u>242</u>
Balance March 31	<u>\$ 16,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,059</u>

For the Three Months Ended March 31, 2021	Credit Rating			Total
	12-months ECL	Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 11,891	\$ -	\$ -	\$ 11,891
Purchased new debt instrument	-	-	-	-
Derecognized	-	-	-	-
Model/risk parameters changes	-	-	-	-
Effect of exchange rate changes and others	(31)	-	-	(31)
Balance March 31	<u>\$ 11,860</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,860</u>

13) The financial impact of credit risk mitigation policies

a) Collateral and other credit enhancements

The Group implements a series of policies and measures to reduce credit risk for loan business; one of the commonly used methods is to require borrowers to provide collateral. The Group has designed and follows procedures for enforcing rights to collateral and the valuation, management, and disposal of collateral. The main types of collateral for financial assets of the Group are as follows:

- i. Real estate mortgage loan.
- ii. Derivatives margin agreement.

The credit contract has provisions for the preservation of debts and guarantees, which clearly define that when credit incidents occur, the Group is able to reduce the credit limit, shorten the loan repayment deadline or treat all of them as due, so as to reduce the credit risk.

Other collateral for non-loan business depends on the nature of the financial instrument. Only asset-based securities and other similar financial instruments are secured by a group of asset-pooled financial instruments.

There was no material change in the collateral policy of the Bank, and there was no significant change in the overall collateral quality on the balance sheet date.

b) Amount of collateral for impaired financial assets

The Group closely observes the value of the collateral of the financial instruments and considers adequacy of the allowance for the credit-impaired financial assets. On March 31, 2022, December 31, 2021 and March 31, 2021, the amount of discounts and loans were \$5,570,904, \$6,538,123 and \$6,727,996, with a provision for loss allowance of \$859,908, \$1,028,123 and \$1,702,580 under IFRS 9 Stage 3, and credit guarantees, real estate, movable assets or certificates of deposit, etc., which reduced the potential loss, amounted to \$3,341,211, \$3,721,432 and \$3,274,726.

- c) The contracted amount of financial assets that have been written off and still have recourse activities

The contracted amount of financial assets that have been written off by the Bank and still have recourse activities are \$47,743,845, \$47,391,803 and \$46,549,662 on March 31, 2022, December 31, 2021 and March 31, 2021.

14) Management policies of collaterals assumed

Collaterals assumed are classified as other assets. According to regulations, the Bank should dispose of collaterals within four years.

There are no assumed collaterals of the Group as of March 31, 2022, December 31, 2021 and March 31, 2021, respectively.

15) Disclosures prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Overdue loans and receivables

Date			March 31, 2022				
Items			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 501,471	\$ 256,414,482	0.20%	\$ 3,287,998	655.67%
	Unsecured		840,384	380,171,356	0.22%	4,270,640	508.18%
Consumer loan	Mortgage (Note 4)		208,053	340,379,675	0.06%	5,168,457	2,484.20%
	Cash card		2	2,614	0.08%	341	17,050.00%
	Micro credit (Note 5)		81,408	27,892,193	0.29%	494,335	607.23%
	Others (Note 6)	Secured	242,557	239,233,350	0.10%	2,520,781	1,039.25%
		Unsecured	1,880	2,059,437	0.09%	24,021	1,277.71%
Total			1,875,755	1,246,153,107	0.15%	15,766,573	840.55%
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			24,142	18,597,376	0.13%	201,618	835.13%
Accounts receivable - factoring with no recourse (Notes 7 and 8)			-	14,710,701	-	187,559	-

Date			March 31, 2021				
Items			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 469,115	\$ 236,360,767	0.20%	\$ 2,990,031	637.38%
	Unsecured		760,648	384,789,762	0.20%	4,522,115	594.51%
Consumer loan	Mortgage (Note 4)		217,023	302,358,025	0.07%	4,639,620	2,137.85%
	Cash card		37	3,688	1.00%	380	1,027.03%
	Micro credit (Note 5)		69,994	24,546,847	0.29%	395,793	565.47%
	Others (Note 6)	Secured	449,988	220,413,602	0.20%	2,399,490	533.23%
		Unsecured	1,040	2,373,266	0.04%	26,105	2,510.10%
	Total			1,967,845	1,170,845,957	0.17%	14,973,534
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			22,934	17,990,311	0.13%	201,178	877.20%
Accounts receivable - factoring with no recourse (Notes 7 and 8)			-	11,454,530	-	130,971	-

Note 1: For loan business: Overdue loans represent the amounts of overdue loans reported in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”.

For credit card business: Overdue receivables are regulated by the Banking Bureau letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business: NPL ratio =  $\text{NPL} \div \text{Total loans}$ .

For credit card business: Delinquency ratio =  $\text{Overdue receivables} \div \text{Accounts receivables}$ .

Note 3: For loan business: Coverage ratio =  $LLR \div NPL$ .

For credit card business: Coverage ratio =  $\text{Allowance for credit losses} \div \text{Overdue receivables}$ .

Note 4: Household mortgage loan is a financing to be used by a borrower to buy, build, or fix a dwelling, and the dwelling owned by the borrower, spouse, or children is used to fully secure the loan.

Note 5: Micro credit loan is regulated by the Banking Bureau letter dated December 19, 2005 (Ref. No. 09440010950) and is not credit and debit cards' micro credit loan.

Note 6: Others in consumer loans refers to secured or unsecured loans excluding mortgage, cash card, micro credit, and credit cards.

Note 7: For accounts receivable - factoring with no recourse, as required by the Banking Bureau letter dated July 19, 2005 (Ref. No. 0945000494), which is equal to dated August 24, 2009 (Ref. 09850003180), and allowance for bad debts is recognized once no compensation is made from factoring or insurance within three months.

Note 8: Part of non-performing receivables transferred from other than loans was included.

b) Excluded NPLs and excluded overdue receivables

Date	March 31, 2022		March 31, 2021	
Items	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt negotiation and loan agreement (Note 1)	\$ 448	\$ 21,892	\$ 727	\$ 31,733
As a result of consumer debt clearance (Note 2)	16,624	607,171	18,665	636,147
Total	\$ 17,072	\$ 629,063	\$ 19,392	\$ 667,880

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations and loan agreement is based on the Banking Bureau letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: The disclosure of excluded NPLs, pre-mediation and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).



c) Concentration of credit extensions

Year	March 31, 2022		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	A Group (manufacture of computers)	\$ 10,495,680	7.35
2	B Group (other holding companies)	9,605,842	6.72
3	C Group (metal casting)	5,789,040	4.05
4	D Group (manufacture of other computer peripheral equipment)	5,581,193	3.91
5	E Group (manufacture of computer, peripheral equipment and software wholesale activities)	5,296,852	3.71
6	F Group (real estate development activities)	4,900,000	3.43
7	G Company (other metalworking activities)	4,700,000	3.29
8	H Company (real estate development activities)	4,005,000	2.80
9	I Group (manufacture of computers)	3,959,238	2.77
10	J Group (real estate development activities)	3,898,000	2.73

Year	March 31, 2021		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	A Group (packaging and testing of semi-conductors)	\$ 11,442,732	8.11
2	B Group (manufacture of computers)	11,029,751	7.81
3	C Group (manufacture of computers)	5,542,030	3.93
4	D Group (real estate development activities)	5,445,128	3.86
5	E Group (other metalworking activities)	5,000,000	3.54
6	F Company (rolling of extruding of iron and steel)	4,990,265	3.54
7	G Group (manufacture of other computer peripheral equipment)	4,565,224	3.23
8	H Group (metal casting)	4,043,825	2.86
9	I Group (real estate development activities)	3,739,000	2.65
10	J Group (real estate development activities)	3,528,000	2.50

Note 1: Ranking of top 10 groups (excluding government or state - owned enterprises) whose total credit consists of loans. If the borrower is a member of any of the above groups, the total amount of credits of the entire group must be listed and disclosed by code and line of industry.

Note 2: Groups were those as defined in Articles 6 of the Supplementary Provision to the Taiwan Stock Exchange Corporation's Rules for Review of Securities Listings Law.

Note 3: Total credit is the sum of all loans (including import and export bills negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, and non-performing loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances receivable, and guarantee deposit issued.

d. Liquidity risk management

1) Definition of liquidity risk

Liquidity is the Bank's ability to provide sufficient funding for asset growth and matured liabilities. Liquidity risk means the risk banks cannot obtain sufficient fund with reasonable cost and correct timing, and then suffer losses on earnings or capital.

The measures of enhancing cash liquidity are holding sufficient cash and highly liquid able securities, adjusting maturities differences, savings absorption or arranging borrowings, etc.

a) Strategies

The Bank established a sound liquidity risk managing system based on business' scale and characteristic, assets and liabilities' structure, funding strategies and diversity of funding sources to ensure it would have sufficient funding for obligations in normal or worst scenario.

b) Risk measurement

The Bank uses quantitative analysis to manage liquidity risk. Cash flow deficit and liquidity management goals are used as measure instruments to report monthly the analysis results to the assets and liabilities managing committee.

Stress testing is done to ensure the Bank would have sufficient funding for asset growth and matured liabilities despite any internal operating problems or adverse changes in the financial environment.

c) Risk monitoring

The Bank established a liquidity deficit limit and an early warning system to detect liquidity risk and take appropriate action at the right time.

The Bank has formed a crisis management team to handle any liquidity crisis. The general manager is the team convener, and the managers of the financial obligation department and the risk management department are the team members. The general manager can also assign the managers of related departments to join the team, depending on the situation. Members' rights and responsibilities are listed in "Bank SinoPac's Operational Crisis Response Measures".

2) Maturity analysis of non-derivative financial liabilities held to manage liquidity risk

Cash outflow analyses of non-derivative financial liabilities of the Bank and Bank SinoPac (China) are summarized in the following tables. The amounts are provided on a contract cash flow basis so some of the amounts will not match the amounts in the consolidated balance sheets.

The Bank

March 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 30,187,256	\$ 22,569,901	\$ 20,590,196	\$ 1,340,804	\$ -	\$ 74,688,157
Due to the central bank and banks	19	38	224,746	-	-	224,803
Financial liabilities at fair value through profit or loss	-	2,201,501	-	-	-	2,201,501
Securities sold under repurchase agreements	20,497,903	13,747,693	4,246,652	1,336,528	-	39,828,776
Payables	5,199,843	573,575	171,548	1,575,877	2,056,308	9,577,151
Deposits and remittances	1,146,266,354	223,232,715	166,589,142	213,953,504	26,672,358	1,776,714,073
Bank debentures	63,228	76,804	1,483,428	3,463,281	53,627,424	58,714,165

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 20,417,174	\$ 21,968,226	\$ 23,693,468	\$ 1,892,287	\$ -	\$ 67,971,155
Due to the central bank and banks	17	33	52	205,035	-	205,137
Financial liabilities at fair value through profit or loss	-	-	1,552,780	-	-	1,552,780
Securities sold under repurchase agreements	7,007,206	1,149,222	340,576	1,254,871	-	9,751,875
Payables	9,618,096	551,491	162,803	190,045	2,045,652	12,568,087
Deposits and remittances	1,149,858,340	221,648,785	179,558,818	223,373,681	24,540,743	1,798,980,367
Bank debentures	70,147	118,252	205,367	4,739,867	48,834,266	53,967,899

March 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 16,235,410	\$ 25,344,499	\$ 36,499,086	\$ 5,044,531	\$ -	\$ 83,123,526
Due to the central bank and banks	9	20	28,523	89,875	-	118,427
Financial liabilities at fair value through profit or loss	-	-	-	-	1,600,059	1,600,059
Securities sold under repurchase agreements	7,512,560	2,937,705	1,137,069	2,029,341	-	13,616,675
Payables	4,705,412	662,469	246,112	1,428,932	2,032,852	9,075,777
Deposits and remittances	1,011,479,723	158,558,222	212,644,100	260,679,397	31,447,980	1,674,809,422
Bank debentures	57,182	70,556	5,692,379	365,099	41,932,910	48,118,126
Other financial liabilities - certificate of deposits	-	-	741,946	-	-	741,946

### Bank SinoPac (China)

(In Thousands of CNY)

March 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 219,721	\$ 292,370	\$ 1,299,543	\$ -	\$ -	\$ 1,811,634
Securities sold under repurchase agreements	624,405	-	-	-	-	624,405
Payables	349,781	201,829	402,150	102,824	-	1,056,584
Deposits and remittances	3,255,554	2,235,497	1,295,202	1,778,051	144,553	8,708,857

(In Thousands of CNY)

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 74,167	\$ 624,342	\$ 333,257	\$ 266,172	\$ -	\$ 1,297,938
Securities sold under repurchase agreements	656,082	-	-	-	-	656,082
Payables	329,800	201,830	402,124	116,709	-	1,050,463
Deposits and remittances	4,321,632	1,937,420	1,340,063	2,591,947	161,781	10,352,843

(In Thousands of CNY)

March 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 275,425	\$ 849,518	\$ 905,899	\$ 206,803	\$ 134,506	\$ 2,372,151
Payables	332,105	303,884	164,190	82,002	-	882,181
Deposits and remittances	2,966,929	778,291	1,538,318	767,154	103,340	6,154,032

### 3) Maturity analysis of financial derivatives held for liquidity risk management

#### a) Derivative liabilities settled on a net basis

Derivative liabilities of the Bank and Bank SinoPac (China) settled on a net basis include, but are not limited to:

Foreign exchange derivatives: Non-deliverable foreign exchange forwards, net cash flow settled foreign exchange options, etc.;

Interest rate derivatives: Forward rate agreements, interest rate swaps and interest rate futures contracts;

Other derivatives: Stock options and commodity futures.

The Bank and Bank SinoPac (China) use derivative financial liabilities at fair value through profit or loss mainly to accommodate customers' needs and manage their own exposure positions, and disclosed the derivative financial liabilities at fair value based on the shortest period that payment would be required.

#### The Bank

March 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	\$ 5,948,044	\$ -	\$ -	\$ -	\$ -	\$ 5,948,044

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	\$ 2,899,621	\$ -	\$ -	\$ -	\$ -	\$ 2,899,621

March 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	\$ 3,377,189	\$ -	\$ -	\$ -	\$ -	\$ 3,377,189

#### Bank SinoPac (China)

(In Thousands of CNY)

March 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	\$ 9,646	\$ -	\$ -	\$ -	\$ -	\$ 9,646

(In Thousands of CNY)

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	\$ 6,032	\$ -	\$ -	\$ -	\$ -	\$ 6,032

(In Thousands of CNY)

March 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	\$ 6,506	\$ -	\$ -	\$ -	\$ -	\$ 6,506

#### b) Derivatives settled on a gross basis

Gross settled derivatives of the Bank and Bank SinoPac (China) include:

Foreign exchange derivatives: Foreign exchange forwards, foreign exchange swaps, cross currency swaps and gross settled foreign exchange options.

Among which, foreign exchange forwards, foreign exchange swaps, and cross currency swaps are organized into the corresponding time periods based on the cash flow indicated on the contracts, and therefore the amount disclosed will not correspond to the relevant items in the consolidated balance sheet; the gross settled foreign exchange options, as a position reserved for the purpose of transaction, the Bank and Bank SinoPac (China) are able to adjust the position at any time, and therefore the cash inflow and outflow of such are expressed at their fair values, and they are placed in the most recent time period alongside the derivative liabilities settled on a net basis.

## The Bank

March 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial instruments at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 317,389,820	\$ 326,297,939	\$ 254,751,105	\$ 333,126,076	\$ 44,895,932	\$ 1,276,460,872
Cash outflow	318,022,040	325,604,344	254,566,783	333,194,677	44,772,013	1,276,159,857

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial instruments at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 328,997,031	\$ 283,944,634	\$ 226,427,584	\$ 231,973,283	\$ 44,585,385	\$ 1,115,927,917
Cash outflow	329,010,085	284,255,555	226,677,128	231,904,317	44,568,996	1,116,416,081

March 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial instruments at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 298,450,530	\$ 289,551,904	\$ 213,281,949	\$ 213,076,721	\$ 7,019,286	\$ 1,021,380,390
Cash outflow	298,664,849	289,401,845	213,613,247	213,078,533	7,039,739	1,021,798,213

## Bank SinoPac (China)

(In Thousands of CNY)

March 31, 2022	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Over 5 Years	Total
Financial instruments at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 3,232,955	\$ 11,542,798	\$ 1,476,258	\$ -	\$ -	\$ 16,252,011
Cash outflow	3,247,585	11,601,271	1,468,951	-	-	16,317,807

(In Thousands of CNY)

December 31, 2021	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Over 5 Years	Total
Financial instruments at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 4,243,011	\$ 2,888,126	\$ 6,414,422	\$ 724,568	\$ -	\$ 14,270,127
Cash outflow	4,210,516	2,903,422	6,471,277	718,729	-	14,303,944

(In Thousands of CNY)

March 31, 2021	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Over 5 Years	Total
Financial instruments at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 5,127,893	\$ 4,350,253	\$ 5,282,961	\$ 995,408	\$ -	\$ 15,756,515
Cash outflow	5,188,822	4,400,435	5,317,946	997,761	-	15,904,964

## 4) Maturity analysis of off-balance sheet items

Maturity analysis of off-balance sheet items are summarized in the following tables. Financial guarantee contracts of the Bank and Bank SinoPac (China) that assume full amount are available or require to execute at the earliest time. The amounts are provided on a contract cash flow basis so some of the amounts will not match the amounts in the consolidated balance sheets.

## The Bank

March 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loan commitments	\$ 1,251,487	\$ 2,262,819	\$ 3,658,516	\$ 3,147,608	\$ 34,478,982	\$ 44,799,412
Guarantees	9,775,318	7,643,435	4,195,805	5,016,962	11,074,446	37,705,966
Standby letter of credit	2,486,175	4,174,070	1,070,194	306,748	-	8,037,187

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loan commitments	\$ 207,858	\$ 1,748,687	\$ 4,089,635	\$ 5,445,961	\$ 33,736,120	\$ 45,228,261
Guarantees	12,086,222	9,581,614	3,907,532	3,402,273	10,582,438	39,560,079
Standby letter of credit	2,371,789	3,229,366	1,523,094	184,239	98,435	7,406,923

March 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loan commitments	\$ 83,611	\$ 2,199,619	\$ 2,790,501	\$ 5,077,835	\$ 27,284,911	\$ 37,436,477
Guarantees	7,052,444	9,925,092	3,149,113	5,560,795	9,228,255	34,915,699
Standby letter of credit	1,998,189	2,899,522	1,620,429	150,696	-	6,668,836

### Bank SinoPac (China)

(In Thousands of CNY)

March 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loans commitments	\$ 37,200	\$ -	\$ 124,360	\$ 60,000	\$ 956	\$ 222,516
Guarantee	81,233	133,332	154,288	365,816	112,482	847,151
Standby letter of credit	86,565	99,634	-	-	-	186,199

(In Thousands of CNY)

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loans commitments	\$ 3,380	\$ -	\$ 37,200	\$ 93,766	\$ -	\$ 134,346
Guarantee	3,432	102,693	166,417	463,659	121,502	857,703
Standby letter of credit	28,407	36,204	122,053	-	-	186,664

(In Thousands of CNY)

March 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loans commitments	\$ -	\$ -	\$ 70,938	\$ 3,850	\$ 141,808	\$ 216,596
Guarantee	65,199	76,537	295,666	385,595	190,460	1,013,457
Standby letter of credit	47,222	49,838	58,310	-	-	155,370

### 5) Maturity analysis of lease commitments

Lease agreement commitment is the minimum lease payment when the Group is lessee or lessor with non-cancelling condition.

Maturity analysis of lease commitments is summarized as follows:

March 31, 2022	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement commitments				
Lease liabilities (lessee)	\$ 652,258	\$ 1,586,373	\$ 812,800	\$ 3,051,431
Operating lease income (lessor)	86,157	168,519	-	254,676

December 31, 2021	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement commitments				
Lease liabilities (lessee)	\$ 667,449	\$ 1,495,650	\$ 790,577	\$ 2,953,676
Operating lease income (lessor)	91,135	190,031	-	281,166

March 31, 2021	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement commitments				
Lease liabilities (lessee)	\$ 643,242	\$ 1,318,338	\$ 851,521	\$ 2,813,101
Operating lease income (lessor)	79,753	174,954	8,550	263,257

6) Disclosures prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Maturity analysis of assets and liabilities of the Bank (New Taiwan dollars)

	March 31, 2022						
	Total	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	\$ 1,944,558,647	\$ 167,904,913	\$ 234,015,914	\$ 268,419,516	\$ 150,921,939	\$ 230,619,624	\$ 892,676,741
Main capital outflow on maturity	2,288,754,686	86,262,909	140,651,103	306,577,410	325,580,263	525,144,764	904,538,237
Gap	(344,196,039)	81,642,004	93,364,811	(38,157,894)	(174,658,324)	(294,525,140)	(11,861,496)

	March 31, 2021						
	Total	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	\$ 1,774,363,417	\$ 216,831,302	\$ 259,310,381	\$ 215,412,393	\$ 128,950,581	\$ 161,828,750	\$ 792,030,010
Main capital outflow on maturity	2,101,020,507	70,687,657	113,279,087	259,952,293	312,652,666	458,665,589	885,783,215
Gap	(326,657,090)	146,143,645	146,031,294	(44,539,900)	(183,702,085)	(296,836,839)	(93,753,205)

Note: The amounts shown in this table are the Bank's position denominated in NTD.

b) Maturity analysis of assets and liabilities of the Bank (U.S. dollars)

(In Thousands of U.S. Dollars)

	March 31, 2022					
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 42,771,602	\$ 11,234,199	\$ 8,583,394	\$ 6,256,213	\$ 7,471,771	\$ 9,226,025
Main capital outflow on maturity	43,700,988	11,200,345	11,122,796	6,909,058	8,497,903	5,970,886
Gap	(929,386)	33,854	(2,539,402)	(652,845)	(1,026,132)	3,255,139

(In Thousands of U.S. Dollars)

	March 31, 2021					
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 35,299,719	\$ 9,736,338	\$ 7,019,415	\$ 5,007,873	\$ 5,254,571	\$ 8,281,522
Main capital outflow on maturity	36,438,146	10,350,086	8,229,268	7,028,131	5,562,190	5,268,471
Gap	(1,138,427)	(613,748)	(1,209,853)	(2,020,258)	(307,619)	3,013,051

Note: The amounts shown in this table are the Bank's position denominated in USD.

e. Market risk

1) Definition of market risk

Market risk arises from market changes (such as those referring to interest rates, exchange rates, equity securities and commodity prices) which may cause the fluctuation of a financial instrument's fair value or future cash flow. The Bank's net revenue and investment portfolio value may fluctuate when risk factors above change.

The main market risks that the Bank should overcome pertain to interest rate, exchange rate and equity securities. Interest rate risks primarily refer to bonds and interest rate related derivative instruments such as fixed rate and floating rate interest rate swaps and bond options; the exchange rate risk refers to foreign currency investments the Bank holds such as exchange rate related derivative instruments and foreign currency bonds; equity securities risk includes listed stocks and equity related derivative financial instruments.

## 2) Management strategies and procedures

To follow the “Market Risk Management Rule” and other regulations, the Bank established standards for risk identification, measurement, supervision and reporting to set up appropriate risk management framework for every kind of market risk.

In accordance with the risk management limit approved by the board of directors, the Bank supervises every loss limit and position at risk such as interest rate, exchange rate, equity security, spot trading and forward contract, option, future, swap, and related sensitivity information derived from spot trading to confirm that market risk exposure is accepted to the Bank.

The Bank separates its transactions into hedge and non-hedge on the basis of trading purposes. For hedge transactions, the Bank should measure hedge relations, risk management goals and hedge strategies. The Bank should also perform hedge testing for hedging effectiveness.

## 3) Organization and framework

The board of directors is the top supervision and decision making level of the Bank; it determines every risk management procedure and limit on the basis of its operating strategy and the business environment.

The Bank also set up a risk management department headed by a general manager to establish risk managing principles, regulate risk managing policies, and plan and set up a risk management system.

Following the internal control and segregation of duties principles, the Bank had certain related functions with market risk exposures transformed into three independent departments: Trading, risk control and settlement departments, usually called front office, middle office and back office. Nevertheless, the risk management department remains in charge of market risk control, i.e., it is responsible for identifying, measuring, controlling and reporting market risk.

## 4) Market risk control procedure

### a) Identification and measurement

Risk measurement includes exposures changes in the market of interest rates, exchange rates, and equity securities, which affect spot trading and forward, option, futures, and swap transactions or related combined transactions derived from spot trading. The Bank set up appropriate market risk limits based on commodity category, characteristic and complexity. The limits are the nominal exposure limit, the risk factor sensitivity limit of options as measured by Delta/Vega/DV01 and the loss control limit. These limits are calculated by the risk control department through measurements (such as those of the Black & Scholes Model) provided by financial data and company information providers (e.g. Murex and Bloomberg) based on market prices.



b) Supervision and reporting

The Bank's market risk management department prepares risk management reports such as those on daily market valuations, value at risk and risk limits. If the risk is over the limit, the department should report this situation to the transaction department and appropriate managers in the risk management department. The department should also collect and organize bank market risk exposure information, risk value, risk limit rules, and information on situations in which limits are exceeded, analyze security investments, and submit regularly to the board of directors reports on the collected information and security investment analysis.

5) Trading book risk management policies

a) Definitions

The trading book is an accounting book of the financial instruments and physical commodities held for trading or hedged by the Bank. Held-for-trading position refers to revenues earned from practical or impractical trading differences. Positions that should not be recorded in the trading book are recorded in the banking book.

b) Strategies

The Bank earns revenues from trading spreads or fixed arbitrage debt and equity instruments are held for short periods of time, purchased with the intention of profiting from short-term price changes through properly control short-term fluctuation of market risk factors (interest rate, exchange rate and stock price). It executes hedge transactions as needed.

c) Policies and procedures

The Bank carries out "Market Risk Management Policy" to control market risk.

Under the above policy, traders may autonomously operate and manage positions within the range of authorized limits and the approved trading strategy. The market risk management department supervises trading positions (including limit, liquidity, the ability to establish hedge positions and investment portfolio risk) based on market information and evaluates market information quality, availability, liquidity and scale which are calculated into the pricing model.

d) Assessment policies

The Bank assesses financial instruments once a day on the basis of information obtained from independent sources if market prices are acquirable. If the Bank assesses financial instruments using a pricing model, it should be careful in making mathematical calculations and should review the pricing model's assumptions and parameters regularly.

e) Measurements

- i. The risk valuation and calculation methods are described in Note 44 e, 12).
- ii. The calculation of the nominal exposure amount and the risk factor sensitivity value Delta/Vega/DV01 is done through the trading systems.
- iii. The Bank makes stress tests using a light scenario (change in interest rate  $\pm 100$  bp, change in securities  $\pm 15\%$  and change in exchange rate  $\pm 3\%$ ) and serious scenario (change in interest rate  $\pm 200$  bp, change in securities  $\pm 30\%$  and change in exchange rate  $\pm 6\%$ ) and reports the stress test results to the board of directors.

## 6) Trading book interest rate risk management

### a) Definitions

Interest rate risk refers to a decrease in earnings and value of financial instruments due to adverse interest rate fluctuations. Major instruments with interest rate risk include securities and derivative instruments.

### b) Procedures

The Bank has a trading limit and a stop-loss limit (which should be applied to trading instrument by the dealing room and dealers) based on management strategy and market conditions; limits have been approved by the board of directors.

### c) Measurements

- i. The risk valuation assumptions and calculation methods are described in Note 44 e, 12).
- ii. DV01 is used daily to measure the impact of interest rate changes on investment portfolios.

## 7) Trading book exchange rate risk management

### a) Definitions

Exchange rate risk refers to the incurrence of loss from the exchange of currencies in different timing. The Bank's major financial instruments exposed to exchange rate risk spot contract, forward contracts, and FX option.

### b) Policies and procedures

To control the exchange rate risk, the Bank sets trading limit and stop-loss limit and requires the dealing room, dealers, etc., to observe these limits.

### c) Measurements

- i. The risk valuation assumptions and calculation methods are described in Note 44 e, 12).
- ii. Exposure positions are measured daily for the impact of exchange rate changes on investment portfolio value.

## 8) Trading book equity risk management

### a) Definitions

Market risk of equity securities includes individual risk which arises from volatility of market price on individual equity securities and general market risk which arises from volatility of overall market price.

### b) Procedures

To control equity risk, the Bank sets investment position limits and stop-loss limits. The limits are approved by the board of directors. Within the limit of authority, The Bank sets investment position limits and stop-loss limits for each dealer.

c) Measurements

- i. The risk valuation assumptions and calculation methods are described in Note 44 e, 12).
- ii. Exposure positions are measured daily to measure the impact of equity risk on investment portfolio value due from equity risk.

9) Banking book interest rate risk management

Banking book interest rate risk refers to the decrease in the value of the banking book portfolio due to unfavorable interest rate changes. The banking book interest rate risk is not related to the interest rate position shown in the trading book.

Through managing the banking book interest rate risk, the Bank can measure and manage the risk to earnings and financial position caused by interest rate fluctuations.

a) Strategies

To reduce the negative effect of interest rate changes on net interest revenue and economic value, the Bank adjusts positions within certain limits for better performance. It reviews the interest rate sensitivity regularly to create maximum profit and manage interest rate risk.

b) Risk measurement

Risk measurement refers to the interest rate risk of assets, liabilities, and off-balance-sheet positions. The Bank periodically reports interest rate sensitivity positions and measures the impact of interest rate fluctuations on interest rate-sensitive assets and net interest revenue.

c) Risk monitoring

The asset and liability management committee examines and monitors exposure to interest rate risk on the basis of the measurement provided by the risk management sector.

If the risk exposure condition exceeds the limit or target value, the risk management sector should investigate how this condition arose and notify the executive division accordingly. The executive division coordinates with relevant divisions to find solutions to problems. The asset and liability management committee will evaluate solutions for effectiveness. If evaluation results are positive, the relevant division will apply the solutions.

10) Banking book equity risk management

Banking book equity risk refers to the decrease in the value of the held equity due to unfavorable effects of certain situations. The Bank established control policies related to equity instruments to make the risk within controllable range.

a) Strategies

The Bank has established comprehensive investment decision procedures, risk control measures, principles of disposal, and regular assessment of investment situation in order to raise the benefits of long-term fund management, reach the balance of profit and risk, and pursue the long-term stable investment performance.

b) Risk measurement

The Bank has set up criteria for equity securities to be selected for investment, such as time horizons, investment upper limits and credit ratings to control the risks of equity securities.

c) Risk monitoring

The Bank holding an investment with specific amount of valuation loss should submit the description of the situation and the suggested plan for action, and continue the monitoring of the case.

The Bank regularly assesses the risk of the investment target, checks the extent of the concentration in industries and reports the overview of the investment portfolio to the committee on the management of assets and liabilities.

11) Impact of interest rate benchmark reform

The financial instruments of the Bank affected by interest rate benchmark reform include credit, bonds and derivatives financial assets. The type of interest rate benchmark linked to the financial instruments is mainly the London InterBank Offered Rate (LIBOR). LIBOR is a forward-looking interest rate benchmark that implies market expectations for future interest rate trend, and includes inter-bank credit discounts. The alternative reference rate of LIBOR (such as US Secured Overnight Finance Rate, SOFR) is a retrospective interest rate benchmark with actual transaction data and does not include credit discounts. Therefore, additional adjustments must be made when existing contracts are modified from LIBOR to alternative interest rate indicator to ensure that the interest rate before and after modification is economically equivalent.

The Bank has formulated a LIBOR conversion plan to deal with product business strategy adjustments, information system updates, financial instrument evaluation model adjustments, and related accounting or tax issues required to meet the reform of interest rate benchmark. As of March 31, 2022, the Bank has identified all information systems and internal processes that need to be updated and has finished the updating partially, and is confirming the scope of the impact, including compliance with “ISDA 2020 IBOR FALLBACKS PROTOCOL” which was announced on the ISDA website in January 2021. At present, the projects are implemented on time according to the schedule.

Interest rate benchmark reform mainly exposes the Bank to basic interest rate risk. If the Bank is unable to complete contract modification with the counterparty before the decommissioning of LIBOR, the financial instrument will cause significant uncertainty to the interest rate basis and that will trigger unexpected interest rate risk exposure. In addition, if the financial instrument for hedging purpose and the related financial instrument to be hedged are not converted to alternative interest rate benchmark at the same time, it may lead to the ineffective hedge.

As of March 31, 2022, the financial instruments of the Group that have been affected by interest rate benchmark reform and have not yet been converted to alternative interest rate benchmark are summarized as follows:

Non-derivatives	Book Value	
	Financial Assets	Financial Liabilities
USD LIBOR	\$ 154,511,197	\$ -
EUR LIBOR	-	-
GBP LIBOR	-	-
JPY LIBOR	-	-
CHF LIBOR	-	-
Total	\$ 154,511,197	\$ -

<b>Derivatives</b>	<b>National Amount</b>
USD LIBOR	\$ 58,046,727
EUR LIBOR	-
GBP LIBOR	-
JPY LIBOR	-
CHF LIBOR	-
Total	\$ 58,046,727

## 12) Market risk measurement technique

### Value at Risk (VaR)

The Bank uses the Risk Manager system and stress testing to measure its investment portfolio risk and uses several hypotheses about market conditions to measure market risk and expected maximum loss of holding positions. The Bank's board of directors has set a VaR limit. The VaR is controlled daily by the market risk management sector and is a widely used risk measure of the risk of loss on a specific portfolio of financial assets.

VaR is the statistical estimate of the potential loss of holding positions due to unfavorable market conditions. For the Bank, VaR refers to a fall in value of its holding position in a day, with a 99% confidence level. The Bank uses VaR and the Monte Carlo simulation method to derive quantitative measures for the market risks of the holding positions under normal conditions. The calculated result is used to test and monitor the validity of parameters and hypotheses periodically. However, the use of the VaR cannot prevent loss caused by huge unfavorable changes in market conditions.

The Bank considers the expected maximum loss, target profit, and operating strategy in setting the VaR, which is proposed by the market risk management sector and approved by the board of directors.

The Bank's trading book VaR overview.

	<b>For the Three Months Ended March 31, 2022</b>		
	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>
Exchange rate risk	14,682	28,734	8,748
Interest rate risk	58,202	186,224	30,050
Equity risk	3,938	6,180	1,082
Total VaR	60,718	188,654	33,149

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2022.01.03-2022.03.31.

	<b>For the Three Months Ended March 31, 2021</b>		
	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>
Exchange rate risk	20,659	39,447	14,597
Interest rate risk	39,031	58,153	28,051
Equity risk	4,169	11,218	379
Total VaR	47,103	68,237	36,022

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2021.01.04-2021.03.31.

Bank SinoPac (China)'s trading book VaR overview.

(In Thousands of CNY)

	For the Three Months Ended March 31, 2022		
	Average	Maximum	Minimum
Exchange rate risk	1,529	2,166	1,214
Interest rate risk	191	553	12
Equity risk	-	-	-
Total VaR	447	735	290

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2022.01.01-2022.03.31.

(In Thousands of CNY)

	For the Three Months Ended March 31, 2021		
	Average	Maximum	Minimum
Exchange rate risk	2,805	4,469	2,118
Interest rate risk	336	591	97
Equity risk	-	-	-
Total VaR	471	2,095	225

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2021.01.01-2021.03.31.

### 13) Exchange rate risks

Exchange rate risks of holding net positions in foreign currencies are shown as below:

March 31, 2022			
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 17,777,357	28.62150	\$ 508,814,623
CNY	18,359,268	4.50795	82,762,662
Nonmonetary items			
USD	430,147	28.62150	12,311,452
<u>Financial liabilities</u>			
Monetary items			
USD	21,255,284	28.62150	608,358,111
CNY	17,832,927	4.50795	80,389,943

December 31, 2021			
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 16,603,751	27.68955	\$ 459,750,394
CNY	14,766,776	4.34909	64,222,038
Nonmonetary items			
USD	427,957	27.68955	11,849,937
<u>Financial liabilities</u>			
Monetary items			
USD	20,560,106	27.68955	569,300,083
CNY	13,232,475	4.34909	57,549,225
March 31, 2021			
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 14,580,112	28.53265	\$ 416,009,233
CNY	19,748,718	4.34836	85,874,535
Nonmonetary items			
USD	392,135	28.53265	11,188,651
<u>Financial liabilities</u>			
Monetary items			
USD	18,219,065	28.53265	519,838,205
CNY	18,861,703	4.34836	82,017,475

14) Compliance with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Interest rate sensitivity information (New Taiwan dollars)

March 31, 2022

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 1,195,150,637	\$ 24,286,168	\$ 59,039,695	\$ 108,724,990	\$ 1,387,201,490
Interest rate-sensitive liabilities	309,439,789	817,779,749	78,497,232	65,831,745	1,271,548,515
Interest rate-sensitive gap	885,710,848	(793,493,581)	(19,457,537)	42,893,245	115,652,975
Net worth					146,234,150
Ratio of interest rate-sensitive assets to liabilities (%)					109.10%
Ratio of interest rate-sensitive gap to net worth (%)					79.09%

**March 31, 2021**

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 1,145,067,150	\$ 21,109,033	\$ 74,684,920	\$ 117,419,316	\$ 1,358,280,419
Interest rate-sensitive liabilities	281,892,169	746,833,957	136,446,501	57,288,644	1,222,461,271
Interest rate-sensitive gap	863,174,981	(725,724,924)	(61,761,581)	60,130,672	135,819,148
Net worth					139,745,862
Ratio of interest rate-sensitive assets to liabilities (%)					111.11%
Ratio of interest rate-sensitive gap to net worth (%)					97.19%

Note 1: The above amounts include only New Taiwan dollars held by the Bank and exclude contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are 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).

b) Interest rate sensitivity information (U.S. dollars)

**March 31, 2022**

(In Thousands of U.S. Dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 11,498,502	\$ 710,723	\$ 553,969	\$ 3,056,265	\$ 15,819,459
Interest rate-sensitive liabilities	8,461,299	8,948,423	1,114,261	159,420	18,683,403
Interest rate-sensitive gap	3,037,203	(8,237,700)	(560,292)	2,896,845	(2,863,944)
Net worth					(81,559)
Ratio of interest rate-sensitive assets to liabilities (%)					84.67%
Ratio of interest rate-sensitive gap to net worth (%)					3,511.50%

**March 31, 2021**

(In Thousands of U.S. Dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 9,286,981	\$ 475,036	\$ 161,558	\$ 3,069,778	\$ 12,993,353
Interest rate-sensitive liabilities	5,374,994	9,134,128	1,411,200	77,846	15,998,168
Interest rate-sensitive gap	3,911,987	(8,659,092)	(1,249,642)	2,991,932	(3,004,815)
Net worth					32,393
Ratio of interest rate-sensitive assets to liabilities (%)					81.22%
Ratio of interest rate-sensitive gap to net worth (%)					(9,276.12%)

Note 1: The above amounts include only USD held by the Bank and exclude contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earnings assets and interest-bearing liabilities are affected by interest-rate changes.

Note 3: Interest rate-sensitive 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 USD).



# 15) Transfers of financial assets

The transferred financial assets of the Group that do not qualify for derecognition in the daily operation are mainly securities sold under repurchase agreements. The transaction transfers the contractual rights to receive the cash flows of the financial assets but the Group retains the liabilities to repurchase the transferred financial assets at fixed price in the future period. The Group cannot use, sell, or pledge such transferred financial assets at fair value through other comprehensive income or investments in debt instruments at amortized cost within the validity period of the transaction. However, the Group still bear the interest rate risk and credit risk thus, the Group do not derecognize it. The analysis of financial assets and related liabilities that did not completely meet the derecognizing condition is shown in the following table:

Category of Financial Asset	March 31, 2022				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Financial assets at fair value through other comprehensive income Transactions under repurchase agreements	\$ 17,667,332	\$ 16,520,829	\$ 17,667,332	\$ 16,520,829	\$ 1,146,503
Investments in debt instruments at amortized cost Transactions under repurchase agreements	6,423,121	6,144,573	6,302,739	6,144,573	158,166
Securities purchased under resell agreements Transactions under repurchase agreements	16,286,008	17,125,370	16,286,008	17,125,370	(839,362)

Category of Financial Asset	December 31, 2021				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Financial assets at fair value through other comprehensive income Transactions under repurchase agreements	\$ 2,735,542	\$ 2,650,255	\$ 2,735,542	\$ 2,650,255	\$ 85,287
Securities purchased under resell agreements Transactions under repurchase agreements	6,671,855	7,087,481	6,671,855	7,087,481	(415,626)

Category of Financial Asset	March 31, 2021				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Financial assets at fair value through other comprehensive income Transactions under repurchase agreements	\$ 5,559,367	\$ 5,407,833	\$ 5,559,367	\$ 5,407,833	\$ 151,534
Securities purchased under resell agreements Transactions under repurchase agreements	7,504,617	8,076,073	7,504,617	8,076,073	(571,456)

## 16) Offsetting of financial assets and financial liabilities

The Group did not hold financial instruments covered by Section 42 of the IAS 32 “Financial Instruments: Presentation” endorsed by the Financial Supervisory Commission; thus, it made an offset of financial assets and liabilities and reported the net amount in the balance sheet.

The Group engages in transactions on the following financial assets and liabilities that are not subject to balance sheet offsetting based on IAS 32 but are under master netting arrangements or similar agreements. These agreements allow both the Group and its counterparties to opt for the net settlement of financial assets and financial liabilities. If one party defaults, the other one may choose net settlement.

The netting information of financial assets and financial liabilities is set out below:

### March 31, 2022

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	\$ 20,235,381	\$ -	\$ 20,235,381	\$ 7,369,690	\$ 905,858	\$ 11,959,833
Securities purchased under resell agreements	<u>37,778,868</u>	<u>-</u>	<u>37,778,868</u>	<u>37,772,232</u>	<u>-</u>	<u>6,636</u>
	<u>\$ 58,014,249</u>	<u>\$ -</u>	<u>\$ 58,014,249</u>	<u>\$ 45,141,922</u>	<u>\$ 905,858</u>	<u>\$ 11,966,469</u>

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collaterals Pledged	
Derivative instruments	\$ 19,931,245	\$ -	\$ 19,931,245	\$ 7,369,690	\$ 4,689,179	\$ 7,872,376
Securities sold under repurchase agreements	<u>42,603,732</u>	<u>-</u>	<u>42,603,732</u>	<u>42,423,108</u>	<u>-</u>	<u>180,624</u>
	<u>\$ 62,534,977</u>	<u>\$ -</u>	<u>\$ 62,534,977</u>	<u>\$ 49,792,798</u>	<u>\$ 4,689,179</u>	<u>\$ 8,053,000</u>

Note: Including netting settlement agreements and non-cash financial collaterals.

### December 31, 2021

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	\$ 7,085,044	\$ -	\$ 7,085,044	\$ 3,164,374	\$ 752,824	\$ 3,167,846
Securities purchased under resell agreements	<u>46,121,524</u>	<u>-</u>	<u>46,121,524</u>	<u>46,110,329</u>	<u>-</u>	<u>11,195</u>
	<u>\$ 53,206,568</u>	<u>\$ -</u>	<u>\$ 53,206,568</u>	<u>\$ 49,274,703</u>	<u>\$ 752,824</u>	<u>\$ 3,179,041</u>

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collaterals Pledged	
Derivative instruments	\$ 7,611,392	\$ -	\$ 7,611,392	\$ 3,164,374	\$ 608,415	\$ 3,838,603
Securities sold under repurchase agreements	<u>12,584,215</u>	<u>-</u>	<u>12,584,215</u>	<u>12,575,102</u>	<u>-</u>	<u>9,113</u>
	<u>\$ 20,195,607</u>	<u>\$ -</u>	<u>\$ 20,195,607</u>	<u>\$ 15,739,476</u>	<u>\$ 608,415</u>	<u>\$ 3,847,716</u>

Note: Including netting settlement agreements and non-cash financial collaterals.

#### March 31, 2021

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	\$ 15,068,999	\$ -	\$ 15,068,999	\$ 9,315,712	\$ 2,068,819	\$ 3,684,468
Securities purchased under resell agreements	<u>63,778,418</u>	<u>-</u>	<u>63,778,418</u>	<u>63,764,598</u>	<u>-</u>	<u>13,820</u>
	<u>\$ 78,847,417</u>	<u>\$ -</u>	<u>\$ 78,847,417</u>	<u>\$ 73,080,310</u>	<u>\$ 2,068,819</u>	<u>\$ 3,698,288</u>

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collaterals Pledged	
Derivative instruments	\$ 15,226,174	\$ -	\$ 15,226,174	\$ 9,315,712	\$ 947,452	\$ 4,963,010
Securities sold under repurchase agreements	<u>13,605,676</u>	<u>-</u>	<u>13,605,676</u>	<u>13,581,129</u>	<u>-</u>	<u>24,547</u>
	<u>\$ 28,831,850</u>	<u>\$ -</u>	<u>\$ 28,831,850</u>	<u>\$ 22,896,841</u>	<u>\$ 947,452</u>	<u>\$ 4,987,557</u>

Note: Including netting settlement agreements and non-cash financial collaterals.

## 45. CAPITAL MANAGEMENT

### a. Overview

The Group's capital management goals are as follows:

As a basic target, the Group's eligible capital should be sufficient to meet their operation need, and higher than minimum requirements of the capital adequacy ratio. Eligible capital and legal capital are calculated under the regulations announced by the authority.

The Group should have adequacy capital to bear the risks, measure capital demand according to risk combination and risk characteristics, fulfill the optimization of resource and capital allocation by risk management.

b. Capital management procedure

The Group's capital adequacy ratio should meet the regulations announced by the authority. Also, the Group should maintain capital adequacy ratio by considering the Group's business scale, major operating strategy, risk condition, eligible capital structure, and future capital increase plan, etc. The Group reported to the authority regularly. Overseas subsidiaries' capital management is in accordance with local regulations.

The Group's capital maintenance is in accordance with "Regulations Governing the Capital Adequacy and Capital Category of Banks", etc., and is managed by the Group's risk management and financing divisions.

#### 46. CROSS-SELLING INFORMATION

For the three months ended March 31, 2022 and 2021, the Bank charged SinoPac Securities for \$2,092 and \$2,604, respectively, as marketing and opening accounts.

The Bank paid to SinoPac Securities \$1,402 and \$1,086 for the three months ended March 31, 2022 and 2021 for bonus as part of the cross-selling agreement.

The Bank charged SinoPac Leasing for \$22 and \$87 for the three months ended March 31, 2022 and 2021 for bonus as part of the cross-selling agreement.

The Bank paid to SinoPac Leasing for \$6 and \$7 for the three months ended March 31, 2022 and 2021 for bonus as part of the cross-selling agreement.

The Bank paid to SinoPac Venture Capital \$3 for the three months ended March 31, 2021 for bonus as a part of the cross-selling agreement.

For other transactions between SPH and its subsidiaries, please refer to Note 40 and Table 2.

#### 47. PROFITABILITY

Items		March 31, 2022	March 31, 2021
Return on total assets	Before income tax	0.20%	0.19%
	After income tax	0.17%	0.16%
Return on net worth	Before income tax	3.05%	2.66%
	After income tax	2.57%	2.27%
Profit margin		38.94%	39.27%

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

Note 2: Return on net worth = Income before (after) income tax ÷ Average net worth.

Note 3: Profit margin = Income after income tax ÷ Net revenues.

Note 4: Income before (after) income tax represents income for the three months ended March 31, 2022 and 2021.

#### 48. ADDITIONAL DISCLOSURES

a. Relevant information of material transaction:

No.	Item	Explanation
1	Acquired and disposed of investment at costs or prices of at least NT\$300 million or 10% of the issued capital	None
2	Acquisition of individual real estates at costs of at least NT\$300 million or 10% of the issued capital	None
3	Disposal of individual real estates at prices of at least NT\$300 million or 10% of the issued capital	None
4	Allowance for service fee to related parties amounting to at least NT\$5 million	None
5	Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital	Table 1
6	Trading information - sale of non-performing loans	None
7	Financial asset securitization	None
8	Related parties transaction	Table 2
9	Other significant transactions which may affect the decisions of financial report users	None

b. Information related to subsidiary:

No.	Item	Explanation
1	Financing provided	None (Note)
2	Endorsements/guarantees provided	None (Note)
3	Marketable securities held	None (Note)
4	Acquisition and disposal of marketable securities at costs or prices of at least NT\$300 million or 10% of the issued capital	None (Note)
5	Derivative transactions	None (Note)

Note: Subsidiaries which belong to financial, insurance, securities industries and its main business registration include financing provided, endorsements/guarantees provided, acquisition and disposal of marketable securities do not need to disclose above information.

- c. The related information and proportionate share in investees: Not required for disclosure in quarterly report.
- d. Information on incorporate branches and investment in Mainland China: Table 3.
- e. Information of major shareholders: Due to The Bank is not-listed on the Exchange and OTC Banking, not required for disclosure.

#### 49. OPERATING SEGMENT INFORMATION

Based on chief decision maker's resource allocation and department performance review, the Bank has divided the business segments based on the services and products provided, excluding subsidiary accounted under the equity method.

The accounting standards and policies apply to all the business segments in accordance with IFRS 8 “Operating Segments”. The Bank’s operating segments for the three months ended March 31, 2022 and 2021 are without change. The Bank reports the following:

Domestic branches: Provide services and products through 124 branches and Banking Division of the Head Office.

Financial transaction: Provide investment and bonds transaction services through financial operation units.

Overseas branches: Provide services and products for overseas customers through overseas branches.

Other business segments: Include retail finance (formerly was consumer finance and automobile loan), SinoPac Insurance Brokers - the Bank’s subsidiary and Bank SinoPac (China) Ltd. - the Bank’s subsidiary were not identified to disclose as individual segments.

The Group’s reporting segments revenue and operating result are shown in the following table.

Segment revenues and results

(In Thousands of New Taiwan Dollars)

		For the Three Months Ended March 31, 2022						
		Domestic Branches	Financial Transaction	Overseas Branches	Others	Operating Segments	Non-operating Segments	Total
Income (loss)	Net interest revenue	\$ 3,751,510	\$ (22,419)	\$ 786,684	\$ 650,795	\$ 5,166,570	\$ 271,568	\$ 5,438,138
	Interest income	4,293,714	464	1,016,584	936,981	6,247,743	1,395,946	7,643,689
	Revenue amount segments	1,005,706	10,315	(95,613)	(70,934)	849,474	(849,474)	-
	Interest expenses	(1,547,910)	(33,198)	(134,287)	(215,252)	(1,930,647)	(274,904)	(2,205,551)
	Service fee and commissions income, net	2,756,466	(21,084)	188,834	161,434	3,085,650	(93,850)	2,991,800
	Others	94,198	570,464	149,279	(44,127)	769,814	251,678	1,021,492
	Net revenue	6,602,174	526,961	1,124,797	768,102	9,022,034	429,396	9,451,430
	Reversal of bad debts expense commitment and guarantee liability (provision)	(522,345)	-	(303,641)	(31,238)	(857,224)	83,610	(773,614)
	Operating expenses	(3,229,734)	(97,567)	(381,917)	(572,416)	(4,281,634)	(34,270)	(4,315,904)
	Profit from continuing operations before tax	2,850,095	429,394	439,239	164,448	3,883,176	478,736	4,361,912
	Income tax expense	(441,240)	(66,477)	(68,001)	(32,479)	(608,197)	(72,881)	(681,078)
	Net income	2,408,855	362,917	371,238	131,969	3,274,979	405,855	3,680,834

		For the Three Months Ended March 31, 2021						
		Domestic Branches	Financial Transaction	Overseas Branches	Others	Operating Segments	Non-operating Segments	Total
Income (loss)	Net interest revenue	\$ 3,410,015	\$ (1,890)	\$ 763,764	\$ 581,218	\$ 4,753,107	\$ 89,105	\$ 4,842,212
	Interest income	3,939,895	509	983,551	816,939	5,740,894	1,270,020	7,010,914
	Revenue amount segments	1,018,426	21,660	(75,949)	(64,995)	899,142	(899,142)	-
	Interest expenses	(1,548,306)	(24,059)	(143,838)	(170,726)	(1,886,929)	(281,773)	(2,168,702)
	Service fee and commissions income, net	2,373,895	(2,676)	119,867	163,559	2,654,645	(127,142)	2,527,503
	Others	62,145	288,545	165,124	(41,685)	474,129	275,060	749,189
	Net revenue	5,846,055	283,979	1,048,755	703,092	7,881,881	237,023	8,118,904
	Bad debts expense, commitment and guarantee liability provision	(13,874)	-	(394,791)	(58,096)	(466,761)	(23,113)	(489,874)
	Operating expenses	(2,890,776)	(79,334)	(340,670)	(530,255)	(3,841,035)	(46,472)	(3,887,507)
	Profit from continuing operations before tax	2,941,405	204,645	313,294	114,741	3,574,085	167,438	3,741,523
	Income tax expense	(435,420)	(30,294)	(46,377)	(15,387)	(527,478)	(25,978)	(553,456)
	Net income	2,505,985	174,351	266,917	99,354	3,046,607	141,460	3,188,067

**TABLE 1**

**BANK SINOPAC**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL**  
**MARCH 31, 2022**  
**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Bank SinoPac	SinoPac Financial Holdings Company Limited	The parent company of the Bank	\$ 1,055,191 (Note)	-	\$ -	-	\$ -	\$ -

Note: Most of receivables resulted from the use of the linked-tax system (recognized in current income tax assets) and related parties.



**BANK SINOPAC AND SUBSIDIARIES**

**RELATED PARTIES TRANSACTION  
FOR THE THREE MONTHS ENDED MARCH 31, 2022  
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Transaction Company	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statements Account	Transaction Amount	Transaction Item	Percentage of Consolidated Revenue/Assets (%) (Note 3)
0	Bank SinoPac	Bank SinoPac (China) Ltd.	a	Due from the Central Bank and call loans to bank, net	\$ 5,974,233	Note 4	0.27
		Bank SinoPac (China) Ltd.	a	Receivables, net	134,201	Note 4	0.01
		Bank SinoPac (China) Ltd.	a	Interest income	25,960	Note 4	0.27
		SinoPac Insurance Brokers Ltd.	a	Deposits and remittances	67,118	Note 4	-
1	Bank SinoPac (China) Ltd.	Bank SinoPac	b	Deposits from the Central Bank and banks	5,974,233	Note 4	0.27
		Bank SinoPac	b	Payables	134,201	Note 4	0.01
		Bank SinoPac	b	Interest expenses	25,960	Note 4	0.27
2	SinoPac Insurance Brokers Ltd.	Bank SinoPac	b	Cash and cash equivalents, net	8,629	Note 4	-
		Bank SinoPac	b	Other financial assets, net	58,489	Note 4	-

Note 1: Transactions between parent company and subsidiaries should be distinguished as follows:

- a. Parent company: 0.
- b. Subsidiaries are numbered in sequence from 1.

Note 2: Types of transactions with related parties were classified as follows:

- a. Parent company to subsidiaries.
- b. Subsidiaries to parent company.
- c. Subsidiaries to subsidiaries.

Types of transactions with related parties classified as category a, in the trading relationship and material intercompany transactions between parent company and subsidiaries above, are iXBRL reporting items which are based on the Taiwan Stock Exchange letter (Ref. No. 1030005380).

Note 3: In the computation of percentage of consolidated revenue/assets, if the amount is the ending balance of assets or liabilities, the accounts percentage will be the balance dividing the consolidated assets if the amount is the amount of income or expense, the accounts percentage will be the amount dividing by the consolidated revenues in the same period.

Note 4: For the transactions between the Bank and related parties, the terms were similar to those for unrelated parties.

**TABLE 3****BANK SINOPAC AND SUBSIDIARIES**
**INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE THREE MONTHS ENDED MARCH 31, 2022  
(In Thousands of New Taiwan Dollars)**

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2022	Earnings (Losses) of Investee (Notes 2 and 3)	Percentage of Ownership (%)	Equity in the Earnings (Losses) (Notes 2 and 3)	Carrying Value (Notes 2 and 3)	Accumulated Inward Remittance of Earnings
					Outflow	Inflow						
Bank SinoPac (China) Ltd.	Commercial Bank	\$ 9,269,671	Investment in Mainland China directly	\$ 9,269,671	\$ -	\$ -	\$ 9,269,671	\$ 62,334	100	\$ 62,551	\$ 10,046,950	\$ -

Accumulated Investment in Mainland China as of March 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$9,269,671	\$9,269,671	\$85,735,472

Note 1: The accumulated investment amounts in Mainland China as of March 31, 2022 are US\$323,871 thousand and had been authorized by the Investment Commission, MOEA are US\$323,871 thousand.

Note 2: Earnings of investee, equity in the earnings and carrying value for the three months ended March 31, 2022 have been reviewed by independent certified public accountants.

Note 3: Foreign currencies are translated to New Taiwan dollars with current rate of the date of balance sheet, only the gains or losses investments are translated with current period average rate.