

## **Bank SinoPac and Subsidiaries**

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2022 and 2021 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholder  
Bank SinoPac

### **Opinion**

We have audited the accompanying consolidated financial statements of Bank SinoPac and its subsidiaries (collectively referred to as the Group), which comprise the consolidated balance sheets as of June 30, 2022, December 31, 2021 and June 30, 2021, and the related consolidated statements of comprehensive income for the three months ended June 30, 2022 and 2021, six months ended June 30, 2022 and 2021, and changes in equity and cash flows for the six months ended June 30, 2022 and 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2022, December 31, 2021 and June 30, 2021, and its consolidated financial performance for the three months ended June 30, 2022 and 2021, and their consolidated financial performance and cash flows for the six months ended June 30, 2022 and 2021 in conformity 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 authorities, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Group's consolidated financial statements for the six months ended June 30, 2022 are stated as follows:

#### Estimated Impairment of Discounts and Loans

The management assesses, estimates and recognizes impairment of discounts and loans collectively at the higher amount determined according to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans ("the Procedures") endorsed by the Financial Supervisory Commission (FSC) and according to International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"). According to the Procedures, the management estimates impairment of discounts and loans based on the overdue loans classified by loan term and situation of pledged collateral. According to IFRS 9, impairment of discounts and loans is estimated based on assumptions of probability of default and loss given default based on historical experience, current market situation and forward-looking information. Assessment of evidence of probable default and credit impairment, whether the credit risk has increased significantly since the original recognition (including the adoption of forward-looking factors), and the assessment of the methodology and assumptions used for estimating impairment and the estimation of the amount and timing of future cash flows require critical judgments and estimates. The estimated provision for impairment of discounts and loans calculated according to either the Procedures or IFRS 9 has a significant impact on the consolidated financial statements. Therefore, the estimation of impairment of discounts and loans is identified as a key audit matter for the six months ended June 30, 2022.

Refer to Notes 4, 5 and 44 to the accompanying consolidated financial statements for the relevant accounting policies, judgments for estimations, estimation uncertainty and other related disclosures of the estimated impairment of discounts and loans.

Our key audit procedures performed in respect of the above area included the following:

We understood and assessed management's impairment assessment practices, accounting policies and related internal control procedures for discounts and loans and evaluated whether the classification of loan assets complied with the Procedures. In addition, we evaluated whether overdue loans, situation of pledged collateral, and the provision for impairment of discounts and loans complied with the related regulation issued by the authorities. We also evaluated whether the methodology, assumptions and inputs used in the impairment assessment conform to the IFRS 9 impairment model and appropriately reflected the actual outcome. We tested samples of discounts and loans to verify their rationality.

#### **Other Matter**

We have also audited the parent company only financial statements of Bank SinoPac as of and for the six months ended June 30, 2022 and 2021 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, the guidelines issued by the authorities, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

August 12, 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 audit such consolidated financial statements are those generally applied in the Republic of China.*

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

## BANK SINOPAC AND SUBSIDIARIES

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

| ASSETS  | June 30, 2022           |            | December 31, 2021       |            | June 30, 2021           |            |
|---|-------------------------|------------|-------------------------|------------|-------------------------|------------|
|   | Amount                  | %          | Amount                  | %          | Amount                  | %          |
| CASH AND CASH EQUIVALENTS, NET (Notes 4 and 6)  | \$ 44,543,930           | 2          | \$ 45,487,854           | 2          | \$ 23,630,432           | 1          |
| DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS, NET (Notes 7, 40 and 41)               | 168,768,203             | 8          | 217,618,752             | 10         | 153,505,453             | 7          |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 40)                 | 57,814,031              | 3          | 45,048,153              | 2          | 52,596,972              | 3          |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 40 and 41) | 319,626,647             | 15         | 380,769,066             | 18         | 358,008,786             | 17         |
| INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10 and 41)                    | 198,175,906             | 9          | 167,247,985             | 8          | 156,322,511             | 8          |
| SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 11 and 40)                         | 57,317,363              | 3          | 46,121,524              | 2          | 69,285,428              | 3          |
| RECEIVABLES, NET (Notes 4, 12 and 40)   | 52,850,637              | 2          | 58,254,361              | 3          | 49,260,898              | 2          |
| CURRENT INCOME TAX ASSETS (Notes 4, 29 and 40)  | 1,187,867               | -          | 1,104,414               | -          | 1,325,708               | -          |
| DISCOUNTS AND LOANS, NET (Notes 4, 5, 13, 40 and 41)                                      | 1,238,532,586           | 57         | 1,184,692,221           | 55         | 1,197,139,650           | 58         |
| OTHER FINANCIAL ASSETS, NET (Notes 14, 40 and 41)   | 4,392,000               | -          | 3,942,295               | -          | 4,995,601               | -          |
| PROPERTY AND EQUIPMENT, NET (Notes 4, 15, 17 and 40)                                      | 9,850,591               | -          | 9,848,477               | -          | 9,708,270               | 1          |
| RIGHT-OF-USE ASSETS, NET (Notes 4, 16 and 40)   | 2,812,689               | -          | 2,680,065               | -          | 2,515,338               | -          |
| INVESTMENT PROPERTY, NET (Notes 4 and 17)   | 1,043,878               | -          | 1,051,692               | -          | 1,063,560               | -          |
| INTANGIBLE ASSETS, NET (Notes 4, 18 and 40)   | 1,655,438               | -          | 1,623,772               | -          | 1,599,829               | -          |
| DEFERRED INCOME TAX ASSETS (Notes 4 and 29)   | 1,466,374               | -          | 1,414,843               | -          | 1,321,568               | -          |
| OTHER ASSETS, NET (Notes 19 and 40)   | <u>10,195,595</u>       | <u>1</u>   | <u>2,590,709</u>        | <u>-</u>   | <u>2,491,994</u>        | <u>-</u>   |
| TOTAL   | <u>\$ 2,170,233,735</u> | <u>100</u> | <u>\$ 2,169,496,183</u> | <u>100</u> | <u>\$ 2,084,771,998</u> | <u>100</u> |
| <b>LIABILITIES AND EQUITY</b>   |                         |            |                         |            |                         |            |
| DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 20 and 40)                                | \$ 84,404,884           | 4          | \$ 70,265,085           | 3          | \$ 79,776,008           | 4          |
| DUE TO THE CENTRAL BANK AND BANKS   | -                       | -          | 205,030                 | -          | 130,290                 | -          |
| FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 40)            | 29,656,909              | 2          | 9,244,086               | -          | 13,524,601              | 1          |
| SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 9, 10, 11 and 21)                   | 43,809,237              | 2          | 12,584,215              | 1          | 12,598,303              | 1          |
| PAYABLES (Notes 4, 22, 27, 36 and 40)   | 24,376,121              | 1          | 21,360,706              | 1          | 20,327,056              | 1          |
| CURRENT INCOME TAX LIABILITIES (Notes 4, 29 and 40)                                       | 1,239,349               | -          | 889,901                 | -          | 771,917                 | -          |
| DEPOSITS AND REMITTANCES (Notes 23 and 40)  | 1,764,279,049           | 81         | 1,840,387,303           | 85         | 1,747,678,209           | 84         |
| BANK DEBENTURES (Notes 24 and 40)   | 57,548,630              | 3          | 50,548,494              | 2          | 48,568,256              | 2          |
| OTHER FINANCIAL LIABILITIES (Note 25)   | 23,853,442              | 1          | 12,042,527              | 1          | 12,111,129              | -          |
| PROVISIONS (Notes 4, 26 and 27)   | 2,913,667               | -          | 3,044,316               | -          | 3,157,660               | -          |
| LEASE LIABILITIES (Notes 4, 16 and 40)  | 2,854,202               | -          | 2,697,037               | -          | 2,507,660               | -          |
| DEFERRED INCOME TAX LIABILITIES (Notes 4 and 29)  | 1,008,114               | -          | 807,276                 | -          | 773,316                 | -          |
| OTHER LIABILITIES (Notes 28 and 40)   | <u>2,041,547</u>        | <u>-</u>   | <u>2,291,543</u>        | <u>-</u>   | <u>3,811,007</u>        | <u>-</u>   |
| Total liabilities   | <u>2,037,985,151</u>    | <u>94</u>  | <u>2,026,367,519</u>    | <u>93</u>  | <u>1,945,735,412</u>    | <u>93</u>  |
| <b>EQUITY</b>   |                         |            |                         |            |                         |            |
| Capital stock   |                         |            |                         |            |                         |            |
| Common stock  | 86,889,193              | 4          | 86,889,193              | 4          | 86,061,159              | 4          |
| Reserve for capitalization  | <u>3,436,648</u>        | <u>-</u>   | <u>-</u>                | <u>-</u>   | <u>828,034</u>          | <u>-</u>   |
| Total capital stock   | <u>90,325,841</u>       | <u>4</u>   | <u>86,889,193</u>       | <u>4</u>   | <u>86,889,193</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               | 1          | 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>1</u>   | <u>12,147,640</u>       | <u>1</u>   | <u>12,147,640</u>       | <u>1</u>   |
| Retained earnings   |                         |            |                         |            |                         |            |
| Legal reserve   | 33,468,449              | 2          | 29,790,449              | 1          | 29,790,449              | 2          |
| Special reserve   | 357,169                 | -          | 361,146                 | -          | 361,146                 | -          |
| Unappropriated earnings   | <u>7,906,143</u>        | <u>-</u>   | <u>12,259,998</u>       | <u>1</u>   | <u>6,191,775</u>        | <u>-</u>   |
| Total retained earnings   | <u>41,731,761</u>       | <u>2</u>   | <u>42,411,593</u>       | <u>2</u>   | <u>36,343,370</u>       | <u>2</u>   |
| Other equity  | <u>(11,956,658)</u>     | <u>(1)</u> | <u>1,680,238</u>        | <u>-</u>   | <u>3,656,383</u>        | <u>-</u>   |
| Total equity  | <u>132,248,584</u>      | <u>6</u>   | <u>143,128,664</u>      | <u>7</u>   | <u>139,036,586</u>      | <u>7</u>   |
| TOTAL   | <u>\$ 2,170,233,735</u> | <u>100</u> | <u>\$ 2,169,496,183</u> | <u>100</u> | <u>\$ 2,084,771,998</u> | <u>100</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)

|   | For the Three Months Ended June 30 |      |              |      | For the Six Months Ended June 30 |      |               |      |
|---|------------------------------------|------|--------------|------|----------------------------------|------|---------------|------|
|   | 2022                               |      | 2021         |      | 2022                             |      | 2021          |      |
|   | Amount                             | %    | Amount       | %    | Amount                           | %    | Amount        | %    |
| INTEREST INCOME   | \$ 9,288,426                       | 101  | \$ 7,209,852 | 99   | \$ 16,932,115                    | 91   | \$ 14,220,766 | 92   |
| INTEREST EXPENSES   | (3,060,612)                        | (33) | (2,121,023)  | (29) | (5,266,163)                      | (28) | (4,289,725)   | (28) |
| NET INTEREST REVENUE<br>(Notes 4, 31 and 40)  | 6,227,814                          | 68   | 5,088,829    | 70   | 11,665,952                       | 63   | 9,931,041     | 64   |
| NET REVENUES OTHER<br>THAN INTEREST (Note 4)  |                                    |      |              |      |                                  |      |               |      |
| Service fee income, net<br>(Notes 32 and 40)  | 1,812,823                          | 20   | 1,629,993    | 22   | 4,804,623                        | 26   | 4,157,496     | 27   |
| Gains (losses) on financial<br>assets and liabilities at fair<br>value through profit or loss,<br>net (Notes 33 and 40) | 350,582                            | 4    | 37,747       | -    | 802,822                          | 4    | 301,092       | 2    |
| Realized gains (losses) on<br>financial assets at fair value<br>through other comprehensive<br>income (Notes 34 and 40) | 386,136                            | 4    | 285,847      | 4    | 517,672                          | 3    | 574,248       | 4    |
| (Losses) gains arising from<br>derecognition of financial<br>assets measured at amortized<br>cost                       | (123,793)                          | (1)  | 14,204       | -    | (115,502)                        | (1)  | 13,534        | -    |
| Foreign exchange gains  | 453,697                            | 5    | 184,510      | 3    | 830,085                          | 5    | 360,883       | 2    |
| Reversal of impairment loss on<br>assets (Note 14)  | 55,921                             | -    | 39,568       | 1    | 71,941                           | -    | 27,110        | -    |
| Net other revenue other than<br>interest income (Notes 35<br>and 40)  | 42,760                             | -    | 32,818       | -    | 79,777                           | -    | 67,016        | 1    |
| Net revenues other than<br>interest   | 2,978,126                          | 32   | 2,224,687    | 30   | 6,991,418                        | 37   | 5,501,379     | 36   |
| NET REVENUE   | 9,205,940                          | 100  | 7,313,516    | 100  | 18,657,370                       | 100  | 15,432,420    | 100  |
| BAD DEBTS EXPENSE,<br>COMMITMENT AND<br>GUARANTEE LIABILITY<br>PROVISION (Notes 4, 5, 6, 7,<br>12, 13, 14 and 26)       | (499,206)                          | (5)  | (423,421)    | (6)  | (1,272,820)                      | (7)  | (913,295)     | (6)  |
| OPERATING EXPENSES  |                                    |      |              |      |                                  |      |               |      |
| Employee benefits expenses<br>(Notes 4, 27, 36 and 40)  | (2,701,630)                        | (29) | (2,389,954)  | (33) | (5,505,582)                      | (30) | (4,916,667)   | (32) |
| Depreciation and amortization<br>expense (Notes 4, 16, 37<br>and 40)  | (401,103)                          | (5)  | (376,091)    | (5)  | (789,070)                        | (4)  | (748,168)     | (5)  |
| Other general and<br>administrative expenses<br>(Notes 38 and 40)   | (1,171,754)                        | (13) | (1,031,548)  | (14) | (2,295,739)                      | (12) | (2,020,265)   | (13) |
| Total operating expenses  | (4,274,487)                        | (47) | (3,797,593)  | (52) | (8,590,391)                      | (46) | (7,685,100)   | (50) |
| PROFIT FROM CONTINUING<br>OPERATIONS BEFORE TAX   | 4,432,247                          | 48   | 3,092,502    | 42   | 8,794,159                        | 47   | 6,834,025     | 44   |
| INCOME TAX EXPENSE<br>(Notes 4 and 29)  | (612,843)                          | (7)  | (376,049)    | (5)  | (1,293,921)                      | (7)  | (929,505)     | (6)  |
| NET INCOME  | 3,819,404                          | 41   | 2,716,453    | 37   | 7,500,238                        | 40   | 5,904,520     | 38   |

(Continued)

# BANK SINOPAC AND SUBSIDIARIES

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

|   | For the Three Months Ended June 30 |             |                     |           | For the Six Months Ended June 30 |             |                     |           |
|---|------------------------------------|-------------|---------------------|-----------|----------------------------------|-------------|---------------------|-----------|
|   | 2022                               |             | 2021                |           | 2022                             |             | 2021                |           |
|   | Amount                             | %           | Amount              | %         | Amount                           | %           | Amount              | %         |
| OTHER COMPREHENSIVE INCOME (Note 4)   |                                    |             |                     |           |                                  |             |                     |           |
| Items that will not be reclassified to profit or loss:  |                                    |             |                     |           |                                  |             |                     |           |
| Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income (Note 30) | \$ (3,114,140)                     | (34)        | \$ 159,633          | 2         | \$ (2,482,836)                   | (13)        | \$ 1,273,448        | 8         |
| Change in fair value of financial liability attributable to change in credit risk of liability (Note 30)                            | 21,955                             | -           | (3,398)             | -         | 33,456                           | -           | (347)               | -         |
| Items that will not be reclassified to profit or loss   | (3,092,185)                        | (34)        | 156,235             | 2         | (2,449,380)                      | (13)        | 1,273,101           | 8         |
| Items that will be reclassified to profit or loss:  |                                    |             |                     |           |                                  |             |                     |           |
| Exchange differences on translation of foreign operations (Note 30)   | (146,626)                          | (1)         | (74,821)            | (1)       | 209,293                          | 1           | (151,180)           | (1)       |
| (Losses) gains from investments in debt instruments measured at fair value through other comprehensive income (Note 30)             | (6,106,343)                        | (66)        | 974,803             | 14        | (10,987,981)                     | (59)        | (1,798,170)         | (11)      |
| Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 29 and 30)        | 31,208                             | -           | 9,262               | -         | (2,923)                          | -           | 42,044              | -         |
| Items that will be reclassified to profit or loss   | (6,221,761)                        | (67)        | 909,244             | 13        | (10,781,611)                     | (58)        | (1,907,306)         | (12)      |
| Other comprehensive income  | (9,313,946)                        | (101)       | 1,065,479           | 15        | (13,230,991)                     | (71)        | (634,205)           | (4)       |
| TOTAL COMPREHENSIVE INCOME  | <u>\$ (5,494,542)</u>              | <u>(60)</u> | <u>\$ 3,781,932</u> | <u>52</u> | <u>\$ (5,730,753)</u>            | <u>(31)</u> | <u>\$ 5,270,315</u> | <u>34</u> |
| EARNINGS PER SHARE (Note 39)  |                                    |             |                     |           |                                  |             |                     |           |
| Basic   | <u>\$0.44</u>                      |             | <u>\$0.31</u>       |           | <u>\$0.86</u>                    |             | <u>\$0.68</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)**

|   |                         |                               |                      |                              |                             |                   |                            |                      | Other Equity (Notes 4, 9 and 30)                                      |  |  |                        |                       |
|---|-------------------------|-------------------------------|----------------------|------------------------------|-----------------------------|-------------------|----------------------------|----------------------|---|--|--|------------------------|-----------------------|
|   | Capital Stock (Note 30) |                               |                      | Capital Surplus<br>(Note 30) | Retained Earnings (Note 30) |                   |                            |                      | Exchange<br>Differences on<br>Translation of<br>Foreign<br>Operations | Unrealized Gains<br>(Losses) on<br>Financial Assets<br>at Fair Value<br>through Other<br>Comprehensive<br>Income | Change in Fair<br>Value of<br>Financial<br>Liability<br>Attributable to<br>Change in Credit<br>Risk of Liability | Total                  | Total Equity          |
|   | Common Stock            | Reserve for<br>Capitalization | Total                |                              | Legal Reserve               | Special Reserve   | Unappropriated<br>Earnings | Total                |   |  |  |                        |                       |
| BALANCE AT JANUARY 1, 2021  | \$ 86,061,159           | \$ -                          | \$ 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        |
| Appropriation and distribution of retained earnings generated in 2020                                     |                         |                               |                      |                              |                             |                   |                            |                      |   |  |  |                        |                       |
| Legal reserve   | -                       | -                             | -                    | -                            | 2,878,169                   | -                 | (2,878,169)                | -                    | -   | -  | -  | -                      | -                     |
| Reversal of special reserve   | -                       | -                             | -                    | -                            | -                           | (12,307)          | 12,307                     | -                    | -   | -  | -  | -                      | -                     |
| Cash dividends - common stock   | -                       | -                             | -                    | -                            | -                           | -                 | (5,900,001)                | (5,900,001)          | -   | -  | -  | -                      | (5,900,001)           |
| Stock dividends - common stock  | -                       | 828,034                       | 828,034              | -                            | -                           | -                 | (828,034)                  | (828,034)            | -   | -  | -  | -                      | -                     |
| Net income for the six months ended June 30, 2021   | -                       | -                             | -                    | -                            | -                           | -                 | 5,904,520                  | 5,904,520            | -   | -  | -  | -                      | 5,904,520             |
| Other comprehensive income for the six months ended June 30, 2021, net of income tax                      | -                       | -                             | -                    | -                            | -                           | -                 | -                          | -                    | (120,944)   | (512,914)  | (347)  | (634,205)              | (634,205)             |
| Total comprehensive income for the six months ended June 30, 2021   | -                       | -                             | -                    | -                            | -                           | -                 | 5,904,520                  | 5,904,520            | (120,944)   | (512,914)  | (347)  | (634,205)              | 5,270,315             |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | -                       | -                             | -                    | -                            | -                           | -                 | 287,255                    | 287,255              | -   | (287,255)  | -  | (287,255)              | -                     |
| BALANCE AT JUNE 30, 2021  | <u>\$ 86,061,159</u>    | <u>\$ 828,034</u>             | <u>\$ 86,889,193</u> | <u>\$ 12,147,640</u>         | <u>\$ 29,790,449</u>        | <u>\$ 361,146</u> | <u>\$ 6,191,775</u>        | <u>\$ 36,343,370</u> | <u>\$ (703,108)</u>   | <u>\$ 4,442,181</u>  | <u>\$ (82,690)</u>   | <u>\$ 3,656,383</u>    | <u>\$ 139,036,586</u> |
| BALANCE AT JANUARY 1, 2022  | \$ 86,889,193           | \$ -                          | \$ 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        |
| Appropriation and distribution of retained earnings generated in 2021                                     |                         |                               |                      |                              |                             |                   |                            |                      |   |  |  |                        |                       |
| Legal reserve   | -                       | -                             | -                    | -                            | 3,678,000                   | -                 | (3,678,000)                | -                    | -   | -  | -  | -                      | -                     |
| Reversal of special reserve   | -                       | -                             | -                    | -                            | -                           | (3,977)           | 3,977                      | -                    | -   | -  | -  | -                      | -                     |
| Cash dividends - common stock   | -                       | -                             | -                    | -                            | -                           | -                 | (5,149,327)                | (5,149,327)          | -   | -  | -  | -                      | (5,149,327)           |
| Stock dividends - common stock  | -                       | 3,436,648                     | 3,436,648            | -                            | -                           | -                 | (3,436,648)                | (3,436,648)          | -   | -  | -  | -                      | -                     |
| Net income for the six months ended June 30, 2022   | -                       | -                             | -                    | -                            | -                           | -                 | 7,500,238                  | 7,500,238            | -   | -  | -  | -                      | 7,500,238             |
| Other comprehensive income for the six months ended June 30, 2022, net of income tax                      | -                       | -                             | -                    | -                            | -                           | -                 | -                          | -                    | 167,434   | (13,431,881)   | 33,456   | (13,230,991)           | (13,230,991)          |
| Total comprehensive income for the six months ended June 30, 2022   | -                       | -                             | -                    | -                            | -                           | -                 | 7,500,238                  | 7,500,238            | 167,434   | (13,431,881)   | 33,456   | (13,230,991)           | (5,730,753)           |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | -                       | -                             | -                    | -                            | -                           | -                 | 405,905                    | 405,905              | -   | (405,905)  | -  | (405,905)              | -                     |
| BALANCE AT JUNE 30, 2022  | <u>\$ 86,889,193</u>    | <u>\$ 3,436,648</u>           | <u>\$ 90,325,841</u> | <u>\$ 12,147,640</u>         | <u>\$ 33,468,449</u>        | <u>\$ 357,169</u> | <u>\$ 7,906,143</u>        | <u>\$ 41,731,761</u> | <u>\$ (476,441)</u>   | <u>\$ (11,427,791)</u>   | <u>\$ (52,426)</u>   | <u>\$ (11,956,658)</u> | <u>\$ 132,248,584</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)

|  | For the Six Months Ended<br>June 30 |              |
|--|-------------------------------------|--------------|
|  | 2022                                | 2021         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                     |              |
| Profit from continuing operations before tax   | \$ 8,794,159                        | \$ 6,834,025 |
| Adjustments to reconcile profit:   |                                     |              |
| Depreciation expenses  | 668,562                             | 638,893      |
| Amortization expenses  | 120,508                             | 109,275      |
| Provision for bad debt expense   | 1,738,167                           | 1,219,478    |
| Interest expenses  | 5,266,163                           | 4,289,725    |
| Net loss (gain) arising from derecognition of financial assets<br>measured at amortized cost | 115,502                             | (13,534)     |
| Interest income  | (16,932,115)                        | (14,220,766) |
| Dividend income  | (403,798)                           | (189,889)    |
| Net change in provisions for guarantee liabilities   | (56,046)                            | 24,705       |
| Net change in other provisions   | 18,021                              | (20,798)     |
| Losses on disposal and retirement of property and equipment                                  | 2,603                               | 1,867        |
| Reversal of impairment loss on financial assets  | (44,443)                            | (27,110)     |
| Reversal of impairment loss on non-financial assets  | (27,498)                            | -            |
| Net loss (gain) on changing in leasing contract  | 828                                 | (174)        |
| Changes in operating assets and liabilities  |                                     |              |
| Increase in due from the Central Bank and call loans to banks                                | (9,888,121)                         | (3,650,012)  |
| (Increase) decrease in financial assets at fair value through profit or<br>loss              | (12,765,878)                        | 3,556,883    |
| Decrease (increase) in financial assets at fair value through other<br>comprehensive income  | 47,673,497                          | (18,792,086) |
| (Increase) decrease in investments in debt instruments at amortized<br>cost                  | (30,904,182)                        | 6,065,442    |
| (Increase) decrease in securities purchased under resell agreements                          | (144,487)                           | 23,942       |
| Decrease (increase) in receivables   | 5,899,565                           | (1,236,220)  |
| Increase in discounts and loans  | (55,916,348)                        | (57,160,998) |
| (Increase) decrease in other financial assets  | (409,379)                           | 2,896,154    |
| (Increase) decrease in other assets  | (7,574,996)                         | 1,264,711    |
| Increase in deposits from the Central Bank and banks   | 14,139,799                          | 4,261,638    |
| Increase (decrease) in financial liabilities at fair value through profit<br>or loss         | 20,446,279                          | (9,367,564)  |
| Increase in securities sold under repurchase agreements                                      | 31,225,022                          | 8,896,980    |
| Increase in payables   | 2,558,650                           | 2,391,394    |
| (Decrease) increase in deposits and remittances  | (76,108,254)                        | 87,727,142   |
| Increase (decrease) in other financial liabilities   | 11,810,915                          | (4,055,953)  |
| Decrease in provisions for employee benefits   | (105,554)                           | (96,528)     |
| Decrease in other liabilities  | (249,996)                           | (1,900,858)  |
| Cash (used in) generated from operations   | (61,052,855)                        | 19,469,764   |
| Interest received  | 16,619,902                          | 14,355,510   |
| Dividend received  | 176,617                             | 100,465      |

(Continued)

# BANK SINOPAC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

|  | For the Six Months Ended<br>June 30 |                       |
|--|-------------------------------------|-----------------------|
|  | 2022                                | 2021                  |
| Interest paid  | \$ (4,789,273)                      | \$ (4,500,061)        |
| Income tax paid  | <u>(884,372)</u>                    | <u>(597,996)</u>      |
| Net cash (used in) generated from operating activities               | <u>(49,929,981)</u>                 | <u>28,827,682</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                          |                                     |                       |
| Acquisition of property and equipment                                | (380,903)                           | (383,828)             |
| Proceeds from disposal of property and equipment                     | 53                                  | 79                    |
| Acquisition of intangible assets                                     | (67,318)                            | (69,475)              |
| Acquisition of right-of-use assets                                   | (259)                               | (271)                 |
| Acquisition of investment properties                                 | <u>(429)</u>                        | <u>(64)</u>           |
| Net cash used in investing activities                                | <u>(448,856)</u>                    | <u>(453,559)</u>      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                          |                                     |                       |
| (Decrease) increase in due to the Central Bank and banks             | (205,030)                           | 49,910                |
| Bank debentures issued   | 7,000,000                           | 6,020,000             |
| Repayment of bank debentures payable                                 | -                                   | (2,530,000)           |
| Repayments of lease liabilities                                      | (329,789)                           | (382,770)             |
| Cash dividends paid  | <u>(5,149,327)</u>                  | <u>(5,900,001)</u>    |
| Net cash generated from (used in) financing activities               | <u>1,315,854</u>                    | <u>(2,742,861)</u>    |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b> | <u>427,716</u>                      | <u>(227,080)</u>      |
| <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>          | <u>(48,635,267)</u>                 | <u>25,404,182</u>     |
| <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>\$ 197,713,608</u>               | <u>\$ 183,652,193</u> |

(Continued)

## **BANK SINOPAC AND SUBSIDIARIES**

### **CONSOLIDATED STATEMENTS OF CASH FLOWS** **(In Thousands of New Taiwan Dollars)**

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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 June 30, 2022 and 2021:

|  | <b>June 30</b>        |                       |
|--|-----------------------|-----------------------|
|  | <b>2022</b>           | <b>2021</b>           |
| Cash and cash equivalents in consolidated balance sheets   | \$ 44,543,930         | \$ 23,630,432         |
| Due from the Central Bank and call loans to banks reclassified as cash<br>and cash equivalents under the definition of IAS 7 | 96,024,896            | 90,736,333            |
| Securities purchased under resell agreements reclassified as cash and cash<br>equivalents under the definition of IAS 7      | <u>57,144,782</u>     | <u>69,285,428</u>     |
| Cash and cash equivalents at the end of the period   | <u>\$ 197,713,608</u> | <u>\$ 183,652,193</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 SIX MONTHS ENDED JUNE 30, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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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 August 12, 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. The IFRSs endorsed by the FSC for application starting from 2023

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

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

Note 2: The amendments 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 3: 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.

As of the date the consolidated financial statements were authorized for issue, the Group assessed that the application of other standards and interpretations will have no material impact on the Group’s financial position and financial performance.

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

| <b>New IFRSs</b>   | <b>Effective Date<br/>Announced by IASB (Note)</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                                    |

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

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, liabilities 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 |
|--------------|--------------------------------|------------------------------|----------------|-------------------|---------------|--------|
|              |                                |                              | June 30, 2022  | December 31, 2021 | June 30, 2021 |        |
| Bank SinoPac | Bank SinoPac (China) Ltd.      | Commercial bank              | 100            | 100               | 100           |        |
|              | SinoPac Insurance Brokers Ltd. | Insurance brokerage business | 100            | 100               | 100           |        |

## 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.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the 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

|                                   | June 30, 2022        | December 31,<br>2021 | June 30, 2021        |
|-----------------------------------|----------------------|----------------------|----------------------|
| Cash on hand                      | \$ 6,107,592         | \$ 6,383,284         | \$ 6,859,535         |
| Due from other banks              | 37,576,704           | 34,935,306           | 15,790,705           |
| Notes and checks for clearing     | <u>861,787</u>       | <u>4,178,657</u>     | <u>998,432</u>       |
|                                   | 44,546,083           | 45,497,247           | 23,648,672           |
| Less: Allowance for credit losses | <u>(2,153)</u>       | <u>(9,393)</u>       | <u>(18,240)</u>      |
| Net amount                        | <u>\$ 44,543,930</u> | <u>\$ 45,487,854</u> | <u>\$ 23,630,432</u> |

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

|  | June 30, 2022         | December 31,<br>2021  | June 30, 2021         |
|--|-----------------------|-----------------------|-----------------------|
| Call loans to banks                                    | \$ 77,401,630         | \$ 120,027,269        | \$ 54,370,030         |
| Trade finance advance - interbank                      | 9,574,344             | 8,727,495             | 8,514,981             |
| Deposit reserve - checking accounts                    | 28,952,124            | 36,110,430            | 35,137,393            |
| Due from the Central Bank - interbank settlement funds | 6,000,149             | 6,000,477             | 6,000,747             |
| Deposit reserve - demand accounts                      | 39,600,969            | 38,955,034            | 40,119,209            |
| Deposit reserve - foreign currencies                   | 594,580               | 553,791               | 557,400               |
| Deposit - other  | <u>6,658,879</u>      | <u>7,262,753</u>      | <u>8,810,925</u>      |
|  | 168,782,675           | 217,637,249           | 153,510,685           |
| Less: Allowance for credit losses                      | <u>(14,472)</u>       | <u>(18,497)</u>       | <u>(5,232)</u>        |
| Net amount   | <u>\$ 168,768,203</u> | <u>\$ 217,618,752</u> | <u>\$ 153,505,453</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

|   | June 30, 2022        | December 31,<br>2021 | June 30, 2021        |
|---|----------------------|----------------------|----------------------|
| Financial assets mandatorily classified as at fair value through profit or loss |                      |                      |                      |
| Government bonds  | \$ 9,145,414         | \$ 19,499,020        | \$ 24,824,108        |
| Corporate bonds   | 5,817,757            | 1,532,353            | 1,305,350            |
| Commercial paper  | 3,896,598            | 2,698,706            | 1,499,218            |
| Certificates of deposits  | 1,901,177            | 2,782,335            | 1,697,506            |
| Bank debentures   | 472,384              | 814,147              | 288,839              |
| Currency swap contracts   | 21,848,292           | 3,860,432            | 7,252,575            |
| Interest rate swap contracts  | 6,763,717            | 2,394,029            | 2,658,032            |
| Forward contracts   | 947,163              | 421,640              | 359,730              |
| Option contracts  | 750,236              | 341,514              | 389,804              |
| Hybrid FX swap structured instruments   | 380,477              | 300,992              | 238,570              |
| Others  | 641,690              | 441,173              | 344,904              |
|   | <u>52,564,905</u>    | <u>35,086,341</u>    | <u>40,858,636</u>    |
| Financial assets designated at fair value through profit or loss                |                      |                      |                      |
| Corporate bonds   | 5,249,126            | 8,874,520            | 9,533,404            |
| Government bonds  | -                    | 1,087,292            | 2,023,299            |
| Bank debentures   | -                    | -                    | 181,633              |
|   | <u>5,249,126</u>     | <u>9,961,812</u>     | <u>11,738,336</u>    |
|   | <u>\$ 57,814,031</u> | <u>\$ 45,048,153</u> | <u>\$ 52,596,972</u> |
| Held-for-trading financial liabilities  |                      |                      |                      |
| Currency swap contracts   | \$ 19,869,129        | \$ 4,459,470         | \$ 8,511,770         |
| Interest rate swap contracts  | 4,143,279            | 1,611,721            | 1,814,445            |
| Option contracts  | 2,049,717            | 485,890              | 888,746              |
| Forward contracts   | 887,464              | 507,685              | 331,850              |
| Hybrid FX swap structured instruments   | 380,272              | 300,830              | 238,428              |
| Others  | 632,603              | 334,743              | 219,658              |
|   | <u>27,962,464</u>    | <u>7,700,339</u>     | <u>12,004,897</u>    |
| Financial liabilities designated at fair value through profit or loss           |                      |                      |                      |
| Bank debentures   | <u>1,694,445</u>     | <u>1,543,747</u>     | <u>1,519,704</u>     |
|   | <u>1,694,445</u>     | <u>1,543,747</u>     | <u>1,519,704</u>     |
|   | <u>\$ 29,656,909</u> | <u>\$ 9,244,086</u>  | <u>\$ 13,524,601</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:

|   | June 30, 2022      | December 31,<br>2021 | June 30, 2021                                 |
|---|--------------------|----------------------|---|
| Difference between carrying amount and the amount due on maturity |                    |                      |   |
| Fair value  | \$ 1,694,445       | \$ 1,543,747         | \$ 1,519,704                                  |
| Amount due on maturity  | <u>(1,742,170)</u> | <u>(1,552,780)</u>   | <u>(1,562,900)</u>                            |
|   | <u>\$ (47,725)</u> | <u>\$ (9,033)</u>    | <u>\$ (43,196)</u>                            |
|   |                    |                      | <b>Changes in Fair Value</b>                  |
|   |                    |                      | <b>Attributable to Changes in Credit Risk</b> |
| Change in amount during the period                                |                    |                      |   |
| For the three months ended June 30, 2022                          |                    |                      | <u>\$ 21,955</u>                              |
| For the three months ended June 30, 2021                          |                    |                      | <u>\$ (3,398)</u>                             |
| For the six months ended June 30, 2022                            |                    |                      | <u>\$ 33,456</u>                              |
| For the six months ended June 30, 2021                            |                    |                      | <u>\$ (347)</u>                               |
| Accumulated amount of change                                      |                    |                      |   |
| As of June 30, 2022   |                    |                      | <u>\$ (52,426)</u>                            |
| As of December 31, 2021   |                    |                      | <u>\$ (85,882)</u>                            |
| As of June 30, 2021   |                    |                      | <u>\$ (82,690)</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 June 30, 2022, December 31, 2021 and June 30, 2021 were as follows:

|                                       | <b>Contract Amount</b> |                          |                      |
|---------------------------------------|------------------------|--------------------------|----------------------|
|                                       | <b>June 30, 2022</b>   | <b>December 31, 2021</b> | <b>June 30, 2021</b> |
| Currency swap contracts               | \$ 1,755,712,458       | \$ 1,132,763,757         | \$ 968,583,274       |
| Interest rate swap contracts          | 600,660,227            | 639,448,805              | 659,476,517          |
| Forward contracts                     | 148,206,675            | 74,694,290               | 62,854,616           |
| Option contracts                      | 157,088,558            | 30,012,720               | 26,408,050           |
| Hybrid FX swap structured instruments | 6,179,092              | 5,838,295                | 6,516,933            |
| Assets swap contracts                 | 5,064,050              | 1,313,081                | 1,042,360            |
| Cross-currency swap contracts         | 4,092,359              | 6,270,641                | 7,236,449            |
| Equity-linked swap contracts          | 3,457,280              | 2,269,657                | 1,066,641            |
| Futures contracts                     | 1,275,655              | 2,974,507                | 11,625,619           |

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

|   | <b>June 30, 2022</b>  | <b>December 31, 2021</b> | <b>June 30, 2021</b>  |
|---|-----------------------|--------------------------|-----------------------|
| Equity instruments at fair value through other comprehensive income | \$ 19,191,760         | \$ 15,299,410            | \$ 13,372,228         |
| Debt instruments at fair value through other comprehensive income   | <u>300,434,887</u>    | <u>365,469,656</u>       | <u>344,636,558</u>    |
|   | <u>\$ 319,626,647</u> | <u>\$ 380,769,066</u>    | <u>\$ 358,008,786</u> |

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

|   | <b>June 30, 2022</b> | <b>December 31, 2021</b> | <b>June 30, 2021</b> |
|---|----------------------|--------------------------|----------------------|
| Stock   | \$ 15,191,997        | \$ 12,137,078            | \$ 11,746,599        |
| Real estate investment trust beneficiary securities | <u>3,999,763</u>     | <u>3,162,332</u>         | <u>1,625,629</u>     |
|   | <u>\$ 19,191,760</u> | <u>\$ 15,299,410</u>     | <u>\$ 13,372,228</u> |

The Group holds centralized securities exchange market stocks and real estate investment trust beneficiary securities 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 \$2,182,770 and \$1,625,320 and transferred the gain of \$405,905 and \$287,255 from other equity to retained earnings for the six months ended June 30, 2022 and 2021, respectively. The gain was transferred from other equity to retained earnings.

b. Debt instrument at fair value through other comprehensive income

|                          | June 30, 2022         | December 31,<br>2021  | June 30, 2021         |
|--------------------------|-----------------------|-----------------------|-----------------------|
| Bank debentures          | \$ 92,193,801         | \$ 83,514,922         | \$ 81,629,688         |
| Certificates of deposits | 88,507,742            | 123,177,595           | 119,702,027           |
| Corporate bonds          | 38,450,110            | 38,341,354            | 44,340,652            |
| Government bonds         | 32,108,913            | 27,144,246            | 32,421,010            |
| Commercial papers        | 28,139,561            | 76,584,814            | 49,005,053            |
| Asset-based securities   | 15,967,137            | 12,321,296            | 13,044,824            |
| Others                   | <u>5,067,623</u>      | <u>4,385,429</u>      | <u>4,493,304</u>      |
|                          | <u>\$ 300,434,887</u> | <u>\$ 365,469,656</u> | <u>\$ 344,636,558</u> |

- 1) Loss allowance of debt instruments at fair value through other comprehensive income were \$49,004, \$47,558 and \$52,859 on June 30, 2022, December 31, 2021 and June 30, 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 June 30, 2022, December 31, 2021 and June 30, 2021, the par value of debt instruments at FVTOCI under repurchase agreements were \$18,546,722, \$5,633,600 and \$3,888,442, respectively.

# 10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

|                          | June 30, 2022         | December 31,<br>2021  | June 30, 2021         |
|--------------------------|-----------------------|-----------------------|-----------------------|
| Government bonds         | \$ 59,191,752         | \$ 55,754,680         | \$ 56,479,495         |
| Certificates of deposits | 54,368,645            | 48,763,448            | 42,319,350            |
| Bank debentures          | 47,852,419            | 35,908,206            | 28,344,523            |
| Asset-based securities   | 21,910,543            | 12,379,342            | 14,527,785            |
| Corporate bonds          | 13,039,733            | 12,727,316            | 13,199,746            |
| Others                   | <u>1,828,130</u>      | <u>1,728,307</u>      | <u>1,463,010</u>      |
|                          | 198,191,222           | 167,261,299           | 156,333,909           |
| Less: Loss allowance     | <u>(15,316)</u>       | <u>(13,314)</u>       | <u>(11,398)</u>       |
| Net amount               | <u>\$ 198,175,906</u> | <u>\$ 167,247,985</u> | <u>\$ 156,322,511</u> |

- a. Credit risk management and information of impairment valuation of investments in debt instruments at amortized cost are shown in Note 44.
- b. Please refer to Note 41 for information relating to investments in debt instruments at amortized cost pledged as security.
- c. As of June 30, 2022, December 31, 2021 and June 30, 2021, the par value of investments in debt instruments at amortized cost under repurchase agreements were \$409,557 and \$63,000, respectively. (December 31, 2021: None)



## 11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

|                                     | June 30, 2022        | December 31,<br>2021 | June 30, 2021        |
|-------------------------------------|----------------------|----------------------|----------------------|
| Commercial papers                   | \$ 25,565,146        | \$ 35,734,209        | \$ 56,119,550        |
| Government bonds                    | 23,535,893           | 5,801,254            | 5,563,179            |
| Negotiable certificates of deposits | 5,137,301            | 1,010,467            | 1,900,009            |
| Corporate bonds                     | 2,228,309            | 2,529,746            | 2,973,662            |
| Bank debentures                     | <u>850,714</u>       | <u>1,045,848</u>     | <u>2,729,028</u>     |
|                                     | <u>\$ 57,317,363</u> | <u>\$ 46,121,524</u> | <u>\$ 69,285,428</u> |
| Agreed-upon resell amount           | \$ 57,372,684        | \$ 46,139,385        | \$ 69,299,700        |
| Par value                           | \$ 61,530,008        | \$ 47,337,338        | \$ 70,898,607        |
| Expiry                              | October 2022         | May 2022             | September 2021       |

As of June 30, 2022, December 31, 2021 and June 30, 2021, the par value of securities purchased under resell agreements under repurchase agreements were \$28,204,266, \$7,034,258 and \$8,755,247, respectively.

## 12. RECEIVABLES, NET

|   | June 30, 2022        | December 31,<br>2021 | June 30, 2021        |
|---|----------------------|----------------------|----------------------|
| Credit card receivable                      | \$ 18,523,343        | \$ 20,472,061        | \$ 17,010,923        |
| Accounts receivable - factoring             | 15,771,810           | 14,253,265           | 11,741,309           |
| Accounts receivable - forfaiting            | 6,558,474            | 10,030,050           | 10,263,764           |
| Acceptances                                 | 5,302,799            | 5,322,788            | 4,606,869            |
| Interest and revenue receivables            | 4,385,365            | 4,216,929            | 3,737,722            |
| Accounts and notes receivables              | 1,422,436            | 3,065,080            | 1,180,907            |
| Trust administration fee revenue receivable | 775,664              | 694,755              | 742,311              |
| Others                                      | <u>833,250</u>       | <u>965,108</u>       | <u>739,311</u>       |
|   | 53,573,141           | 59,020,036           | 50,023,116           |
| Less: Allowance for credit losses           | (722,503)            | (765,641)            | (762,189)            |
| Less: Premium or discount on receivables    | <u>(1)</u>           | <u>(34)</u>          | <u>(29)</u>          |
| Net amount                                  | <u>\$ 52,850,637</u> | <u>\$ 58,254,361</u> | <u>\$ 49,260,898</u> |

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

|                                 | For the Six Months Ended<br>June 30 |                   |
|---------------------------------|-------------------------------------|-------------------|
|                                 | 2022                                | 2021              |
| Balance, January 1              | \$ 765,641                          | \$ 735,517        |
| Provision                       | 5,309                               | 141,471           |
| Write-off                       | (66,702)                            | (106,712)         |
| Effect of exchange rate changes | <u>18,255</u>                       | <u>(8,087)</u>    |
| Balance, June 30                | <u>\$ 722,503</u>                   | <u>\$ 762,189</u> |

Please refer to Note 44 for the analysis of receivable impairment loss. The Group received payments for loans previously written-off \$79,942 and \$79,805 for the six months ended June 30, 2022 and 2021, respectively, which were recognized as deduction of provision expenses.

### 13. DISCOUNTS AND LOANS, NET

|  | June 30, 2022           | December 31,<br>2021    | June 30, 2021           |
|--|-------------------------|-------------------------|-------------------------|
| Export negotiation                               | \$ 1,087,265            | \$ 848,190              | \$ 1,371,674            |
| Discounts and overdrafts                         | 51,100                  | 59,445                  | 341,091                 |
| Accounts receivable - financing                  | 1,975,738               | 2,636,695               | 2,150,164               |
| Short-term loans                                 | 139,614,373             | 120,308,773             | 134,207,359             |
| Secured short-term loans                         | 94,535,529              | 106,073,662             | 106,115,252             |
| Medium-term loans                                | 245,515,021             | 239,960,546             | 282,653,492             |
| Secured medium-term loans                        | 187,761,842             | 166,326,272             | 152,385,301             |
| Long-term loans                                  | 13,626,969              | 10,487,473              | 9,699,633               |
| Secured long-term loans                          | 570,319,625             | 552,730,175             | 522,398,554             |
| Non-performing loans transferred from loans      | <u>1,227,708</u>        | <u>1,201,033</u>        | <u>1,465,602</u>        |
|  | 1,255,715,170           | 1,200,632,264           | 1,212,788,122           |
| Less: Allowance for credit losses                | (16,856,573)            | (15,547,927)            | (15,233,592)            |
| Less: Premium or discount on discounts and loans | <u>(326,011)</u>        | <u>(392,116)</u>        | <u>(414,880)</u>        |
| Net amount                                       | <u>\$ 1,238,532,586</u> | <u>\$ 1,184,692,221</u> | <u>\$ 1,197,139,650</u> |

- 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:

|                                 | For the Six Months Ended<br>June 30 |                      |
|---------------------------------|-------------------------------------|----------------------|
|                                 | 2022                                | 2021                 |
| Balance, January 1              | \$ 15,547,927                       | \$ 15,001,444        |
| Provision                       | 1,737,843                           | 1,075,010            |
| Write-off                       | (627,005)                           | (769,545)            |
| Effect of exchange rate changes | <u>197,808</u>                      | <u>(73,317)</u>      |
| Balance, June 30                | <u>\$ 16,856,573</u>                | <u>\$ 15,233,592</u> |

The Group received payments for loans previously written-off \$187,870 and \$225,997 for the six months ended June 30, 2022 and 2021, respectively, which were recognized as deduction of provision expenses.

#### 14. OTHER FINANCIAL ASSETS, NET

|   | June 30, 2022       | December 31,<br>2021 | June 30, 2021       |
|---|---------------------|----------------------|---------------------|
| Purchase of the PEM Group's instruments                 | \$ 4,392,833        | \$ 4,091,191         | \$ 4,117,700        |
| Bank deposits not belonging to cash and cash equivalent | 2,220,440           | 1,957,091            | 3,020,626           |
| Others  | 44,812              | 48,700               | 44,745              |
|   | <u>6,658,085</u>    | <u>6,096,982</u>     | <u>7,183,071</u>    |
| Less: Allowance for credit loss                         | (1,492)             | (4,577)              | (1,311)             |
| Less: Accumulated impairment                            | <u>(2,264,593)</u>  | <u>(2,150,110)</u>   | <u>(2,186,159)</u>  |
| Net amount  | <u>\$ 4,392,000</u> | <u>\$ 3,942,295</u>  | <u>\$ 4,995,601</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 June 30, 2022, a reserve of US\$76,175 thousand (NT\$2,264,593) had been set aside to cover the accumulated impairment losses. The Bank recognized reversal of impairment loss of \$43,639 and \$19,735 for PEM Group for the six months ended June 30, 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:

|                                 | For the Six Months Ended<br>June 30 |                 |
|---------------------------------|-------------------------------------|-----------------|
|                                 | 2022                                | 2021            |
| Balance, January 1              | \$ 4,577                            | \$ 1,681        |
| Provision                       | 3,068                               | 4,803           |
| Write-off                       | (6,398)                             | (5,135)         |
| Effect of exchange rate changes | <u>245</u>                          | <u>(38)</u>     |
| Balance, June 30                | <u>\$ 1,492</u>                     | <u>\$ 1,311</u> |

The Group received payments for loans previously written-off \$11,385 and \$4,706 for the six months ended June 30, 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 six months ended June 30, 2022 and 2021 are summarized as follows:

| For the Six Months Ended June 30, 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                               | -                          | 28,267              | 117,970                          | -                        | 52,217            | 19,540                 | 162,909  | 380,903             |
| Deduction                              | -                          | -                   | (22,433)                         | -                        | (24,404)          | (34,994)               | -  | (81,831)            |
| Reclassifications                      | 1,413                      | 50,274              | 90,767                           | -                        | 10,913            | 18,381                 | (245,697)  | (73,949)            |
| Effect of exchange rate changes        | -                          | 7,750               | 13,021                           | 72                       | 2,235             | 5,281                  | 365  | 28,724              |
| Balance, June 30                       | <u>5,590,871</u>           | <u>5,998,324</u>    | <u>2,513,871</u>                 | <u>1,137</u>             | <u>1,589,900</u>  | <u>1,438,349</u>       | <u>296,836</u>   | <u>17,429,288</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                           | 12                         | 76,565              | 156,163                          | -                        | 48,138            | 27,794                 | -  | 308,672             |
| Deduction                              | -                          | -                   | (20,685)                         | -                        | (23,531)          | (34,959)               | -  | (79,175)            |
| Reclassifications                      | -                          | 4,630               | -                                | -                        | -                 | 451                    | -  | 5,081               |
| Effect of exchange rate changes        | -                          | 1,208               | 9,999                            | 72                       | 1,449             | 4,427                  | -  | 17,155              |
| Balance, June 30                       | <u>73</u>                  | <u>3,574,385</u>    | <u>1,581,314</u>                 | <u>1,137</u>             | <u>1,182,290</u>  | <u>1,239,498</u>       | <u>-</u>   | <u>7,578,697</u>    |
| <u>Net amount</u>                      |                            |                     |                                  |                          |                   |                        |  |                     |
| Balance, June 30                       | <u>\$ 5,590,798</u>        | <u>\$ 2,423,939</u> | <u>\$ 932,557</u>                | <u>\$ -</u>              | <u>\$ 407,610</u> | <u>\$ 198,851</u>      | <u>\$ 296,836</u>                                      | <u>\$ 9,850,591</u> |
| For the Six Months Ended June 30, 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                               | -                          | 23,906              | 74,373                           | -                        | 49,702            | 19,539                 | 216,308  | 383,828             |
| Deduction                              | -                          | (63)                | (41,111)                         | -                        | (31,762)          | (82,207)               | -  | (155,143)           |
| Reclassifications                      | (12,778)                   | (12,548)            | 11,666                           | -                        | 681               | -                      | (156,621)  | (169,600)           |
| Effect of exchange rate changes        | -                          | (5,731)             | (5,010)                          | (26)                     | (726)             | (2,791)                | (252)  | (14,536)            |
| Balance, June 30                       | <u>5,585,703</u>           | <u>5,862,343</u>    | <u>2,221,599</u>                 | <u>1,077</u>             | <u>1,507,058</u>  | <u>1,469,844</u>       | <u>275,536</u>   | <u>16,923,160</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                           | 12                         | 72,782              | 141,830                          | -                        | 41,349            | 27,987                 | -  | 283,960             |
| Deduction                              | -                          | -                   | (39,951)                         | -                        | (31,164)          | (82,082)               | -  | (153,197)           |
| Reclassifications                      | -                          | (5,643)             | (2,763)                          | -                        | -                 | -                      | -  | (8,406)             |
| Effect of exchange rate changes        | -                          | (718)               | (4,025)                          | (26)                     | (595)             | (2,243)                | -  | (7,607)             |
| Balance, June 30                       | <u>49</u>                  | <u>3,414,590</u>    | <u>1,360,047</u>                 | <u>1,077</u>             | <u>1,161,016</u>  | <u>1,278,111</u>       | <u>-</u>   | <u>7,214,890</u>    |
| <u>Net amount</u>                      |                            |                     |                                  |                          |                   |                        |  |                     |
| Balance, June 30                       | <u>\$ 5,585,654</u>        | <u>\$ 2,447,753</u> | <u>\$ 861,552</u>                | <u>\$ -</u>              | <u>\$ 346,042</u> | <u>\$ 191,733</u>      | <u>\$ 275,536</u>                                      | <u>\$ 9,708,270</u> |

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

| Items                            | Years         |
|----------------------------------|---------------|
| 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 June 30, 2022, December 31, 2021 and June 30, 2021 were \$1,367, \$1,524 and \$1,791.

## 16. LEASE ARRANGEMENTS

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

|  | June 30, 2022                                 | December 31,<br>2021 | June 30, 2021                               |
|--|---|----------------------|---|
| <u>Carrying amount</u>                         |   |                      |   |
| Land   | \$ 40   | \$ 64                | \$ 426                                      |
| Buildings                                      | 2,645,698                                     | 2,493,587            | 2,320,278                                   |
| Machinery and computer equipment               | 126,799                                       | 142,075              | 158,863                                     |
| Transportation equipment                       | 14,868  | 19,493               | 14,900                                      |
| Other equipment                                | 2,699   | 2,822                | 1,897                                       |
| Decommissioning restoration costs              | <u>22,585</u>                                 | <u>22,024</u>        | <u>18,974</u>                               |
|  | <u>\$ 2,812,689</u>                           | <u>\$ 2,680,065</u>  | <u>\$ 2,515,338</u>                         |
|  | <b>For the Three Months Ended<br/>June 30</b> |                      | <b>For the Six Months Ended<br/>June 30</b> |
|  | <b>2022</b>                                   | <b>2021</b>          | <b>2022</b>                                 |
|  |   |                      | <b>2021</b>                                 |
| Additions to right-of-use assets               | <u>\$ 145,829</u>                             | <u>\$ 156,071</u>    | <u>\$ 467,421</u>                           |
| Depreciation charge for<br>right-of-use assets |   |                      |   |
| Land   | \$ 12   | \$ 347               | \$ 24                                       |
| Buildings                                      | 164,206                                       | 163,025              | 326,950                                     |
| Machinery and computer<br>equipment            | 8,413   | 8,386                | 16,799                                      |
| Transportation equipment                       | 2,993   | 2,701                | 6,059                                       |
| Other equipment                                | 292   | 159                  | 514   |
| Decommissioning restoration<br>costs           | <u>1,913</u>                                  | <u>1,536</u>         | <u>3,718</u>                                |
|  | <u>\$ 177,829</u>                             | <u>\$ 176,154</u>    | <u>\$ 354,064</u>                           |
|  |   |                      | <u>\$ 348,994</u>                           |

### b. Lease liabilities

|                 | June 30, 2022       | December 31,<br>2021 | June 30, 2021       |
|-----------------|---------------------|----------------------|---------------------|
| Carrying amount | <u>\$ 2,854,202</u> | <u>\$ 2,697,037</u>  | <u>\$ 2,507,660</u> |

Range of discount rates for lease liabilities was as follows:

|                                  | June 30, 2022   | December 31,<br>2021 | June 30, 2021   |
|----------------------------------|-----------------|----------------------|-----------------|
| 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%-2.3588% | 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

|   | For the Three Months Ended<br>June 30 |              | For the Six Months Ended<br>June 30 |              |
|---|---------------------------------------|--------------|-------------------------------------|--------------|
|   | 2022                                  | 2021         | 2022                                | 2021         |
| Expenses relating to short-term leases  | \$ 5,548                              | \$ 3,750     | \$ 9,631                            | \$ 7,317     |
| Expenses relating to low-value asset leases   | \$ 10,065                             | \$ 9,637     | \$ 20,135                           | \$ 19,685    |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | \$ 1,094                              | \$ 2,426     | \$ 2,126                            | \$ 5,415     |
| Total cash outflow for leases   | \$ (193,291)                          | \$ (220,363) | \$ (394,301)                        | \$ (423,674) |

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:

|                    | For the Six Months Ended June 30, 2022 |                |                  |
|--------------------|--|----------------|------------------|
|                    | Land                                   | Buildings      | Total            |
| <u>Cost</u>        |  |                |                  |
| Balance, January 1 | \$ 785,118                             | \$ 603,570     | \$ 1,388,688     |
| Addition           | -                                      | 429            | 429              |
| Deduction          | -                                      | -              | -                |
| Reclassifications  | (1,413)                                | (5,634)        | (7,047)          |
| Balance, June 30   | <u>783,705</u>                         | <u>598,365</u> | <u>1,382,070</u> |

(Continued)

|                                 | <b>For the Six Months Ended June 30, 2022</b> |                   |                                    |
|---------------------------------|---|-------------------|------------------------------------|
|                                 | <b>Land</b>                                   | <b>Buildings</b>  | <b>Total</b>                       |
| <u>Accumulated depreciation</u> |   |                   |                                    |
| Balance, January 1              | \$ -  | \$ 336,996        | \$ 336,996                         |
| Depreciation                    | -   | 5,826             | 5,826                              |
| Deduction                       | -   | -                 | -                                  |
| Reclassifications               | -   | (4,630)           | (4,630)                            |
| Balance, June 30                | <u>-</u>                                      | <u>338,192</u>    | <u>338,192</u>                     |
| <u>Net amount</u>               |   |                   |                                    |
| Balance, June 30                | <u>\$ 783,705</u>                             | <u>\$ 260,173</u> | <u>\$ 1,043,878</u><br>(Concluded) |

|                                 | <b>For the Six Months Ended June 30, 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                        | -   | 64                | 64                  |
| Deduction                       | -   | -                 | -                   |
| Reclassifications               | <u>12,778</u>                                 | <u>15,146</u>     | <u>27,924</u>       |
| Balance, June 30                | <u>788,873</u>                                | <u>607,837</u>    | <u>1,396,710</u>    |
| <u>Accumulated depreciation</u> |   |                   |                     |
| Balance, January 1              | -   | 321,568           | 321,568             |
| Depreciation                    | -   | 5,939             | 5,939               |
| Deduction                       | -   | -                 | -                   |
| Reclassifications               | <u>-</u>                                      | <u>5,643</u>      | <u>5,643</u>        |
| Balance, June 30                | <u>-</u>                                      | <u>333,150</u>    | <u>333,150</u>      |
| <u>Net amount</u>               |   |                   |                     |
| Balance, June 30                | <u>\$ 788,873</u>                             | <u>\$ 274,687</u> | <u>\$ 1,063,560</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 June 30, 2022, December 31, 2021 and June 30, 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

|                   | June 30, 2022       | December 31,<br>2021 | June 30, 2021       |
|-------------------|---------------------|----------------------|---------------------|
| Goodwill          | \$ 876,717          | \$ 876,717           | \$ 876,717          |
| Computer software | 771,813             | 740,162              | 716,144             |
| Others            | <u>6,908</u>        | <u>6,893</u>         | <u>6,968</u>        |
|                   | <u>\$ 1,655,438</u> | <u>\$ 1,623,772</u>  | <u>\$ 1,599,829</u> |

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

|                                  | Goodwill          | Computer<br>Software | Others          | Total               |
|----------------------------------|-------------------|----------------------|-----------------|---------------------|
| <u>2022</u>                      |                   |                      |                 |                     |
| Balance, January 1               | \$ 876,717        | \$ 740,162           | \$ 6,893        | \$ 1,623,772        |
| Addition                         | -                 | 67,318               | -               | 67,318              |
| Amortization                     | -                 | (120,378)            | (130)           | (120,508)           |
| Reclassifications                | -                 | 81,885               | -               | 81,885              |
| Effects of exchange rate changes | <u>-</u>          | <u>2,826</u>         | <u>145</u>      | <u>2,971</u>        |
| Balance, June 30                 | <u>\$ 876,717</u> | <u>\$ 771,813</u>    | <u>\$ 6,908</u> | <u>\$ 1,655,438</u> |
| <u>2021</u>                      |                   |                      |                 |                     |
| Balance, January 1               | \$ 876,717        | \$ 618,617           | \$ 7,204        | \$ 1,502,538        |
| Addition                         | -                 | 69,475               | -               | 69,475              |
| Amortization                     | -                 | (109,147)            | (128)           | (109,275)           |
| Reclassifications                | -                 | 138,913              | -               | 138,913             |
| Effects of exchange rate changes | <u>-</u>          | <u>(1,714)</u>       | <u>(108)</u>    | <u>(1,822)</u>      |
| Balance, June 30                 | <u>\$ 876,717</u> | <u>\$ 716,144</u>    | <u>\$ 6,968</u> | <u>\$ 1,599,829</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 June 30, 2022, December 31, 2021 and June 30, 2021. The impairment tests on goodwill were conducted on October 31, 2021 and 2020. The actual net income for the six months ended June 30, 2022, for the year ended December 31, 2021 and for the six months ended June 30, 2021 amounted to \$53,538, \$94,018 and \$81,819, 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 June 30, 2022 and 2021.

## 19. OTHER ASSETS, NET

|   | June 30, 2022        | December 31,<br>2021 | June 30, 2021       |
|---|----------------------|----------------------|---------------------|
| Guarantee deposits                              | \$ 9,742,920         | \$ 2,114,121         | \$ 2,048,027        |
| Prepayment                                      | 258,309              | 200,064              | 237,556             |
| Temporary payment and suspense accounts         | 151,062              | 229,628              | 163,514             |
| Others  | <u>51,239</u>        | <u>54,903</u>        | <u>50,995</u>       |
|   | 10,203,530           | 2,598,716            | 2,500,092           |
| Less: Allowance for inventory write-down - gold | -                    | (72)                 | (163)               |
| Less: Accumulated impairment                    | <u>(7,935)</u>       | <u>(7,935)</u>       | <u>(7,935)</u>      |
| Net amount                                      | <u>\$ 10,195,595</u> | <u>\$ 2,590,709</u>  | <u>\$ 2,491,994</u> |

## 20. DEPOSITS FROM THE CENTRAL BANK AND BANKS

|                               | June 30, 2022        | December 31,<br>2021 | June 30, 2021        |
|-------------------------------|----------------------|----------------------|----------------------|
| Call loans from banks         | \$ 72,314,713        | \$ 58,564,837        | \$ 69,625,432        |
| Redeposits from Chunghwa Post | 10,071,000           | 10,076,600           | 10,090,000           |
| Call loans from Central Bank  | 1,486,450            | 1,384,478            | -                    |
| Due to banks                  | <u>532,721</u>       | <u>239,170</u>       | <u>60,576</u>        |
|                               | <u>\$ 84,404,884</u> | <u>\$ 70,265,085</u> | <u>\$ 79,776,008</u> |

## 21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

|                                     | June 30, 2022        | December 31,<br>2021 | June 30, 2021        |
|-------------------------------------|----------------------|----------------------|----------------------|
| Government bonds                    | \$ 24,458,876        | \$ 5,270,814         | \$ 5,100,668         |
| Bank debentures                     | 9,868,327            | 5,941,973            | 5,555,415            |
| Corporate bonds                     | 8,976,999            | 1,371,428            | 1,942,220            |
| Negotiable certificates of deposits | <u>505,035</u>       | <u>-</u>             | <u>-</u>             |
|                                     | <u>\$ 43,809,237</u> | <u>\$ 12,584,215</u> | <u>\$ 12,598,303</u> |
| Agreed-upon repurchase price        | \$ 43,906,827        | \$ 12,605,234        | \$ 12,610,200        |
| Par value                           | \$ 47,160,545        | \$ 12,667,858        | \$ 12,706,689        |
| Maturity date                       | April 2023           | December 2022        | May 2022             |

## 22. PAYABLES

|                              | June 30, 2022        | December 31,<br>2021 | June 30, 2021        |
|------------------------------|----------------------|----------------------|----------------------|
| Acceptances payable          | \$ 5,302,799         | \$ 5,142,813         | \$ 4,425,726         |
| Accounts payable - factoring | 4,490,536            | 2,807,640            | 4,677,151            |
| Receipts under custody       | 3,912,868            | 190,911              | 1,321,644            |
| Accrued expenses             | 2,791,700            | 3,400,465            | 2,408,784            |
| Interests payable            | 2,066,924            | 1,590,170            | 1,747,480            |
| Dividends payable to SPH     | 1,435,025            | 1,435,025            | 1,435,025            |
| Accounts payable             | 1,412,337            | 793,223              | 1,567,179            |
| Notes and checks in clearing | 861,787              | 4,178,657            | 998,432              |
| Others                       | <u>2,102,145</u>     | <u>1,821,802</u>     | <u>1,745,635</u>     |
|                              | <u>\$ 24,376,121</u> | <u>\$ 21,360,706</u> | <u>\$ 20,327,056</u> |

## 23. DEPOSITS AND REMITTANCES

|                                     | June 30, 2022           | December 31,<br>2021    | June 30, 2021           |
|-------------------------------------|-------------------------|-------------------------|-------------------------|
| Checking                            | \$ 11,285,816           | \$ 13,621,589           | \$ 12,618,172           |
| Demand                              | 492,600,121             | 489,387,080             | 453,364,362             |
| Savings - demand                    | 522,350,452             | 507,555,116             | 484,524,822             |
| Time deposits                       | 472,407,711             | 574,550,785             | 547,722,648             |
| Negotiable certificates of deposits | 393,400                 | 427,800                 | 457,000                 |
| Savings - time                      | 263,875,524             | 252,214,965             | 247,518,418             |
| Inward remittances                  | 1,270,127               | 1,043,879               | 1,395,554               |
| Outward remittances                 | 64,934                  | 1,556,260               | 48,408                  |
| Others                              | <u>30,964</u>           | <u>29,829</u>           | <u>28,825</u>           |
|                                     | <u>\$ 1,764,279,049</u> | <u>\$ 1,840,387,303</u> | <u>\$ 1,747,678,209</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:

|  | June 30, 2022 | December 31,<br>2021 | June 30, 2021 | Maturity Date         | Rates  |
|--|---------------|----------------------|---------------|-----------------------|--|
| Second subordinated bank debentures issued in 2011 (B) | \$ -          | \$ -                 | \$ 2,999,976  | 2011.08.18-2021.08.18 | Fixed interest rate of 2.18%, interest is paid annually. |
| First subordinated bank debentures issued in 2012 (B)  | 1,299,983     | 1,299,947            | 1,299,910     | 2012.09.18-2022.09.18 | Fixed interest rate of 1.65%, interest is paid annually. |
| Third subordinated bank debentures issued in 2014 (B)  | 699,877       | 699,850              | 699,824       | 2014.09.30-2024.09.30 | Fixed interest rate of 2.05%, interest is paid annually. |
| Third subordinated bank debentures issued in 2016      | 1,419,810     | 1,419,747            | 1,419,683     | 2016.12.23-2023.12.23 | Fixed interest rate of 1.50%, interest is paid annually. |
| First subordinated bank debentures issued in 2017 (A)  | 149,962       | 149,950              | 149,939       | 2017.02.24-2024.02.24 | Fixed interest rate of 1.60%, interest is paid annually. |
| First subordinated bank debentures issued in 2017 (B)  | 2,099,448     | 2,099,390            | 2,099,335     | 2017.02.24-2027.02.24 | Fixed interest rate of 1.90%, interest is paid annually. |
| Third subordinated bank debentures issued in 2017 (A)  | 199,960       | 199,950              | 199,940       | 2017.06.28-2024.06.28 | Fixed interest rate of 1.70%, interest is paid annually. |

(Continued)

|  | June 30, 2022        | December 31,<br>2021 | June 30, 2021        | Maturity Date   | Rates  |
|--|----------------------|----------------------|----------------------|---|--|
| Third subordinated bank debentures issued in 2017 (B)  | \$ 539,814           | \$ 539,796           | \$ 539,779           | 2017.06.28-2027.06.28<br>Principal is repayable on maturity date.   | Fixed interest rate of 1.95%, interest is paid annually. |
| Fourth subordinated bank debentures issued in 2017     | 2,999,821            | 2,999,660            | 2,999,503            | 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)  | 649,827              | 649,797              | 649,768              | 2018.04.30-2025.04.30<br>Principal is repayable on maturity date.   | Fixed interest rate of 1.40%, interest is paid annually. |
| First subordinated bank debentures issued in 2018 (B)  | 499,807              | 499,791              | 499,776              | 2018.04.30-2028.04.30<br>Principal is repayable on maturity date.   | Fixed interest rate of 1.65%, interest is paid annually. |
| First subordinated bank debentures issued in 2019      | 1,999,544            | 1,999,437            | 1,999,334            | 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) | 1,199,653            | 1,199,605            | 1,199,559            | 2019.01.25-2026.01.25<br>Principal is repayable on maturity date.   | Fixed interest rate of 1.40%, interest is paid annually. |
| Second subordinated bank debentures issued in 2019 (B) | 1,799,329            | 1,799,280            | 1,799,233            | 2019.01.25-2029.01.25<br>Principal is repayable on maturity date.   | Fixed interest rate of 1.55%, interest is paid annually. |
| Third senior bank debentures issued in 2019            | 2,999,837            | 2,999,796            | 2,999,756            | 2019.06.26-2024.06.26<br>Principal is repayable on maturity date.   | Fixed interest rate of 0.76%, interest is paid annually. |
| Fourth subordinated bank debentures issued in 2019     | 1,499,591            | 1,499,503            | 1,499,413            | 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)  | 1,749,425            | 1,749,359            | 1,749,290            | 2019.08.23-2026.08.23<br>Principal is repayable on maturity date.   | Fixed interest rate of 1.03%, interest is paid annually. |
| Fifth subordinated bank debentures issued in 2019 (B)  | 1,749,306            | 1,749,260            | 1,749,214            | 2019.08.23-2029.08.23<br>Principal is repayable on maturity date.   | Fixed interest rate of 1.13%, interest is paid annually. |
| First subordinated bank debentures issued in 2020      | 2,999,467            | 2,999,382            | 2,999,301            | 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     | 1,999,488            | 1,999,456            | 1,999,424            | 2020.03.31-2030.03.31<br>Principal is repayable on maturity date.   | Fixed interest rate of 0.75%, interest is paid annually. |
| Third subordinated bank debentures issued in 2020      | 2,899,596            | 2,899,532            | 2,899,470            | 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     | 2,599,471            | 2,599,439            | 2,599,408            | 2020.06.30-2030.06.30<br>Principal is repayable on maturity date.   | Fixed interest rate of 1.00%, interest is paid annually. |
| Fifth subordinated bank debentures issued in 2020      | 2,099,692            | 2,099,648            | 2,099,603            | 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      | 2,399,534            | 2,399,508            | 2,399,481            | 2020.10.29-2030.10.29<br>Principal is repayable on maturity date.   | Fixed interest rate of 0.87%, interest is paid annually. |
| Seventh senior bank debentures issued in 2020          | 999,761              | 999,726              | 999,690              | 2020.11.06-2025.11.06<br>Principal is repayable on maturity date.   | Fixed interest rate of 0.46%, interest is paid annually. |
| First senior bank debentures issued in 2021            | 999,763              | 999,732              | 999,702              | 2021.05.18-2026.05.18<br>Principal is repayable on maturity date.   | Fixed interest rate of 0.45%, interest is paid annually. |
| Second subordinated bank debentures issued in 2021     | 2,719,515            | 2,719,455            | 2,719,396            | 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      | 2,299,593            | 2,299,571            | 2,299,549            | 2021.05.28-2031.05.28<br>Principal is repayable on maturity date.   | Fixed interest rate of 0.82%, interest is paid annually. |
| Fourth subordinated bank debentures issued in 2021     | 3,279,570            | 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      | 1,699,434            | 1,699,405            | -                    | 2021.10.28-2031.10.28<br>Principal is repayable on maturity date.   | Fixed interest rate of 0.80%, interest is paid annually. |
| First subordinated bank debentures issued in 2022      | 4,999,139            | -                    | -                    | 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. |
| Second senior bank debentures issued in 2022           | 1,999,613            | -                    | -                    | 2022.04.08-2027.04.08<br>Principal is repayable on maturity date.   | Fixed interest rate of 0.78%, interest is paid annually. |
|  | <u>\$ 57,548,630</u> | <u>\$ 50,548,494</u> | <u>\$ 48,568,256</u> |   |  |

(Concluded)

## 25. OTHER FINANCIAL LIABILITIES

|   | June 30, 2022        | December 31,<br>2021 | June 30, 2021        |
|---|----------------------|----------------------|----------------------|
| Principal of structured products              | \$ 23,833,547        | \$ 12,013,819        | \$ 11,319,032        |
| Cumulative earnings on appropriated loan fund | 19,895               | 28,708               | 74,287               |
| Overseas certificate of deposit               | <u>-</u>             | <u>-</u>             | <u>717,810</u>       |
|   | <u>\$ 23,853,442</u> | <u>\$ 12,042,527</u> | <u>\$ 12,111,129</u> |

## 26. PROVISIONS

|   | June 30, 2022       | December 31,<br>2021 | June 30, 2021       |
|---|---------------------|----------------------|---------------------|
| Provision for employee benefits           | \$ 2,250,478        | \$ 2,356,032         | \$ 2,510,690        |
| Provision for financing commitment        | 194,832             | 163,168              | 182,097             |
| Provision for guarantee liabilities       | 340,415             | 395,361              | 337,740             |
| Provision for decommissioning liabilities | 111,422             | 105,919              | 100,223             |
| Other                                     | <u>16,520</u>       | <u>23,836</u>        | <u>26,910</u>       |
|   | <u>\$ 2,913,667</u> | <u>\$ 3,044,316</u>  | <u>\$ 3,157,660</u> |

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

|                                 | For the Six Months Ended June 30, 2022   |   |                  |
|---------------------------------|--|---|------------------|
|                                 | Provision for<br>Financing<br>Commitment | Provision for<br>Guarantee<br>Liabilities | Other Provision  |
| Balance, January 1              | \$ 163,168                               | \$ 395,361                                | \$ 23,836        |
| (Reversal of) provision         | 25,811                                   | (56,046)                                  | (9,136)          |
| Effect of exchange rate changes | <u>5,853</u>                             | <u>1,100</u>                              | <u>1,820</u>     |
| Balance, June 30                | <u>\$ 194,832</u>                        | <u>\$ 340,415</u>                         | <u>\$ 16,520</u> |

  

|                                 | For the Six Months Ended June 30, 2021   |   |                  |
|---------------------------------|--|---|------------------|
|                                 | Provision for<br>Financing<br>Commitment | Provision for<br>Guarantee<br>Liabilities | Other Provision  |
| Balance, January 1              | \$ 216,315                               | \$ 313,880                                | \$ 15,420        |
| (Reversal of) provision         | (32,375)                                 | 24,705                                    | 11,974           |
| Effect of exchange rate changes | <u>(1,843)</u>                           | <u>(845)</u>                              | <u>(484)</u>     |
| Balance, June 30                | <u>\$ 182,097</u>                        | <u>\$ 337,740</u>                         | <u>\$ 26,910</u> |

## 27. PROVISIONS FOR EMPLOYEE BENEFITS

|  | June 30, 2022       | December 31,<br>2021 | June 30, 2021       |
|--|---------------------|----------------------|---------------------|
| Recognized in consolidated balance sheets<br>(payables and provisions) |                     |                      |                     |
| Defined contribution plans   | \$ 44,429           | \$ 42,597            | \$ 42,343           |
| Defined benefit plans  | 1,790,677           | 1,896,474            | 2,143,298           |
| Preferential interest on employees' deposits                           | 349,925             | 340,375              | 302,458             |
| Others   | <u>109,876</u>      | <u>119,183</u>       | <u>64,934</u>       |
|  | <u>\$ 2,294,907</u> | <u>\$ 2,398,629</u>  | <u>\$ 2,553,033</u> |

Others included long-term incentive compensation plans; deferred service leave and termination benefits. On June 30, 2022, December 31, 2021 and June 30, 2021, the liabilities related to cash-settled share-based payments of long-term incentive compensation plans were recognized as \$81,156, \$83,182 and \$40,645, respectively, the acquired total embedded value of which were \$63,609, \$63,609 and \$28,224, respectively.

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 Six Months Ended<br>June 30 |           |
|--------------------|-------------------------------------|-----------|
|                    | 2022                                | 2021      |
| Operating expenses | \$ 47,590                           | \$ 52,098 |

## 28. OTHER LIABILITIES

|   | June 30, 2022       | December 31,<br>2021 | June 30, 2021       |
|---|---------------------|----------------------|---------------------|
| Guarantee deposits received             | \$ 1,110,745        | \$ 1,255,606         | \$ 2,828,093        |
| Temporary receipt and suspense accounts | 624,901             | 656,896              | 690,377             |
| Advance receipts                        | 157,902             | 213,132              | 160,753             |
| Deferred revenue                        | 94,470              | 114,579              | 90,199              |
| Others                                  | <u>53,529</u>       | <u>51,330</u>        | <u>41,585</u>       |
|   | <u>\$ 2,041,547</u> | <u>\$ 2,291,543</u>  | <u>\$ 3,811,007</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<br>June 30 |                   | For the Six Months Ended<br>June 30 |                   |
|---|---------------------------------------|-------------------|-------------------------------------|-------------------|
|   | 2022                                  | 2021              | 2022                                | 2021              |
| Current tax   |                                       |                   |                                     |                   |
| Current period                                      | \$ 765,163                            | \$ 344,702        | \$1,150,951                         | \$ 791,986        |
| Adjustments for prior period                        | (4,643)                               | 4,807             | (2,200)                             | 4,709             |
| Deferred tax  |                                       |                   |                                     |                   |
| Temporary adjustment                                | <u>(147,677)</u>                      | <u>26,540</u>     | <u>145,170</u>                      | <u>132,810</u>    |
| Income tax expenses<br>recognized in profit or loss | <u>\$ 612,843</u>                     | <u>\$ 376,049</u> | <u>\$1,293,921</u>                  | <u>\$ 929,505</u> |

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<br>June 30 |                 | For the Six Months Ended<br>June 30 |                  |
|---|---------------------------------------|-----------------|-------------------------------------|------------------|
|   | 2022                                  | 2021            | 2022                                | 2021             |
| <u>Deferred tax</u>   |                                       |                 |                                     |                  |
| Adjustments of current period   |                                       |                 |                                     |                  |
| Exchange difference on<br>translating foreign<br>operations   | \$ 29,325                             | \$ 14,964       | \$ (41,859)                         | \$ 30,236        |
| Unrealized gain or loss on<br>financial assets at fair<br>value through other<br>comprehensive income | <u>1,883</u>                          | <u>(5,702)</u>  | <u>38,936</u>                       | <u>11,808</u>    |
| Income tax recognized in other<br>comprehensive income  | <u>\$ 31,208</u>                      | <u>\$ 9,262</u> | <u>\$ (2,923)</u>                   | <u>\$ 42,044</u> |

c. The Bank's tax returns through 2017 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 2017

### 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.

On May 20, 2022, the Bank's board of directors, on behalf of the shareholders' meeting, resolved to issue 343,665 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 \$90,325,841. The above transaction has not been approved by the authorities.

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<br>Differences on<br>Translation of<br>Foreign<br>Operations | Unrealized Gain or Loss on<br>Financial Assets at Fair Value<br>Through Other Comprehensive<br>Income |                        | Change in Fair<br>Value of<br>Financial<br>Liability<br>Attributable to<br>Change in<br>Credit Risk of<br>Liability | Total                  |
|---|---|---|------------------------|---|------------------------|
|   |   | Equity<br>Instrument  | Debt<br>Instrument     |   |                        |
| Balance January 1, 2022   | \$ (643,875)  | \$ 2,903,884  | \$ (493,889)           | \$ (85,882)   | \$ 1,680,238           |
| Exchange differences  |   |   |                        |   |                        |
| Exchange differences on<br>translation of foreign<br>operations   | 209,293   | -   | -                      | -   | 209,293                |
| Related income tax  | (41,859)  | -   | -                      | -   | (41,859)               |
| Financial assets at fair value<br>through other<br>comprehensive income                                 |   |   |                        |   |                        |
| Current adjustment for<br>change in value   | -   | (2,482,836)   | (10,875,311)           | -   | (13,358,147)           |
| Adjustment for loss<br>allowance of debt<br>instruments   | -   | -   | 1,445                  | -   | 1,445                  |
| Current disposal  | -   | -   | (114,115)              | -   | (114,115)              |
| Cumulative realized gain<br>or loss transferred to<br>retained earnings due to<br>disposal              | -   | (405,905)   | -                      | -   | (405,905)              |
| Related income tax  | -   | -   | 38,936                 | -   | 38,936                 |
| Change in fair value of<br>financial liability<br>attributable to change in<br>credit risk of liability |   |   |                        |   |                        |
| Change in amount  | -   | -   | -                      | 33,456  | 33,456                 |
| Balance June 30, 2022   | <u>\$ (476,441)</u>   | <u>\$ 15,143</u>  | <u>\$ (11,442,934)</u> | <u>\$ (52,426)</u>  | <u>\$ (11,956,658)</u> |

|   | Exchange<br>Differences on<br>Translation of<br>Foreign<br>Operations | Unrealized Gain or Loss on<br>Financial Assets at Fair Value<br>Through Other Comprehensive<br>Income |                     | Change in Fair<br>Value of<br>Financial<br>Liability<br>Attributable to<br>Change in<br>Credit Risk of<br>Liability | Total               |
|---|---|---|---------------------|---|---------------------|
|   |   | Equity<br>Instrument  | Debt<br>Instrument  |   |                     |
| Balance January 1, 2021   | \$ (582,164)  | \$ 1,861,132  | \$ 3,381,218        | \$ (82,343)   | \$ 4,577,843        |
| Exchange differences  |   |   |                     |   |                     |
| Exchange differences on<br>translation of foreign<br>operations   | (151,180)   | -   | -                   | -   | (151,180)           |
| Related income tax  | 30,236  | -   | -                   | -   | 30,236              |
| Financial assets at fair value<br>through other<br>comprehensive income                                 |   |   |                     |   |                     |
| Current adjustment for<br>change in value   | -   | 1,273,448   | (1,405,037)         | -   | (131,589)           |
| Adjustment for loss<br>allowance of debt<br>instruments   | -   | -   | (8,593)             | -   | (8,593)             |
| Current disposal  | -   | -   | (384,540)           | -   | (384,540)           |
| Cumulative realized gain<br>or loss transferred to<br>retained earnings due to<br>disposal              | -   | (287,255)   | -                   | -   | (287,255)           |
| Related income tax  | -   | -   | 11,808              | -   | 11,808              |
| Change in fair value of<br>financial liability<br>attributable to change in<br>credit risk of liability |   |   |                     |   |                     |
| Change in amount  | -   | -   | -                   | (347)   | (347)               |
| Balance June 30, 2021   | <u>\$ (703,108)</u>   | <u>\$ 2,847,325</u>   | <u>\$ 1,594,856</u> | <u>\$ (82,690)</u>  | <u>\$ 3,656,383</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<br/>of Earnings</b> | <b>Dividends Per<br/>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 behalf of the shareholder's meeting) on May 20, 2022. The appropriations and dividends per share were as follows:

|                             | <b>Appropriation<br/>of Earnings</b> | <b>Dividends Per<br/>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                            |

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<br/>June 30</b> |                     | <b>For the Six Months Ended<br/>June 30</b> |                     |
|--|---|---------------------|---|---------------------|
|  | <b>2022</b>                                   | <b>2021</b>         | <b>2022</b>                                 | <b>2021</b>         |
| Interest income                                      |   |                     |   |                     |
| Loans  | \$ 6,706,604                                  | \$ 5,245,409        | \$ 12,327,317                               | \$ 10,406,437       |
| Security investments                                 | 1,897,473                                     | 1,535,784           | 3,444,990                                   | 2,984,317           |
| Due from the Central Bank and<br>call loans to banks | 362,471                                       | 151,963             | 553,891                                     | 293,195             |
| Credit card revolving interest<br>rate income        | 121,749                                       | 129,542             | 245,915                                     | 260,759             |
| Others   | <u>200,129</u>                                | <u>147,154</u>      | <u>360,002</u>                              | <u>276,058</u>      |
|  | <u>9,288,426</u>                              | <u>7,209,852</u>    | <u>16,932,115</u>                           | <u>14,220,766</u>   |
| Interest expenses                                    |   |                     |   |                     |
| Deposits   | (2,370,688)                                   | (1,694,699)         | (4,136,630)                                 | (3,435,108)         |
| Bank debentures                                      | (221,069)                                     | (202,607)           | (412,537)                                   | (399,153)           |
| Call loans from banks                                | (244,818)                                     | (108,959)           | (351,854)                                   | (216,367)           |
| Interest expense of structured<br>products           | (115,009)                                     | (73,563)            | (199,316)                                   | (156,054)           |
| Others   | <u>(109,028)</u>                              | <u>(41,195)</u>     | <u>(165,826)</u>                            | <u>(83,043)</u>     |
|  | <u>(3,060,612)</u>                            | <u>(2,121,023)</u>  | <u>(5,266,163)</u>                          | <u>(4,289,725)</u>  |
| Net amount   | <u>\$ 6,227,814</u>                           | <u>\$ 5,088,829</u> | <u>\$ 11,665,952</u>                        | <u>\$ 9,931,041</u> |

### 32. SERVICE FEE INCOME, NET

|                            | <b>For the Three Months Ended<br/>June 30</b> |                  | <b>For the Six Months Ended<br/>June 30</b> |                  |
|----------------------------|---|------------------|---|------------------|
|                            | <b>2022</b>                                   | <b>2021</b>      | <b>2022</b>                                 | <b>2021</b>      |
| Service fee income         |   |                  |   |                  |
| Insurance services         | \$ 515,234                                    | \$ 506,973       | \$ 1,931,356                                | \$ 1,544,498     |
| Loan services              | 646,949                                       | 441,343          | 1,413,321                                   | 921,829          |
| Trust and related services | 520,901                                       | 625,837          | 1,224,610                                   | 1,506,954        |
| Credit card services       | 177,869                                       | 155,808          | 316,645                                     | 314,904          |
| Others                     | <u>333,867</u>                                | <u>266,149</u>   | <u>674,052</u>                              | <u>570,037</u>   |
|                            | <u>2,194,820</u>                              | <u>1,996,110</u> | <u>5,559,984</u>                            | <u>4,858,222</u> |

(Continued)

|                              | For the Three Months Ended<br>June 30 |                     | For the Six Months Ended<br>June 30 |                                    |
|------------------------------|---------------------------------------|---------------------|-------------------------------------|------------------------------------|
|                              | 2022                                  | 2021                | 2022                                | 2021                               |
| Service fee expenses         |                                       |                     |                                     |                                    |
| Credit card services         | \$ (161,343)                          | \$ (141,963)        | \$ (313,289)                        | \$ (282,551)                       |
| Interbank services           | (79,611)                              | (54,663)            | (159,448)                           | (120,328)                          |
| Trust services               | (40,861)                              | (41,236)            | (82,404)                            | (81,093)                           |
| Foreign exchange transaction | (11,329)                              | (9,254)             | (20,650)                            | (18,840)                           |
| Insurance services           | (8,780)                               | (10,569)            | (19,722)                            | (21,556)                           |
| Others                       | <u>(80,073)</u>                       | <u>(108,432)</u>    | <u>(159,848)</u>                    | <u>(176,358)</u>                   |
|                              | <u>(381,997)</u>                      | <u>(366,117)</u>    | <u>(755,361)</u>                    | <u>(700,726)</u>                   |
| Net amount                   | <u>\$ 1,812,823</u>                   | <u>\$ 1,629,993</u> | <u>\$ 4,804,623</u>                 | <u>\$ 4,157,496</u><br>(Concluded) |

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

|   | For the Three Months Ended<br>June 30 |                  | For the Six Months Ended<br>June 30 |                   |
|---|---------------------------------------|------------------|-------------------------------------|-------------------|
|   | 2022                                  | 2021             | 2022                                | 2021              |
| Disposal gain (loss) on financial assets and liabilities at fair value through profit or loss   |                                       |                  |                                     |                   |
| Government bonds  | \$ (135,336)                          | \$ (7,441)       | \$ (362,160)                        | \$ (70,814)       |
| Corporate bonds   | (622,711)                             | 7,627            | (607,722)                           | 88,188            |
| Interest rate swap contracts  | 486,598                               | 118,321          | 905,693                             | 901,511           |
| Future contracts  | 465,842                               | (83,981)         | 477,868                             | (218,224)         |
| Option contracts  | (48,914)                              | 67,417           | 42,611                              | 123,558           |
| Currency swap contracts and hybrid FX swap structured instruments                               | 22,026                                | 36,315           | 4,983                               | 110,172           |
| Forward contracts   | (40,325)                              | (114,550)        | (115,502)                           | (141,355)         |
| Others  | <u>53,213</u>                         | <u>50,141</u>    | <u>84,234</u>                       | <u>85,617</u>     |
|   | <u>180,393</u>                        | <u>73,849</u>    | <u>430,005</u>                      | <u>878,653</u>    |
| Unrealized gain (loss) on financial assets and liabilities at fair value through profit or loss |                                       |                  |                                     |                   |
| Corporate bonds   | (98,653)                              | 94,945           | (837,139)                           | 21,394            |
| Interest rate swap contracts  | 804,970                               | (267,453)        | 1,771,214                           | (719,103)         |
| Forward contracts   | 108,073                               | 79,223           | 146,962                             | 43,246            |
| Future contracts  | (237,713)                             | (85,260)         | 73,522                              | 123,388           |
| Option contracts  | (540,279)                             | (21,984)         | (908,252)                           | (80,011)          |
| Others  | <u>32,572</u>                         | <u>100,687</u>   | <u>(70,352)</u>                     | <u>(89,346)</u>   |
|   | <u>68,970</u>                         | <u>(99,842)</u>  | <u>175,955</u>                      | <u>(700,432)</u>  |
| Interest income   | 101,176                               | 63,559           | 196,621                             | 122,690           |
| Dividend income   | <u>43</u>                             | <u>181</u>       | <u>241</u>                          | <u>181</u>        |
|   | <u>\$ 350,582</u>                     | <u>\$ 37,747</u> | <u>\$ 802,822</u>                   | <u>\$ 301,092</u> |

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

|  | <b>For the Three Months Ended<br/>June 30</b> |                   | <b>For the Six Months Ended<br/>June 30</b> |                   |
|--|---|-------------------|---|-------------------|
|  | <b>2022</b>                                   | <b>2021</b>       | <b>2022</b>                                 | <b>2021</b>       |
| Dividends revenue - holding at the end of the reporting period | \$ 348,255                                    | \$ 150,595        | \$ 403,557                                  | \$ 189,708        |
| Gain or loss from disposal of debt instruments                 | <u>37,881</u>                                 | <u>135,252</u>    | <u>114,115</u>                              | <u>384,540</u>    |
|  | <u>\$ 386,136</u>                             | <u>\$ 285,847</u> | <u>\$ 517,672</u>                           | <u>\$ 574,248</u> |

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

|                                | <b>For the Three Months Ended<br/>June 30</b> |                  | <b>For the Six Months Ended<br/>June 30</b> |                  |
|--------------------------------|---|------------------|---|------------------|
|                                | <b>2022</b>                                   | <b>2021</b>      | <b>2022</b>                                 | <b>2021</b>      |
| Rental income                  | \$ 20,914                                     | \$ 22,800        | \$ 43,296                                   | \$ 45,544        |
| Operating assets rental income | 6,666   | 6,705            | 13,353                                      | 13,469           |
| Others                         | <u>15,180</u>                                 | <u>3,313</u>     | <u>23,128</u>                               | <u>8,003</u>     |
|                                | <u>\$ 42,760</u>                              | <u>\$ 32,818</u> | <u>\$ 79,777</u>                            | <u>\$ 67,016</u> |

**36. EMPLOYEE BENEFITS EXPENSES**

|   | <b>For the Three Months Ended<br/>June 30</b> |                     | <b>For the Six Months Ended<br/>June 30</b> |                     |
|---|---|---------------------|---|---------------------|
|   | <b>2022</b>                                   | <b>2021</b>         | <b>2022</b>                                 | <b>2021</b>         |
| Salaries and wages                            | \$ 2,262,895                                  | \$ 1,983,444        | \$ 4,587,427                                | \$ 4,065,597        |
| Labor insurance and national health insurance | 145,058                                       | 138,955             | 334,454                                     | 313,730             |
| Pension costs                                 | 81,395  | 80,480              | 161,082                                     | 161,105             |
| Others  | <u>212,282</u>                                | <u>187,075</u>      | <u>422,619</u>                              | <u>376,235</u>      |
|   | <u>\$ 2,701,630</u>                           | <u>\$ 2,389,954</u> | <u>\$ 5,505,582</u>                         | <u>\$ 4,916,667</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 \$43,953 and \$34,190 as employees' compensation and \$15,696 and \$11,406 as remuneration of directors for the six months ended June 30, 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 Bank's board of directors had reported the remuneration of employees and directors in 2021 on behalf of the shareholder on May 20, 2022.

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 Bank recognizes the compensation as cash-settled share-based employee benefits expense. The Group recognized reversal of cash-settled share-based employee benefits expense \$2,030 and recognized cash-settled share-based employee benefits expense \$1,872 on June 30, 2022 and 2021, respectively.

### 37. DEPRECIATION AND AMORTIZATION EXPENSE

|                                  | For the Three Months Ended<br>June 30 |                   | For the Six Months Ended<br>June 30 |                   |
|----------------------------------|---------------------------------------|-------------------|-------------------------------------|-------------------|
|                                  | 2022                                  | 2021              | 2022                                | 2021              |
| Depreciation expense             |                                       |                   |                                     |                   |
| Land improvements                | \$ 7                                  | \$ 6              | \$ 12                               | \$ 12             |
| Buildings                        | 41,727                                | 39,610            | 82,391                              | 78,721            |
| Machinery and computer equipment | 81,240                                | 71,162            | 156,163                             | 141,830           |
| Other equipment                  | 24,459                                | 20,905            | 48,138                              | 41,349            |
| Leasehold improvements           | 14,355                                | 13,939            | 27,794                              | 27,987            |
| Right-of-use assets              | <u>177,829</u>                        | <u>176,154</u>    | <u>354,064</u>                      | <u>348,994</u>    |
|                                  | <u>339,617</u>                        | <u>321,776</u>    | <u>668,562</u>                      | <u>638,893</u>    |
| Amortization expense             | <u>61,486</u>                         | <u>54,315</u>     | <u>120,508</u>                      | <u>109,275</u>    |
|                                  | <u>\$ 401,103</u>                     | <u>\$ 376,091</u> | <u>\$ 789,070</u>                   | <u>\$ 748,168</u> |

**38. OTHER GENERAL AND ADMINISTRATIVE EXPENSES**

|                        | <b>For the Three Months Ended<br/>June 30</b> |                     | <b>For the Six Months Ended<br/>June 30</b> |                     |
|------------------------|---|---------------------|---|---------------------|
|                        | <b>2022</b>                                   | <b>2021</b>         | <b>2022</b>                                 | <b>2021</b>         |
| Taxation and fees      | \$ 383,959                                    | \$ 304,529          | \$ 734,776                                  | \$ 626,283          |
| Professional advisory  | 143,981                                       | 115,245             | 275,878                                     | 220,440             |
| Automated equipment    | 137,405                                       | 127,280             | 253,917                                     | 234,062             |
| Insurance              | 104,210                                       | 94,250              | 207,807                                     | 188,042             |
| Marketing              | 95,188  | 89,918              | 196,498                                     | 161,016             |
| Location fee           | 93,880  | 97,485              | 190,518                                     | 192,996             |
| Communications expense | 90,448  | 80,075              | 165,221                                     | 153,137             |
| Others                 | <u>122,683</u>                                | <u>122,766</u>      | <u>271,124</u>                              | <u>244,289</u>      |
|                        | <u>\$ 1,171,754</u>                           | <u>\$ 1,031,548</u> | <u>\$ 2,295,739</u>                         | <u>\$ 2,020,265</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.

|           | <b>For the Three Months Ended<br/>June 30</b> |                | <b>For the Six Months Ended<br/>June 30</b> |                |
|-----------|---|----------------|---|----------------|
|           | <b>2022</b>                                   | <b>2021</b>    | <b>2022</b>                                 | <b>2021</b>    |
| Basic EPS | <u>\$ 0.44</u>                                | <u>\$ 0.31</u> | <u>\$ 0.86</u>                              | <u>\$ 0.68</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<br/>June 30</b> |                     | <b>For the Six Months Ended<br/>June 30</b> |                     |
|--------------------------------------|---|---------------------|---|---------------------|
|                                      | <b>2022</b>                                   | <b>2021</b>         | <b>2022</b>                                 | <b>2021</b>         |
| Net income for calculating basic EPS | <u>\$ 3,819,404</u>                           | <u>\$ 2,716,453</u> | <u>\$ 7,500,238</u>                         | <u>\$ 5,904,520</u> |

Shares

|   | <b>For the Three Months Ended<br/>June 30</b> |                  | <b>For the Six Months Ended<br/>June 30</b> |                  |
|---|---|------------------|---|------------------|
|   | <b>2022</b>                                   | <b>2021</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> | <u>8,688,919</u>                            | <u>8,688,919</u> |

When calculating the EPS for the comparative period, the 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 June 30, 2021 and for the six months ended June 30, 2021 decrease from NT\$0.32 and NT\$0.69 to NT\$0.31 and NT\$0.68, respectively.

The appropriations of earnings for 2021 have been proposed by the Bank on May 20, 2022, pro-forma earnings per share that adjusted retrospectively to reflect the effects of changes in the number of shares resulted from bonus issue occurred after these consolidated financial statements were approved as follows:

|   | Dollars Per Share          |         |                          |         |
|---|----------------------------|---------|--------------------------|---------|
|   | For the Three Months Ended |         | For the Six Months Ended |         |
|   | June 30                    |         | June 30                  |         |
|   | 2022                       | 2021    | 2022                     | 2021    |
| Basic EPS - pro-forma earnings per share that adjusted retrospectively to reflect the effects of changes in the number of shares resulted from bonus issue occurred after these consolidated financial statements were approved | \$ 0.42                    | \$ 0.30 | \$ 0.83                  | \$ 0.65 |

#### 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 Securities Investment Trust Co., Ltd. (SinoPac Securities Investment Trust)       | Subsidiary of SPH                                     |
| SinoPac Venture Capital Corporation (SinoPac Venture Capital)                             | 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 Leasing (Tainjin) Co., Ltd.   | Subsidiary of SPL (merged into SPIL in November 2021) |
| Foundation of SinoPac   | Affiliate of SPH's chairman                           |

(Continued)

| <b>Related Party</b>  | <b>Relationship with the Group</b>   |
|---|--|
| Global Unichip Corp. (GUC)  | Affiliate of SPH's chairman's spouse   |
| Nuvoton Technology Corp. (Nuvoton Technology)                               | Affiliate of SPH's chairman's spouse<br>(before November 2021)                     |
| Taiwan Stock Exchange (TWSE)  | Affiliate of the SPH's general manager<br>(before June 2022)                       |
| Taiwan Futures Exchange (TAIFEX)  | Affiliate of SinoPac Securities' general<br>manager (after July 2021)              |
| High Entropy Materials, Inc. (High Entropy Materials)                       | Affiliate of the SinoPac Venture Capital's<br>general manager                      |
| Shin Yuan Investment Co., Ltd. (Shin Yuan Investment)                       | SPH's corporate director   |
| Hsin Yi Recreation Enterprise Co., Ltd. (Hsin Yi<br>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<br>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<br>Precision)             | Affiliate of first-degree kin of the Bank's<br>manager                             |
| Kim Great Co., Ltd. (Kim Great)   | Affiliate of second-degree kin of the Bank's<br>manager                            |
| Hao-Xin-Di Co., Ltd. (Hao-Xin-Di)   | Affiliate of second-degree kin of the Bank's<br>manager                            |
| Zetai Investment Limited (Zetai Investment)                                 | Affiliate of second-degree kin of the Bank's<br>manager                            |
| Kingstate Electronics Corporation (Kingstate<br>Electronics)                | Affiliate of second-degree kin of the Bank's<br>manager                            |
| Froch Enterprise Co., Ltd.(Froch Enterprise)                                | Affiliate of second-degree-in-laws of the<br>Bank's manager                        |
| Hao Yu Co., Ltd. (Hao Yu)   | Affiliate of second-degree-in-laws of the<br>Bank's manager                        |
| Avision Inc. (Avision)  | The Bank holds more than 5% of the capital<br>of charitable trust entrusted assets |
| Jhong Cing Investment Co., Ltd. (Jhong Cing<br>Investment)                  | Related party  |
| E Ink Holdings Inc. (E Ink Holdings)  | Related party  |
| Hsin-Yi Foundation  | Related party  |
| Transyork Technology (Yangzhou) Ltd. (Transyork<br>Technology (Yangzhou))   | Related party  |
| YFY Investment Co., Ltd. (YFY Investment)                                   | Related party  |
| Taigen Biotechnology Co., Ltd. (Taigen Biotechnology)                       | Related party  |
| Dream Universe Limited  | Related party  |
| New Field e-Paper Co., Ltd. (New Field e-Paper)                             | Related party  |
| China Color Printing Co., Ltd. (China Color Printing)                       | Related party  |
| YFY Biotech Management Co., Ltd. (YFY Biotech<br>Management)                | Related party  |
| YFY Packaging (Yangzhou) Investment Co., Ltd. (YFY<br>Packaging (Yangzhou)) | Related party  |

(Continued)



| <b>Related Party</b>  | <b>Relationship with the Group</b>   |
|---|--|
| Effion Eneritech Co., Ltd. (Effion Eneritech)   | Related party  |
| Yong Hsin Yi Enterprise Co., Ltd. (Yong Hsin Yi Enterprise)                                       | Related party  |
| YuanHan Material Inc. (YuanHan Material)  | Related party  |
| Shin Foong Specialty And Applied Materials Co., Ltd. (Shin Foong Specialty And Applied Materials) | 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  |
| Yuen Foong Yu Consumer Products Co., Ltd. (Yuen Foong Yu Consumer Products)                       | Related party  |
| Hoss Investment Inc.(Hoss Investment)   | 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>June 30</b>        |                     | <b>For the Six Months Ended June 30, 2022</b> |
|---------------------|-----------------------|---------------------|---|
|                     | <b>Ending Balance</b> | <b>Interest (%)</b> | <b>Interest Income</b>                        |
| Call loans to banks |                       |                     |   |
| Hua Nan Bank        | \$ -                  | 0.16-3.6            | \$ 2,615                                      |

2021

|                     |            | <b>December 31</b>        |   |
|---------------------|------------|---------------------------|---|
|                     |            | <b>Ending<br/>Balance</b> | <b>Interest (%)</b>                                   |
| Call loans to banks |            |                           |   |
| Hua Nan Bank        |            | \$ 553,791                | 0.025-2.2   |
|                     |            | <b>June 30</b>            | <b>For the Six<br/>Months Ended<br/>June 30, 2021</b> |
|                     |            | <b>Ending<br/>Balance</b> | <b>Interest (%)</b>                                   |
| Call loans to banks |            |                           | <b>Interest<br/>Income</b>                            |
| Hua Nan Bank        | \$ 188,521 | 0.03-2                    | \$ 1,202  |
| Grand Bills Finance | 180,000    | 0.23                      | 31  |

2) Derivative financial instruments

| <b>June 30, 2022</b>         |   |                            |                                      |   |                |
|------------------------------|---|----------------------------|--------------------------------------|---|----------------|
|                              | <b>Contract<br/>(Notional)<br/>Amount</b> | <b>Contract<br/>Period</b> | <b>Valuation<br/>Gains or Losses</b> | <b>Account</b>  | <b>Balance</b> |
| Interest rate swap contracts |   |                            |                                      |   |                |
| SinoPac Securities           | \$ 675,000                                | 2020.8.3-<br>2024.8.12     | \$ (6,376)                           | Financial liabilities at fair<br>value through profit or loss | \$ 8,932       |
| Hua Nan Bank                 | 9,828,000                                 | 2020.11.13-<br>2032.3.16   | 448,522                              | Financial assets at fair value<br>through profit or loss      | 524,631        |
| Currency swap contracts      |   |                            |                                      |   |                |
| Hua Nan Bank                 | 594,580                                   | 2021.11.11-<br>2023.9.28   | 30,241                               | Financial assets at fair value<br>through profit or loss      | 29,202         |
| Hua Nan Bank                 | 4,756,640                                 | 2021.10.5-<br>2023.4.20    | (164,908)                            | Financial liabilities at fair<br>value through profit or loss | 154,205        |
| <b>December 31, 2021</b>     |   |                            |                                      |   |                |
|                              | <b>Contract<br/>(Notional)<br/>Amount</b> | <b>Contract Period</b>     |                                      | <b>Account</b>  | <b>Balance</b> |
| Interest rate swap contracts |   |                            |                                      |   |                |
| SinoPac Securities           | \$ 500,000                                | 2020.3.9-2022.3.9          |                                      | Financial assets at fair value through<br>profit or loss      | \$ 160         |
| SinoPac Securities           | 675,000                                   | 2020.8.3-2024.8.12         |                                      | Financial liabilities at fair value<br>through profit or loss | 2,555          |
| Hua Nan Bank                 | 8,898,000                                 | 2020.11.13-2031.11.4       |                                      | Financial assets at fair value through<br>profit or loss      | 89,414         |
| Currency swap contracts      |   |                            |                                      |   |                |
| SinoPac Securities           | 956,800                                   | 2021.9.9-2022.5.12         |                                      | Financial assets at fair value through<br>profit or loss      | 9,116          |
| Hua Nan Bank                 | 830,687                                   | 2021.10.5-2022.7.15        |                                      | Financial assets at fair value through<br>profit or loss      | 10,704         |
| Hua Nan Bank                 | 553,791                                   | 2021.11.11-2023.9.28       |                                      | Financial liabilities at fair value<br>through profit or loss | 1,039          |

| June 30, 2021                |                                  |                          |                              |   |         |
|------------------------------|----------------------------------|--------------------------|------------------------------|---|---------|
|                              | Contract<br>(Notional)<br>Amount | Contract<br>Period       | Valuation<br>Gains or Losses | Account   | Balance |
| Interest rate swap contracts |                                  |                          |                              |   |         |
| SinoPac Securities           | \$ 500,000                       | 2020.3.9-<br>2022.3.9    | \$ (282)                     | Financial assets at fair value<br>through profit or loss      | \$ 421  |
| SinoPac Securities           | 675,000                          | 2020.8.3-<br>2024.8.12   | (41)                         | Financial liabilities at fair<br>value through profit or loss | 1,341   |
| Hua Nan Bank                 | 8,673,369                        | 2020.9.8-<br>2031.5.19   | 24,438                       | Financial assets at fair value<br>through profit or loss      | 37,963  |
| Currency swap contracts      |                                  |                          |                              |   |         |
| SinoPac Securities           | 86,303                           | 2021.6.28-<br>2021.8.31  | 23                           | Financial assets at fair value<br>through profit or loss      | 23      |
| SinoPac Securities           | 1,527,574                        | 2021.4.13-<br>2021.9.13  | (7,178)                      | Financial liabilities at fair<br>value through profit or loss | 7,178   |
| SPL                          | 33,065                           | 2021.4.13-<br>2021.12.27 | (653)                        | Financial liabilities at fair<br>value through profit or loss | 653     |

3) Securities purchased under resell agreements

|                    | June 30, 2022 |                    | For the Six<br>Months Ended<br>June 30, 2022 |
|--------------------|---------------|--------------------|--|
|                    | Face Amount   | Carrying<br>Amount | Interest<br>Income                           |
| Others             | \$ -          | \$ -               | \$ 14  |
|                    | June 30, 2021 |                    | For the Six<br>Months Ended<br>June 30, 2021 |
|                    | Face Amount   | Carrying<br>Amount | Interest<br>Income                           |
| SinoPac Securities | \$ 947,580    | \$ 822,165         | \$ 2,060                                     |

4) Receivables and payables

|                               | June 30, 2022       | December 31,<br>2021 | June 30, 2021       |
|-------------------------------|---------------------|----------------------|---------------------|
| Receivables                   |                     |                      |                     |
| Others                        | <u>\$ 234,876</u>   | <u>\$ 290,078</u>    | <u>\$ 221,803</u>   |
| Payables                      |                     |                      |                     |
| Others                        | <u>\$ 23,728</u>    | <u>\$ 16,869</u>     | <u>\$ 14,684</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

|  | June 30, 2022       | December 31,<br>2021 | June 30, 2021       |
|--|---------------------|----------------------|---------------------|
| Receivables from adopting the linked-tax<br>system | <u>\$ 1,055,020</u> | <u>\$ 1,055,020</u>  | <u>\$ 1,055,020</u> |
| Payables from adopting the linked-tax<br>system    | <u>\$ 950,350</u>   | <u>\$ 586,906</u>    | <u>\$ 648,968</u>   |

## 6) Loans

**For the Six Months Ended June 30, 2022**

|       | <b>Ending<br/>Balance</b> | <b>Highest<br/>Balance</b> | <b>Interest/<br/>Fee Rates (%)</b> | <b>Interest<br/>Income</b> |
|-------|---------------------------|----------------------------|------------------------------------|----------------------------|
| Loans | <u>\$ 10,375,419</u>      | <u>\$ 11,354,072</u>       | 0-11.26                            | <u>\$ 64,420</u>           |

| Category                  | June 30, 2022                                 |                    |                   |        |         |   |   |
|---------------------------|---|--------------------|-------------------|--------|---------|---|---|
|                           | Account Volume or<br>Name of Related<br>Party | Highest<br>Balance | Ending<br>Balance | Normal | Overdue | Type of Collaterals                               | Is the<br>Transaction<br>at Arm's<br>Length<br>Commercial<br>Term |
| Employees' consumer loans | 250   | \$ 413,898         | \$ 394,548        | V      | -       | None  | Yes   |
| Household mortgage loans  | 1,143   | 7,054,702          | 6,855,361         | V      | -       | Real estate                                       | Yes   |
| Others:                   |   |                    |                   |        |         |   |   |
|                           | SPL   | 400,000            | 300,000           | V      | -       | Real estate                                       | Yes   |
|                           | Froch Enterprise                              | 248,808            | 49,928            | V      | -       | None, Note 1                                      | Yes   |
|                           | Jhong Cing Investment                         | 58,160             | 56,384            | V      | -       | Real estate                                       | Yes   |
|                           | Kim Great                                     | 43,566             | 42,108            | V      | -       | Real estate                                       | Yes   |
|                           | Evercast Precision                            | 32,472             | -                 | V      | -       | Real estate                                       | Yes   |
|                           | Hao-Xin-Di                                    | 7,689              | 7,260             | V      | -       | Real estate                                       | Yes   |
|                           | Hotai Investment                              | 2,406              | 1,994             | V      | -       | Vehicle   | Yes   |
|                           | Zetai Investment                              | 1,225              | 1,050             | V      | -       | Vehicle   | Yes   |
|                           | Others  | 3,091,146          | 2,666,786         | V      | -       | Real estate, certificates of deposits and vehicle | Yes   |
|                           | Others subtotal                               | 3,885,472          | 3,125,510         |        |         |   |   |
|                           | Total   | \$ 11,354,072      | \$ 10,375,419     |        |         |   |   |

**For the Year Ended December 31, 2021**

|       | <b>Ending<br/>Balance</b> | <b>Highest<br/>Balance</b> | <b>Interest/<br/>Fee Rates (%)</b> |
|-------|---------------------------|----------------------------|------------------------------------|
| Loans | <u>\$ 9,702,175</u>       | <u>\$ 11,726,148</u>       | 0-12.900                           |

| Category                  | December 31, 2021                             |                    |                   |        |         |   |   |
|---------------------------|---|--------------------|-------------------|--------|---------|---|---|
|                           | Account Volume or<br>Name of Related<br>Party | Highest<br>Balance | Ending<br>Balance | Normal | Overdue | Type of Collaterals   | Is the<br>Transaction<br>at Arm's<br>Length<br>Commercial<br>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      |        |         |   |   |

| For the Six Months Ended June 30, 2021 |                   |                    |                            |                    |
|--|-------------------|--------------------|----------------------------|--------------------|
|  | Ending<br>Balance | Highest<br>Balance | Interest/<br>Fee Rates (%) | Interest<br>Income |
| Loans                                  | \$ 10,274,344     | \$ 10,989,190      | 0-9.00                     | \$ 61,322          |

| Category                  | June 30, 2021                                 |                    |                   |        |         |   |   |
|---------------------------|---|--------------------|-------------------|--------|---------|---|---|
|                           | Account Volume or<br>Name of Related<br>Party | Highest<br>Balance | Ending<br>Balance | Normal | Overdue | Type of Collaterals   | Is the<br>Transaction<br>at Arm's<br>Length<br>Commercial<br>Term |
| Employees' consumer loans | 283   | \$ 469,695         | \$ 446,892        | V      | -       | None  | Yes   |
| Household mortgage loans  | 1,099   | 6,304,806          | 6,085,979         | V      | -       | Real estate   | Yes   |
| Others:                   |   |                    |                   |        |         |   |   |
|                           | SPL   | 970,000            | 900,000           | V      | -       | Real estate   | Yes   |
|                           | Evercast Precision                            | 49,674             | 43,577            | V      | -       | Real estate   | Yes   |
|                           | Kim Great                                     | 46,474             | 45,025            | V      | -       | Real estate   | Yes   |
|                           | Hao Yu  | 11,600             | -                 | V      | -       | Real estate   | Yes   |
|                           | Hao-Xin-Di                                    | 8,542              | 8,117             | V      | -       | Real estate   | Yes   |
|                           | Hotai Investment                              | 3,231              | 2,819             | V      | -       | Vehicle   | Yes   |
|                           | Zetai Investment                              | 1,400              | 1,400             | V      | -       | Vehicle   | Yes   |
|                           | Others  | 3,123,768          | 2,740,535         | V      | -       | Real estate, certificates of deposits, securities and vehicle | Yes   |
|                           | Others subtotal                               | 4,214,689          | 3,741,473         |        |         |   |   |
|                           | Total   | \$ 10,989,190      | \$ 10,274,344     |        |         |   |   |

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

|                   | June 30, 2022 | December 31,<br>2021 | June 30, 2021 |
|-------------------|---------------|----------------------|---------------|
| Equity instrument |               |                      |               |
| TAIFEX            | \$ 366,554    | \$ 410,315           | \$ -          |
| Quanta Computer   | 262,542       | 311,563              | 287,875       |
| Others            | 23,283        | 19,659               | 19,611        |

8) Other financial assets

The Bank had interest revenue from call loans to security brokers for the six months ended June 30, 2021 was \$33.

9) Property and equipment

In the six months ended June 30, 2022 and 2021, the Bank purchased property and equipment from its related parties for a total price of \$14,124 and \$13,559, respectively, recognized as property and equipment.

The Bank leased other equipment from its related parties, due to the date, June 30, 2022, December 31, 2021 and June 30, 2021, the carrying amount were \$61, \$67 and \$82, respectively.

10) Intangible assets

In the six months ended June 30, 2022 and 2021, the Bank purchased computer software from its related parties in the amount of \$10,349 and \$6,485, respectively, recognized as intangible assets.

11) Other assets

|                    | June 30, 2022 | December 31,<br>2021 | June 30, 2021 |
|--------------------|---------------|----------------------|---------------|
| Prepayments        |               |                      |               |
| Others             | \$ 4,503      | \$ 4,708             | \$ 4,914      |
| Guarantee deposits |               |                      |               |
| SinoPac Futures    | 48,846        | 50,998               | 232,643       |
| Others             | 8,645         | 8,684                | 8,523         |

The Bank signed an agreement with other related parties for the purchase. The Bank paid \$12,322 and \$26,364 for the six months ended June 30, 2022 and 2021, which were recorded as prepayments (other assets) or other operating expenses.

The amount of undiscounted guarantee deposits from lease contract were \$12,703, \$12,903 and \$12,903 as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively.

The amount of interest revenue through above guarantee for the six months ended June 30, 2022 and 2021 were \$2 and \$28, respectively.

12) Notes and bonds transaction

|                    | For the Six Months Ended<br>June 30, 2022 |                            |
|--------------------|---|----------------------------|
|                    | Purchase of<br>Notes and<br>Bonds         | Sell of Notes<br>and Bonds |
| SinoPac Securities | \$ -                                      | \$ 7,000,000               |
|                    | For the Six Months Ended<br>June 30, 2021 |                            |
|                    | Purchase of<br>Notes and<br>Bonds         | Sell of Notes<br>and Bonds |
| SinoPac Securities | \$ -                                      | \$ 5,420,000               |
| Hua Nan Bank       | -   | 5,003,395                  |

13) Deposits from the Central Bank and banks

2022

|              | June 30        | For the Six<br>Months Ended<br>June 30 |
|--------------|----------------|--|
|              | Ending Balance | Interest Rates<br>(%)                  |
|              |                | Interest<br>Expense                    |
| Hua Nan Bank | \$ 3,924,228   | 0.11-2.80                              |
|              |                | \$ 9,348                               |

2021

|              | <b>December 31</b>                      |                           |
|--------------|---|---------------------------|
|              | <b>Ending Balance</b>                   | <b>Interest Rates (%)</b> |
| Hua Nan Bank | \$ 913,755                              | 0.09-1.30                 |
|              | <b>For the Six Months Ended June 30</b> |                           |
|              | <b>Ending Balance</b>                   | <b>Interest Rates (%)</b> |
| Hua Nan Bank | \$ 2,229,601                            | 0.09-1.30                 |
|              |   | <b>Interest Expense</b>   |
|              |   | \$ 994                    |

14) Deposits

2022

|  | <b>For the Six Months Ended June 30</b> |                           |
|--|---|---------------------------|
|  | <b>Ending Balance</b>                   | <b>Interest Rates (%)</b> |
|  | <u>\$ 30,867,469</u>                    | 0-13                      |
|  |   | <u>\$ 87,622</u>          |
|  | <b>For the Six Months Ended June 30</b> |                           |
|  | <b>Ending Balance</b>                   | <b>Interest Rate (%)</b>  |
| SinoPac Securities                         | \$ 6,388,870                            | 0-1.1                     |
| Pegatron                                   | 4,697,176                               | 0.08-0.63                 |
| E Ink Holdings                             | 1,169,049                               | 0.001-1.19                |
| GUC  | 1,149,456                               | 0.001-1.01                |
| SinoPac Securities (Asia)                  | 1,054,626                               | 0-0.9                     |
| Hsin-Yi Foundation                         | 763,855                                 | 0.01-2.3                  |
| Transyork Technology (Yangzhou)            | 671,148                                 | 0.05-3.1                  |
| YFY Investment                             | 617,407                                 | 0.05-2.1                  |
| Taigen Biotechnology                       | 589,194                                 | 0-1.19                    |
| SinoPac Capital International (HK) Limited | 403,061                                 | 0.001-0.2                 |
| Dream Universe Limited                     | 343,027                                 | 0.05-2                    |
| New Field e-Paper                          | 309,406                                 | 0.155-0.2                 |
| China Color Printing                       | 275,330                                 | 0.155-1.19                |
| Hsin Yi Recreation                         | 267,116                                 | 0.155-2                   |
| SPIL                                       | 232,982                                 | 0.35-2.025                |
| YFY Biotech Management                     | 215,333                                 | 0-0.76                    |
| YFY Packaging (Yangzhou)                   | 208,725                                 | 0.35-2.1                  |
| TAIFEX                                     | 200,001                                 | 0.08-0.76                 |
| SinoPac Securities Venture Capital         | 190,838                                 | 0.155                     |
| Effion Enertech                            | 177,449                                 | 0.155-0.705               |
| SinoPac Securities Investment Service      | 164,256                                 | 0-1.19                    |
| SinoPac Futures                            | 162,924                                 | 0.001-1.135               |
| Yong Hsin Yi Enterprise                    | 150,766                                 | 0.155-1.37                |

(Continued)

|                         | <b>Ending Balance</b> | <b>Interest Rate<br/>(%)</b> |
|-------------------------|-----------------------|------------------------------|
| YuanHan Material        | \$ 146,023            | 0.001-1.19                   |
| SPL                     | 129,977               | 0-0.2                        |
| Shin Yuan Investment    | 113,099               | 0.001-2.03                   |
| Taiwan Riken Industrial | 101,856               | 0.001-0.76                   |
| Others                  | <u>9,974,519</u>      | 0-13                         |
|                         | <u>\$ 30,867,469</u>  | (Concluded)                  |

2021

| <b>For the Year Ended December 31</b>      |                       |                               |
|--|-----------------------|-------------------------------|
|  | <b>Ending Balance</b> | <b>Interest Rates<br/>(%)</b> |
|  | <u>\$ 68,509,961</u>  | 0-13                          |
|  | <b>Ending Balance</b> | <b>Interest Rates<br/>(%)</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                    |
|  |                       | (Continued)                   |



|  | <b>Ending Balance</b> | <b>Interest Rates<br/>(%)</b> |
|--|-----------------------|-------------------------------|
| Effion Enertech                            | \$ 127,146            | 0.03-0.38                     |
| SPIIL                                      | 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>  | (Concluded)                   |

**For the Six Months Ended June 30**

| <b>Ending Balance</b> | <b>Interest Rates<br/>(%)</b> | <b>Interest<br/>Expense</b> |
|-----------------------|-------------------------------|-----------------------------|
| <u>\$ 61,995,292</u>  | 0-13                          | <u>\$ 149,473</u>           |

|  | <b>Ending Balance</b> | <b>Interest Rate<br/>(%)</b> |
|--|-----------------------|------------------------------|
| Quanta Computer                            | \$ 20,000,081         | 0-0.76                       |
| Pegatron                                   | 13,918,149            | 0.03-0.76                    |
| SinoPac Securities                         | 5,350,714             | 0-0.8                        |
| SinoPac Securities (Asia)                  | 2,025,477             | 0-0.9                        |
| Nuvoton Technology                         | 1,650,000             | 0.03-0.49                    |
| Shin Foong Specialty And Applied Materials | 1,564,527             | 0.03-0.38                    |
| YuanHan Material                           | 1,133,288             | 0.001-0.815                  |
| Hsin-Yi Foundation                         | 875,780               | 0.01-1.95                    |
| Foundation of Fire Fighting Development    | 751,347               | 0-0.84                       |
| E Ink Holdings                             | 577,760               | 0.001-0.815                  |
| Tech Smart Logistics Ltd.                  | 439,936               | 0.03                         |
| SinoPac Capital International (HK) Limited | 407,187               | 0-0.15                       |
| Dream Universe Limited                     | 338,419               | 0.05                         |
| Hsin Yi Recreation                         | 313,971               | 0.03-1.7                     |
| TWSE                                       | 300,441               | 0.03-0.76                    |
| Rich Optronics (Yangzhou)                  | 298,852               | 0.05                         |
| China Color Printing                       | 271,744               | 0.03-0.815                   |
| SPL  | 271,267               | 0.02-0.2                     |
| YFY Biotech Management                     | 217,907               | 0-0.76                       |
| SPH  | 194,558               | 0-0.03                       |
| SinoPac Securities Investment Service      | 175,245               | 0-0.815                      |
| SinoPac Leasing (Tainjin) Co., Ltd.        | 172,884               | 0.35-2.025                   |
| SinoPac Venture Capital                    | 165,196               | 0.03-0.2                     |
| Yuen Foong Yu Consumer Products            | 153,323               | 0-0.03                       |
| Effion Enertech                            | 141,402               | 0.03-0.76                    |
| SinoPac Capital (Asia)                     | 139,652               | 0-0.18                       |
| Taiwan Riken Industrial                    | 135,720               | 0-2.4                        |
| SinoPac Securities Venture Capital         | 134,338               | 0.03                         |
|  |                       | (Continued)                  |

|                              | <b>Ending Balance</b> | <b>Interest Rate<br/>(%)</b> |
|------------------------------|-----------------------|------------------------------|
| Hoss Investment              | \$ 133,142            | 0.03-0.8                     |
| Yong Hsin Yi Enterprise      | 128,528               | 0.03-0.45                    |
| Taigen Biotechnology         | 127,042               | 0-0.815                      |
| Willpower Industries Limited | 113,812               | 0.03-0.15                    |
| Foongtone Technology         | 111,171               | 0-1.35                       |
| Shin Yuan Investment         | 108,386               | 0.001-0.45                   |
| Hoss Capital                 | 103,224               | 0.03-0.2                     |
| SinoPac Futures              | 101,673               | 0.001-0.76                   |
| Others                       | <u>8,949,149</u>      | 0-13                         |
|                              | <u>\$ 61,995,292</u>  |                              |
|                              |                       | (Concluded)                  |

#### 15) Bank debentures

The Bank's bank debentures issued for the six months ended June 30, 2022 and 2021 were underwritten by SinoPac Securities who were paid \$1,000 and \$910 commission fee, respectively (recognized as discount of bank debentures).

The Bank paid interest of bank debentures to related parties for the six months ended June 30, 2022 and 2021 were \$3,800 and \$5,780, respectively.

#### 16) Other liabilities

|                             | <b>June 30, 2022</b> | <b>December 31,<br/>2021</b> | <b>June 30, 2021</b> |
|-----------------------------|----------------------|------------------------------|----------------------|
| Guarantee deposits received | \$ 10,855            | \$ 11,727                    | \$ 10,919            |
| Advance receipts            | 5                    | 12                           | 4                    |

#### 17) Revenues and expenses

|   | <b>For the Six Months Ended<br/>June 30</b> |             |
|---|---|-------------|
|   | <b>2022</b>                                 | <b>2021</b> |
| Lease contracts - guarantee deposits interest revenue                               | \$ 165                                      | \$ 158      |
| Lease contracts - interest expenses   | 15,517                                      | 16,565      |
| Commissions and fee revenues  | 66,174                                      | 38,112      |
| Commissions and fee expenses  | 34,152                                      | 32,855      |
| Realized gains on financial assets at fair value through other comprehensive income | 18,971                                      | 5,100       |
| Net other revenue other than interest income - other revenues                       | 6,341                                       | 5,980       |
| Lease contracts - depreciation expenses   | 53,449                                      | 53,317      |
| Other general and administrative expenses   | 106,374                                     | 75,821      |

18) Operating lease

The Group as a lessee

|                                     | June 30, 2022 | December 31,<br>2021 | June 30, 2021 |
|-------------------------------------|---------------|----------------------|---------------|
| Lease contracts - right of use, net |               |                      |               |
| SPL                                 | \$ 596,748    | \$ 626,145           | \$ 648,549    |
| Chunghwa Telecom                    | 85,755        | 108,126              | 130,497       |
| Others                              | 11,769        | 13,451               | 15,132        |
| Lease contracts - lease liability   |               |                      |               |
| SPL                                 | 629,718       | 653,091              | 668,882       |
| Chunghwa Telecom                    | 87,079        | 109,522              | 131,854       |
| Others                              | 11,816        | 13,479               | 15,135        |

- a) Guarantee deposits, please refer to Note 40,b.11).
- 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.17).

The Group as a lessor

| Lessee             | Rental Income            |           | Lease Term    | Receiving Frequency      |
|--------------------|--------------------------|-----------|---------------|--------------------------|
|                    | For the Six Months Ended |           |               |                          |
|                    | 2022                     | 2021      |               |                          |
| SinoPac Securities | \$ 15,805                | \$ 15,955 | November 2025 | Rentals received monthly |
| SinoPac Securities | 4,846                    | 4,897     | July 2024     | Rentals received monthly |
| Investment Trust   |                          |           |               |                          |
| SPL                | 3,251                    | 3,218     | July 2026     | Rentals received monthly |
| Yuen Foong Shop    | 2,178                    | 2,180     | January 2022  | Rentals received monthly |
| YFY Biotech        | 1,698                    | 1,698     | October 2025  | Rentals received monthly |
| Others             | 3,381                    | 3,165     | 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.

19) 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 Six Months Ended<br/>June 30</b> |                  |
|------------------------------|---|------------------|
|                              | <b>2022</b>                                 | <b>2021</b>      |
| Short-term employee benefits | \$ 54,564                                   | \$ 52,576        |
| Post-employment benefits     | <u>1,222</u>                                | <u>13,496</u>    |
|                              | <u>\$ 55,786</u>                            | <u>\$ 66,072</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>June 30, 2022</b> | <b>December 31,<br/>2021</b> | <b>June 30, 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         | Note 1          |
| Financial assets at fair value through other comprehensive income | Bank debentures                   | -                    | 2,846,479                    | -                    | Note 2          |
| Investment in debt instruments at amortized cost                  | Certificates of deposits          | 8,148,645            | 8,138,448                    | 8,139,350            | Note 3          |
| Investment in debt instruments at amortized cost                  | Government bonds                  | 1,488,905            | 1,609,325                    | 1,578,230            | Note 4          |
| Discounts and loans   | Loans                             | 16,847,855           | 12,975,007                   | 11,234,217           | Note 5          |
| Other financial assets  | Certificates of deposits          | -                    | -                            | 2,589,108            | Note 6          |

Note 1: 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 June 30, 2022, December 31, 2021 and June 30, 2021 were as follows:

|   | June 30, 2022  | December 31,<br>2021 | June 30, 2021  |
|---|----------------|----------------------|----------------|
| Trust assets                                  | \$ 701,761,589 | \$ 631,453,936       | \$ 584,617,160 |
| Securities under custody                      | 204,126,840    | 214,851,201          | 185,156,675    |
| Agent for government bonds                    | 86,242,300     | 89,466,800           | 92,203,400     |
| Receipts under custody                        | 28,055,225     | 27,306,635           | 25,297,552     |
| Guarantee notes payable                       | 8,777,645      | 8,752,948            | 11,306,358     |
| Agent for marketable securities under custody | 8,389,210      | 5,885,170            | 5,363,030      |
| Appointment of investment                     | 5,727,270      | 4,533,851            | 3,919,490      |
| Goods under custody                           | 1,062,564      | 1,215,393            | 1,139,169      |

As of June 30, 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 June 30, 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 \$823,539 and \$826,893 of which \$526,703 and \$551,357 had not been paid as of June 30, 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 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 2

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 3

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                          | June 30, 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  | \$ 17,941     | \$ 17,941  | \$ -        | \$ -      |
| Bonds   | 15,435,555    | 10,156,400 | 5,279,155   | -         |
| Others  | 5,802,759     | -          | 5,802,759   | -         |
| Financial assets designated at fair value through profit or loss      |               |            |             |           |
| Bonds   | 5,249,126     | 4,944,653  | 304,473     | -         |
| Financial assets at fair value through other comprehensive income     |               |            |             |           |
| Equity instruments at FVTOCI  |               |            |             |           |
| Stocks and others   | 19,191,760    | 16,055,722 | 1,891,157   | 1,244,881 |
| Debt instruments at FVTOCI  |               |            |             |           |
| Bonds   | 166,773,236   | 87,757,391 | 77,975,850  | 1,039,995 |
| Certificates of deposits and others                                   | 133,661,651   | 537,669    | 133,123,982 | -         |
| <u>Liabilities</u>  |               |            |             |           |
| Financial liabilities at fair value through profit or loss            |               |            |             |           |
| Financial liabilities designated at fair value through profit or loss | 1,694,445     | -          | 1,694,445   | -         |
| <u>Derivative financial instruments</u>                               |               |            |             |           |
| <u>Assets</u>   |               |            |             |           |
| Financial assets at fair value through profit or loss                 |               |            |             |           |
| Financial assets mandatorily classified as at FVTPL                   | 31,308,650    | 15,399     | 29,431,361  | 1,861,890 |
| <u>Liabilities</u>  |               |            |             |           |
| Financial liabilities at fair value through profit or loss            |               |            |             |           |
| Held-for-trading financial liabilities                                | 27,962,464    | 10,722     | 26,701,498  | 1,250,244 |

| 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   | -         |
| 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 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                          | June 30, 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  | \$ 116,540    | \$ 116,540 | \$ -        | \$ -      |
| Bonds   | 26,418,297    | 25,350,979 | 1,067,318   | -         |
| Others  | 3,196,724     | -          | 3,196,724   | -         |
| Financial assets designated at fair value through profit or loss      |               |            |             |           |
| Bonds   | 11,738,336    | 11,738,336 | -           | -         |
| Financial assets at fair value through other comprehensive income     |               |            |             |           |
| Equity instruments at FVTOCI  |               |            |             |           |
| Stocks and others   | 13,372,228    | 10,838,847 | 1,244,778   | 1,288,603 |
| Debt instruments at FVTOCI  |               |            |             |           |
| Bonds   | 162,828,934   | 91,165,933 | 69,851,938  | 1,811,063 |
| Certificates of deposits and others                                   | 181,807,624   | -          | 181,376,861 | 430,763   |
| <u>Liabilities</u>  |               |            |             |           |
| Financial liabilities at fair value through profit or loss            |               |            |             |           |
| Financial liabilities designated at fair value through profit or loss | 1,519,704     | -          | 1,519,704   | -         |
| <u>Derivative financial instruments</u>                               |               |            |             |           |
| <u>Assets</u>   |               |            |             |           |
| Financial assets at fair value through profit or loss                 |               |            |             |           |
| Financial assets mandatorily classified as at FVTPL                   | 11,127,075    | 41,672     | 10,822,865  | 262,538   |
| <u>Liabilities</u>  |               |            |             |           |
| Financial liabilities at fair value through profit or loss            |               |            |             |           |
| Held-for-trading financial liabilities                                | 12,004,897    | 63,703     | 11,394,746  | 546,448   |

## 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 six months ended June 30, 2022, the Group transferred part of the government bonds, corporate bonds, bank debentures and certificates of deposits from Level 1 to Level 2 because the Group determined these investments were not in an active market.

For the six months ended June 30, 2021, the Group transferred part of the government bonds, corporate bonds and bank debentures 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 Six Months Ended June 30, 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      | \$ -                        | \$ (155,766)               | \$ -             | \$ -                | \$ -          | \$ -                    | \$ -                                | \$ 1,244,881   |
| Debt instruments at FVTOCI  | 1,394,743         | -                           | (62)                       | -                | -                   | (450,775)     | -                       | 96,089                              | 1,039,995      |
| <u>Derivative financial instruments</u>                           |                   |                             |                            |                  |                     |               |                         |                                     |                |
| Financial assets at fair value through profit or loss             |                   |                             |                            |                  |                     |               |                         |                                     |                |
| Financial assets mandatorily classified as at FVTPL               | 449,176           | 1,412,714                   | -                          | -                | -                   | -             | -                       | -                                   | 1,861,890      |

| For the Six Months Ended June 30, 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      | \$ -                        | \$ 88,173                  | \$ -             | \$ -                | \$ -          | \$ -                    | \$ -                                | \$ 1,288,603   |
| Debt instruments at FVTOCI  | 1,838,716         | -                           | 13,910                     | 430,694          | -                   | -             | -                       | (41,494)                            | 2,241,826      |
| <u>Derivative financial instruments</u>                           |                   |                             |                            |                  |                     |               |                         |                                     |                |
| Financial assets at fair value through profit or loss             |                   |                             |                            |                  |                     |               |                         |                                     |                |
| Financial assets mandatorily classified as at FVTPL               | 277,946           | (15,408)                    | -                          | -                | -                   | -             | -                       | -                                   | 262,538        |

For the six months ended June 30, 2022 and 2021, the gains or losses on valuation included in net income with assets still held were gain \$1,781,764 and loss \$5,106, respectively.

For the six months ended June 30, 2022 and 2021, the gains or losses on valuation included in other comprehensive income with assets still held were loss \$155,828 and gain \$102,083, respectively.

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

| For the Six Months Ended June 30, 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        | \$ 492,704                                      | \$ -             | \$ -                | \$ -          | \$ -                    | \$ -                                | \$ 1,250,244   |

| For the Six Months Ended June 30, 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        | \$ (335,087)                                    | \$ -             | \$ -                | \$ -          | \$ -                    | \$ -                                | \$ 546,448     |

For the six months ended June 30, 2022 and 2021, the gains or losses on valuation results included in net income from liabilities still held were loss \$861,260 and gain \$324,265, 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:

June 30, 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                             | \$ 380,477          | \$ 380,272            | Sellers' quote  | (Note 1)                        | -                           |
| Others  | <u>1,481,413</u>    | <u>869,972</u>        | Sellers' quote  | (Notes 1 and 2)                 | -                           |
|   | <u>\$ 1,861,890</u> | <u>\$ 1,250,244</u>   |   |                                 |                             |
| <u>Non-derivative financial instruments</u>                       |                     |                       |   |                                 |                             |
| Financial assets at fair value through other comprehensive income |                     |                       |   |                                 |                             |
| Equity instruments at FVTOCI                                      |                     |                       |   |                                 |                             |
| Stock   | <u>\$ 1,244,881</u> | <u>\$ -</u>           | Market approach or market value with liquidity valuation discount | Discount factor of liquidity    | 0%-30%                      |
| Debt instruments at FVTOCI  |                     |                       |   |                                 |                             |
| Bonds   | <u>\$ 1,039,995</u> | <u>\$ -</u>           | Taipei Exchange's quote or Bloomberg's quote                      | (Note 3)                        | -                           |

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  | <u>148,184</u>      | <u>456,710</u>        | 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  | <u>426,093</u>      | <u>-</u>              | Sellers' quote  | (Note 2)                        | -                           |
|   | <u>\$ 1,394,743</u> | <u>\$ -</u>           |   |                                 |                             |

June 30, 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                             | \$ 238,570          | \$ 238,428            | Sellers' quote  | (Note 1)                        | -                           |
| Others  | <u>23,968</u>       | <u>308,020</u>        | Sellers' quote  | (Notes 1 and 2)                 | -                           |
|   | <u>\$ 262,538</u>   | <u>\$ 546,448</u>     |   |                                 |                             |
| <u>Non-derivative financial instruments</u>                       |                     |                       |   |                                 |                             |
| Financial assets at fair value through other comprehensive income |                     |                       |   |                                 |                             |
| Equity instruments at FVTOCI                                      |                     |                       |   |                                 |                             |
| Stock   | <u>\$ 1,288,603</u> | <u>\$ -</u>           | Market approach or market value with liquidity valuation discount | Discount factor of liquidity    | 0%-30%                      |
| Debt instruments at FVTOCI  |                     |                       |   |                                 |                             |
| Bonds   | \$ 1,811,063        | \$ -                  | Taipei Exchange's quote or Bloomberg's quote                      | (Note 3)                        | -                           |
| Certificates of deposits  | <u>430,763</u>      | <u>-</u>              | Sellers' quote  | (Note 2)                        | -                           |
|   | <u>\$ 2,241,826</u> | <u>\$ -</u>           |   |                                 |                             |

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 level 3 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:

June 30, 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 | \$ (24,506)   | \$ 24,506        |

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 | \$ (38,321)   | \$ 38,321        |

June 30, 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 | \$ (43,469)   | \$ 43,469        |

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   | June 30, 2022   |                |
|---|-----------------|----------------|
|   | Carrying Amount | Fair Value     |
| Investments in debt instruments at amortized cost | \$ 198,175,906  | \$ 190,112,156 |
| Bank debentures                                   | 57,548,630      | 56,962,544     |

| 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   | June 30, 2021   |                |
|---|-----------------|----------------|
|   | Carrying Amount | Fair Value     |
| Investments in debt instruments at amortized cost | \$ 156,322,511  | \$ 159,464,577 |
| Bank debentures                                   | 48,568,256      | 49,404,208     |

2) Hierarchy information of fair value of financial instruments

| Assets and Liabilities Item                       | June 30, 2022  |               |                |            |
|---|----------------|---------------|----------------|------------|
|   | Total          | Level 1       | Level 2        | Level 3    |
| Investments in debt instruments at amortized cost | \$ 190,112,156 | \$ 31,694,092 | \$ 158,418,064 | \$ -       |
| Bank debentures                                   | 56,962,544     | -             | 31,207,544     | 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                       | June 30, 2021  |               |                |            |
|---|----------------|---------------|----------------|------------|
|   | Total          | Level 1       | Level 2        | Level 3    |
| Investments in debt instruments at amortized cost | \$ 159,464,577 | \$ 46,343,199 | \$ 113,121,378 | \$ -       |
| Bank debentures                                   | 49,404,208     | 3,658,559     | 28,353,449     | 17,392,200 |

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 and retail 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 retail banking customers, every case will be reviewed individually to assess default risks except that micro-credit and credit card business should be assessed by the credit assessment model and be used as a basis for approval.

## 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 and retail 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 |                   |                |
|---------------------------------|-----------------------------|-------------------|----------------|
|                                 | June 30, 2022               | December 31, 2021 | June 30, 2021  |
| Undrawn credit card commitments | \$ 217,205,244              | \$ 207,556,077    | \$ 204,755,784 |
| Undrawn loan commitments        | 45,443,483                  | 45,812,543        | 48,686,741     |
| Guarantees                      | 36,132,903                  | 39,866,757        | 33,781,347     |
| Standby letter of credit        | 7,536,635                   | 8,218,744         | 8,693,868      |

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                                   | June 30, 2022    |        | December 31, 2021 |        | June 30, 2021    |        |
|--|------------------|--------|-------------------|--------|------------------|--------|
|  | Amount           | %      | Amount            | %      | Amount           | %      |
| Private enterprise                           | \$ 575,667,912   | 45.84  | \$ 550,733,915    | 45.87  | \$ 564,675,055   | 46.56  |
| Public enterprise                            | 7,464,359        | 0.60   | 7,512,132         | 0.63   | 7,079,110        | 0.58   |
| Government sponsored enterprise and business | 20,000,000       | 1.59   | 13,993,648        | 1.16   | 49,706,641       | 4.10   |
| Nonprofit organization                       | 244,119          | 0.02   | 272,106           | 0.02   | 290,648          | 0.02   |
| Private                                      | 638,379,158      | 50.84  | 615,447,654       | 51.26  | 579,921,849      | 47.82  |
| Financial institutions                       | 13,959,622       | 1.11   | 12,672,809        | 1.06   | 11,114,819       | 0.92   |
| Total  | \$ 1,255,715,170 | 100.00 | \$ 1,200,632,264  | 100.00 | \$ 1,212,788,122 | 100.00 |



b) By region

| Regions       | June 30, 2022    |        | December 31, 2021 |        | June 30, 2021    |        |
|---------------|------------------|--------|-------------------|--------|------------------|--------|
|               | Amount           | %      | Amount            | %      | Amount           | %      |
| Domestic      | \$ 1,003,589,992 | 79.92  | \$ 963,997,152    | 80.29  | \$ 983,764,733   | 81.12  |
| Asia          | 140,389,551      | 11.18  | 129,603,731       | 10.80  | 120,502,705      | 9.93   |
| North America | 80,131,348       | 6.38   | 70,626,160        | 5.88   | 71,545,692       | 5.90   |
| Others        | 31,604,279       | 2.52   | 36,405,221        | 3.03   | 36,974,992       | 3.05   |
| Total         | \$ 1,255,715,170 | 100.00 | \$ 1,200,632,264  | 100.00 | \$ 1,212,788,122 | 100.00 |

c) By collateral

| Collaterals         | June 30, 2022    |        | December 31, 2021 |        | June 30, 2021    |        |
|---------------------|------------------|--------|-------------------|--------|------------------|--------|
|                     | Amount           | %      | Amount            | %      | Amount           | %      |
| Credit              | \$ 384,526,594   | 30.62  | \$ 356,979,492    | 29.73  | \$ 415,305,744   | 34.24  |
| Secured             |                  |        |                   |        |                  |        |
| Stocks              | 4,668,898        | 0.37   | 5,357,079         | 0.45   | 5,667,939        | 0.47   |
| Bonds               | 11,588,215       | 0.92   | 15,402,440        | 1.28   | 13,486,796       | 1.11   |
| Real estate         | 775,986,871      | 61.80  | 742,323,649       | 61.83  | 704,561,704      | 58.09  |
| Movable collaterals | 50,839,180       | 4.05   | 51,539,989        | 4.29   | 47,966,369       | 3.96   |
| Guarantees          | 16,530,603       | 1.32   | 16,436,132        | 1.37   | 14,364,525       | 1.19   |
| Others              | 11,574,809       | 0.92   | 12,593,483        | 1.05   | 11,435,045       | 0.94   |
| Total               | \$ 1,255,715,170 | 100.00 | \$ 1,200,632,264  | 100.00 | \$ 1,212,788,122 | 100.00 |

d) Credit risk exposure rating

| June 30, 2022   | Principal                |                         |                         |                | Allowance                |                         |                         |   |              |
|---|--------------------------|-------------------------|-------------------------|----------------|--------------------------|-------------------------|-------------------------|---|--------------|
|   | Stage 1<br>12 Months ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total          | Stage 1<br>12 Months ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | The Adjustments<br>Under<br>Regulations<br>Governing the<br>Procedures for<br>Banking<br>Institutions to<br>Evaluate Assets<br>and Deal with<br>Non-performing/<br>Non-accrual<br>Loans | Total        |
| Discounts and loans   |                          |                         |                         |                |                          |                         |                         |   |              |
| Corporate banking   | \$ 630,537,737           | \$ 534,515              | \$ 4,262,530            | \$ 635,334,782 | \$ 1,652,811             | \$ 302,948              | \$ 762,822              | \$ 5,815,946  | \$ 8,534,527 |
| Consumer banking  | 615,010,392              | 4,250,119               | 1,119,877               | 620,380,388    | 109,443                  | 168,584                 | 176,351                 | 7,867,668   | 8,322,046    |
| Receivables   |                          |                         |                         |                |                          |                         |                         |   |              |
| Credit card receivable  | 17,596,495               | 219,608                 | 707,240                 | 18,523,343     | 3,336                    | 4,487                   | 23,126                  | 155,742   | 186,691      |
| Accounts receivable - factoring<br>(Note 1)                             | 11,281,274               | -                       | -                       | 11,281,274     | 8,496                    | -                       | -                       | 187,043   | 195,539      |
| Other receivable (Note 2)   | 18,991,838               | 24,840                  | 261,310                 | 19,277,988     | 22,933                   | 981                     | 206,268                 | 110,091   | 340,273      |
| Debt instruments at fair value<br>through other comprehensive<br>income | 300,434,887              | -                       | -                       | 300,434,887    | 49,004                   | -                       | -                       | -   | 49,004       |
| Investment in debt instruments at<br>amortized cost                     | 198,191,222              | -                       | -                       | 198,191,222    | 15,316                   | -                       | -                       | -   | 15,316       |

| December 31, 2021   | Principal                |                         |                         |                | Allowance                |                         |                         |   |              |
|---|--------------------------|-------------------------|-------------------------|----------------|--------------------------|-------------------------|-------------------------|---|--------------|
|   | Stage 1<br>12 Months ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total          | Stage 1<br>12 Months ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | The Adjustments<br>Under<br>Regulations<br>Governing the<br>Procedures for<br>Banking<br>Institutions to<br>Evaluate Assets<br>and Deal with<br>Non-performing/<br>Non-accrual<br>Loans | Total        |
| Discounts and loans   |                          |                         |                         |                |                          |                         |                         |   |              |
| Corporate banking   | \$ 593,948,243           | \$ 1,298,095            | \$ 5,365,365            | \$ 600,611,703 | \$ 1,504,195             | \$ 338,389              | \$ 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<br>(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<br>through other comprehensive<br>income | 365,469,656              | -                       | -                       | 365,469,656    | 47,558                   | -                       | -                       | -   | 47,558       |
| Investment in debt instruments at<br>amortized cost                     | 167,261,299              | -                       | -                       | 167,261,299    | 13,314                   | -                       | -                       | -   | 13,314       |

| June 30, 2021   | Principal                |                         |                         |                | Allowance                |                         |                         |   |              |
|---|--------------------------|-------------------------|-------------------------|----------------|--------------------------|-------------------------|-------------------------|---|--------------|
|   | Stage 1<br>12 Months ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total          | Stage 1<br>12 Months ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | The Adjustments<br>Under<br>Regulations<br>Governing the<br>Procedures for<br>Banking<br>Institutions to<br>Evaluate Assets<br>and Deal with<br>Non-performing/<br>Non-accrual<br>Loans | Total        |
| Discounts and loans   |                          |                         |                         |                |                          |                         |                         |   |              |
| Corporate banking   | \$ 641,787,324           | \$ 846,766              | \$ 4,999,775            | \$ 647,633,865 | \$ 2,033,286             | \$ 185,644              | \$ 1,117,553            | \$ 4,274,023  | \$ 7,610,506 |
| Consumer banking  | 559,500,034              | 4,462,730               | 1,191,493               | 565,154,257    | 135,949                  | 259,597                 | 202,961                 | 7,024,579   | 7,623,086    |
| Receivables   |                          |                         |                         |                |                          |                         |                         |   |              |
| Credit card receivable  | 15,999,460               | 225,185                 | 786,278                 | 17,010,923     | 4,416                    | 7,432                   | 27,822                  | 162,168   | 201,838      |
| Accounts receivable - factoring<br>(Note 1)                             | 7,064,158                | -                       | -                       | 7,064,158      | 7,366                    | -                       | -                       | 145,470   | 152,836      |
| Other receivable (Note 2)   | 20,999,538               | 16,294                  | 255,052                 | 21,270,884     | 28,197                   | 959                     | 206,444                 | 171,915   | 407,515      |
| Debt instruments at fair value<br>through other comprehensive<br>income | 344,636,558              | -                       | -                       | 344,636,558    | 52,859                   | -                       | -                       | -   | 52,859       |
| Investment in debt instruments at<br>amortized cost                     | 156,333,909              | -                       | -                       | 156,333,909    | 11,398                   | -                       | -                       | -   | 11,398       |

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 Six Months Ended<br>June 30, 2022  | 12-month ECL        | Lifetime ECL<br>(Collectively<br>Assessed) | Lifetime ECL<br>(Non-purchased<br>or Originated<br>Credit-Impaired<br>Financial Assets) | Impairment in<br>Accordance With<br>IFRS 9 | The Adjustments<br>Under<br>Regulations<br>Governing the<br>Procedures for<br>Banking<br>Institutions to<br>Evaluate Assets<br>and Deal with<br>Non-performing/<br>Non-accrual<br>Loans | Total                |
|--|---------------------|--|---|--|---|----------------------|
| Balance, January 1   | \$ 1,751,007        | \$ 562,742                                 | \$ 1,028,123  | \$ 3,341,872                               | \$ 12,206,055   | \$ 15,547,927        |
| Changes due to financial<br>instruments that have been<br>recognized at the beginning of<br>the period:  |                     |  |   |  |   |                      |
| To lifetime ECL  | (7,860)             | 467,879                                    | (23,284)  | 436,735                                    | -   | 436,735              |
| From conversion to<br>credit-impaired financial assets   | (783)               | (293,895)                                  | 215,595   | (79,083)                                   | -   | (79,083)             |
| To 12-month ECL  | 2,581               | (140,577)                                  | (5,880)   | (143,876)                                  | -   | (143,876)            |
| Derecognizing financial assets<br>during the current period  | (1,311,944)         | (123,729)                                  | (216,982)   | (1,652,655)                                | -   | (1,652,655)          |
| Purchased or originated new<br>financial assets  | 1,305,765           | 6,077                                      | 64,623  | 1,376,465                                  | -   | 1,376,465            |
| Adjustments under regulations<br>governing the procedures for<br>banking institutions to evaluate<br>assets and deal with<br>non-performing/non-accrual<br>loans | -                   | -  | -   | -  | 1,559,559   | 1,559,559            |
| Write-off  | -                   | -  | (428,126)   | (428,126)                                  | (198,879)   | (627,005)            |
| Changes in model/risk parameters   | (26,662)            | (5,642)                                    | (25,028)  | (57,332)                                   | -   | (57,332)             |
| Effect of exchange rate changes and<br>others  | 50,150              | (1,323)                                    | 330,132   | 378,959                                    | 116,879   | 495,838              |
| Balance, June 30   | <u>\$ 1,762,254</u> | <u>\$ 471,532</u>                          | <u>\$ 939,173</u>   | <u>\$ 3,172,959</u>                        | <u>\$ 13,683,614</u>  | <u>\$ 16,856,573</u> |

| For the Six Months Ended<br>June 30, 2021  | 12-month ECL        | Lifetime ECL<br>(Collectively<br>Assessed) | Lifetime ECL<br>(Non-purchased<br>or Originated<br>Credit-Impaired<br>Financial Assets) | Impairment in<br>Accordance With<br>IFRS 9 | The Adjustments<br>Under<br>Regulations<br>Governing the<br>Procedures for<br>Banking<br>Institutions to<br>Evaluate Assets<br>and Deal with<br>Non-performing/<br>Non-accrual<br>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<br>instruments that have been<br>recognized at the beginning of<br>the period:  |                     |  |   |  |   |                      |
| To lifetime ECL  | (8,368)             | 552,007                                    | (22,404)  | 521,235                                    | -   | 521,235              |
| From conversion to<br>credit-impaired financial assets   | (4,328)             | (332,524)                                  | 620,744   | 283,892                                    | -   | 283,892              |
| To 12-month ECL  | 2,666               | (637,842)                                  | (9,370)   | (644,546)                                  | -   | (644,546)            |
| Derecognizing financial assets<br>during the current period  | (1,620,126)         | (168,646)                                  | (487,085)   | (2,275,857)                                | -   | (2,275,857)          |
| Purchased or originated new<br>financial assets  | 1,652,079           | 25,242                                     | 352,500   | 2,029,821                                  | -   | 2,029,821            |
| Adjustments under regulations<br>governing the procedures for<br>banking institutions to evaluate<br>assets and deal with<br>non-performing/non-accrual<br>loans | -                   | -  | -   | -  | 684,288   | 684,288              |
| Write-off  | -                   | -  | (627,565)   | (627,565)                                  | (141,980)   | (769,545)            |
| Changes in model/risk parameters   | (21,129)            | (23,529)                                   | (37,518)  | (82,176)                                   | -   | (82,176)             |
| Effect of exchange rate changes and<br>others  | (24,309)            | (2,669)                                    | 531,909   | 504,931                                    | (19,895)  | 485,036              |
| Balance, June 30   | <u>\$ 2,169,235</u> | <u>\$ 445,241</u>                          | <u>\$ 1,320,514</u>   | <u>\$ 3,934,990</u>                        | <u>\$ 11,298,602</u>  | <u>\$ 15,233,592</u> |

## Changes in allowance for receivable

| For the Six Months Ended<br>June 30, 2022  | 12-month ECL     | Lifetime ECL<br>(Collectively<br>Assessed) | Lifetime ECL<br>(Non-purchased<br>or Originated<br>Credit-impaired<br>Financial Asset) | Impairment in<br>Accordance with<br>IFRS 9 | The Adjustments<br>Under<br>Regulations<br>Governing the<br>Procedures for<br>Banking<br>Institutions to<br>Evaluate Assets<br>and Deal with<br>Non-performing/<br>Non-accrual<br>Loans | Total             |
|--|------------------|--|--|--|---|-------------------|
| Balance, January 1   | \$ 47,494        | \$ 10,418                                  | \$ 229,570   | \$ 287,482                                 | \$ 478,159  | \$ 765,641        |
| Changes due to financial<br>instruments that have been<br>recognized at the beginning of<br>the period:  |                  |  |  |  |   |                   |
| To lifetime ECL  | (164)            | 9,769                                      | (2,190)  | 7,415                                      | -   | 7,415             |
| From conversion to<br>credit-impaired financial assets   | (6)              | (7,672)                                    | 30,545   | 22,867                                     | -   | 22,867            |
| To 12-month ECL  | 53               | (1,874)                                    | (31)   | (1,852)                                    | -   | (1,852)           |
| Derecognizing financial assets<br>during the current period  | (23,719)         | (5,025)                                    | (7,033)  | (35,777)                                   | -   | (35,777)          |
| Purchased or originated new<br>financial assets  | 10,446           | 3  | 429  | 10,878                                     | -   | 10,878            |
| Adjustments under regulations<br>governing the procedures for<br>banking institutions to evaluate<br>assets and deal with<br>non-performing/non-accrual<br>loans | -                | -  | -  | -  | (1,039)   | (1,039)           |
| Write-off  | (1)              | (168)                                      | (27,840)   | (28,009)                                   | (38,693)  | (66,702)          |
| Changes in model/risk parameters   | (217)            | (254)                                      | (1,002)  | (1,473)                                    | -   | (1,473)           |
| Effect of exchange rate changes and<br>others  | 879              | 271  | 6,946  | 8,096                                      | 14,449  | 22,545            |
| Balance, June 30   | <u>\$ 34,765</u> | <u>\$ 5,468</u>                            | <u>\$ 229,394</u>  | <u>\$ 269,627</u>                          | <u>\$ 452,876</u>   | <u>\$ 722,503</u> |

| For the Six Months Ended<br>June 30, 2021  | 12-month ECL     | Lifetime ECL<br>(Collectively<br>Assessed) | Lifetime ECL<br>(Non-purchased<br>or Originated<br>Credit-impaired<br>Financial Asset) | Impairment in<br>Accordance with<br>IFRS 9 | The Adjustments<br>Under<br>Regulations<br>Governing the<br>Procedures for<br>Banking<br>Institutions to<br>Evaluate Assets<br>and Deal with<br>Non-performing/<br>Non-accrual<br>Loans | Total             |
|--|------------------|--|--|--|---|-------------------|
| Balance, January 1   | \$ 54,009        | \$ 13,591                                  | \$ 269,688   | \$ 337,288                                 | \$ 398,229  | \$ 735,517        |
| Changes due to financial<br>instruments that have been<br>recognized at the beginning of<br>the period:  |                  |  |  |  |   |                   |
| To lifetime ECL  | (152)            | 13,616                                     | (3,079)  | 10,385                                     | -   | 10,385            |
| From conversion to<br>credit-impaired financial assets   | (13)             | (12,900)                                   | 37,131   | 24,218                                     | -   | 24,218            |
| To 12-month ECL  | 29               | (2,036)                                    | (33)   | (2,040)                                    | -   | (2,040)           |
| Derecognizing financial assets<br>during the current period  | (39,099)         | (3,742)                                    | (6,644)  | (49,485)                                   | -   | (49,485)          |
| Purchased or originated new<br>financial assets  | 24,404           | 11   | 842  | 25,257                                     | -   | 25,257            |
| Adjustments under regulations<br>governing the procedures for<br>banking institutions to evaluate<br>assets and deal with<br>non-performing/non-accrual<br>loans | -                | -  | -  | -  | 127,018   | 127,018           |
| Write-off  | (2)              | (493)                                      | (63,961)   | (64,456)                                   | (42,256)  | (106,712)         |
| Changes in model/risk parameters   | 2,504            | (502)                                      | (2,496)  | (494)                                      | -   | (494)             |
| Effect of exchange rate changes and<br>others  | (1,701)          | 846  | 2,818  | 1,963                                      | (3,438)   | (1,475)           |
| Balance, June 30   | <u>\$ 39,979</u> | <u>\$ 8,391</u>                            | <u>\$ 234,266</u>  | <u>\$ 282,636</u>                          | <u>\$ 479,553</u>   | <u>\$ 762,189</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 Six Months Ended<br>June 30, 2022     | Credit Rating    |  |  | Total            |
|---|------------------|--|--|------------------|
|   | 12-months<br>ECL | Lifetime<br>ECL-<br>Not Credit<br>Impaired | Lifetime<br>ECL-<br>Credit<br>Impaired |                  |
| Balance January 1                             | \$ 47,558        | \$ -                                       | \$ -                                   | \$ 47,558        |
| Purchased new debt instrument                 | 12,307           | -  | -                                      | 12,307           |
| Derecognized                                  | (7,191)          | -  | -                                      | (7,191)          |
| Model/risk parameters changes                 | (3,816)          | -  | -                                      | (3,816)          |
| Effect of exchange rate changes<br>and others | <u>146</u>       | <u>-</u>                                   | <u>-</u>                               | <u>146</u>       |
| Balance June 30                               | <u>\$ 49,004</u> | <u>\$ -</u>                                | <u>\$ -</u>                            | <u>\$ 49,004</u> |

| For the Six Months Ended<br>June 30, 2021     | Credit Rating    |  |  | Total            |
|---|------------------|--|--|------------------|
|   | 12-months<br>ECL | Lifetime<br>ECL-<br>Not Credit<br>Impaired | Lifetime<br>ECL-<br>Credit<br>Impaired |                  |
| Balance January 1                             | \$ 61,452        | \$ -                                       | \$ -                                   | \$ 61,452        |
| Purchased new debt instrument                 | 9,914            | -  | -                                      | 9,914            |
| Derecognized                                  | (10,891)         | -  | -                                      | (10,891)         |
| Model/risk parameters changes                 | (6,147)          | -  | -                                      | (6,147)          |
| Effect of exchange rate changes<br>and others | <u>(1,469)</u>   | <u>-</u>                                   | <u>-</u>                               | <u>(1,469)</u>   |
| Balance June 30                               | <u>\$ 52,859</u> | <u>\$ -</u>                                | <u>\$ -</u>                            | <u>\$ 52,859</u> |

Change in allowance for debt instrument at amortized cost

| For the Six Months Ended<br>June 30, 2022     | Credit Rating    |  |  | Total            |
|---|------------------|--|--|------------------|
|   | 12-months<br>ECL | Lifetime<br>ECL-<br>Not Credit<br>Impaired | Lifetime<br>ECL-<br>Credit<br>Impaired |                  |
| Balance January 1                             | \$ 13,314        | \$ -                                       | \$ -                                   | \$ 13,314        |
| Purchased new debt instrument                 | 2,772            | -  | -                                      | 2,772            |
| Derecognized                                  | (40)             | -  | -                                      | (40)             |
| Model/risk parameters changes                 | (1,048)          | -  | -                                      | (1,048)          |
| Effect of exchange rate changes<br>and others | <u>318</u>       | <u>-</u>                                   | <u>-</u>                               | <u>318</u>       |
| Balance June 30                               | <u>\$ 15,316</u> | <u>\$ -</u>                                | <u>\$ -</u>                            | <u>\$ 15,316</u> |

| For the Six Months Ended<br>June 30, 2021     | Credit Rating    |  |  | Total            |
|---|------------------|--|--|------------------|
|   | 12-months<br>ECL | Lifetime<br>ECL-<br>Not Credit<br>Impaired | Lifetime<br>ECL-<br>Credit<br>Impaired |                  |
| Balance January 1                             | \$ 11,891        | \$ -                                       | \$ -                                   | \$ 11,891        |
| Purchased new debt instrument                 | 672              | -  | -                                      | 672              |
| Derecognized                                  | (11)             | -  | -                                      | (11)             |
| Model/risk parameters changes                 | (786)            | -  | -                                      | (786)            |
| Effect of exchange rate changes<br>and others | <u>(368)</u>     | <u>-</u>                                   | <u>-</u>                               | <u>(368)</u>     |
| Balance June 30                               | <u>\$ 11,398</u> | <u>\$ -</u>                                | <u>\$ -</u>                            | <u>\$ 11,398</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 June 30, 2022, December 31, 2021 and June 30, 2021, the amount of discounts and loans were \$5,382,407, \$6,538,123 and \$6,191,268, with a provision for loss allowance of \$939,173, \$1,028,123 and \$1,320,514 under IFRS 9 Stage 3, and credit guarantees, real estate, movable assets or certificates of deposits, etc., which reduced the potential loss, amounted to \$3,196,839, \$3,721,432 and \$3,292,642.

#### 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 \$48,166,828, \$47,391,803 and \$46,833,397 on June 30, 2022, December 31, 2021 and June 30, 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 June 30, 2022, December 31, 2021 and June 30, 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   |                       |           | June 30, 2022                     |                      |                    |                             |                         |
|--|-----------------------|-----------|-----------------------------------|----------------------|--------------------|-----------------------------|-------------------------|
| Items  |                       |           | Nonperforming Loan (NPL) (Note 1) | Total Loans          | NPL Ratio (Note 2) | Loan Loss Reserves (LLR)    | Coverage Ratio (Note 3) |
| Corporate loan   | Secured               |           | \$ 453,540                        | \$ 258,125,272       | 0.18%              | \$ 3,501,445                | 772.03%                 |
|  | Unsecured             |           | 440,277                           | 336,606,497          | 0.13%              | 4,482,631                   | 1,018.14%               |
| Consumer loan  | Mortgage (Note 4)     |           | 185,629                           | 345,693,189          | 0.05%              | 5,248,410                   | 2,827.37%               |
|  | Cash card             |           | -                                 | 2,353                | -                  | 311                         | -                       |
|  | Micro credit (Note 5) |           | 79,813                            | 28,982,168           | 0.28%              | 494,744                     | 619.88%                 |
|  | Others (Note 6)       | Secured   | 251,241                           | 243,653,996          | 0.10%              | 2,555,012                   | 1,016.96%               |
|  |                       | Unsecured | 1,628                             | 2,048,682            | 0.08%              | 23,569                      | 1,447.73%               |
| Total  |                       |           | 1,412,128                         | 1,215,112,157        | 0.12%              | 16,306,122                  | 1,154.72%               |
|  |                       |           | Overdue Receivables               | Accounts Receivables | Delinquency Ratio  | Allowance for Credit Losses | Coverage Ratio          |
| Credit card  |                       |           | 21,826                            | 18,523,343           | 0.12%              | 186,691                     | 855.36%                 |
| Accounts receivable - factoring with no recourse (Notes 7 and 8) |                       |           | -                                 | 15,233,521           | -                  | 187,169                     | -                       |

| Date   |                       |           | June 30, 2021                           |                         |                       |                                |                            |
|--|-----------------------|-----------|---|-------------------------|-----------------------|--------------------------------|----------------------------|
| Items  |                       |           | Nonperforming<br>Loan (NPL)<br>(Note 1) | Total Loans             | NPL Ratio<br>(Note 2) | Loan Loss Reserves<br>(LLR)    | Coverage Ratio<br>(Note 3) |
| Corporate loan   | Secured               |           | \$ 427,390                              | \$ 239,668,051          | 0.18%                 | \$ 2,965,358                   | 693.83%                    |
|  | Unsecured             |           | 794,374                                 | 379,195,877             | 0.21%                 | 4,210,783                      | 530.08%                    |
| Consumer loan  | Mortgage (Note 4)     |           | 174,338                                 | 311,170,395             | 0.06%                 | 4,757,644                      | 2,728.98%                  |
|  | Cash card             |           | -                                       | 3,392                   | -                     | 362                            | -                          |
|  | Micro credit (Note 5) |           | 74,315                                  | 25,778,136              | 0.29%                 | 407,584                        | 548.45%                    |
|  | Others (Note 6)       | Secured   | 356,649                                 | 225,894,616             | 0.16%                 | 2,433,052                      | 682.20%                    |
|  |                       | Unsecured | 462                                     | 2,307,718               | 0.02%                 | 24,444                         | 5,290.91%                  |
| Total  |                       |           | 1,827,528                               | 1,184,018,185           | 0.15%                 | 14,799,227                     | 809.79%                    |
|  |                       |           | Overdue<br>Receivables                  | Accounts<br>Receivables | Delinquency Ratio     | Allowance for<br>Credit Losses | Coverage Ratio             |
| Credit card  |                       |           | 23,988                                  | 17,010,923              | 0.14%                 | 201,838                        | 841.41%                    |
| Accounts receivable - factoring with no recourse (Notes 7 and 8) |                       |           | -                                       | 11,348,600              | -                     | 146,866                        | -                          |

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:  $NPL \text{ ratio} = NPL \div \text{Total loans}$ .

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

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

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

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  | June 30, 2022 |                              | June 30, 2021 |                              |
|---|---------------|------------------------------|---------------|------------------------------|
| Items   | Excluded NPL  | Excluded Overdue Receivables | Excluded NPL  | Excluded Overdue Receivables |
| As a result of debt negotiation and loan agreement (Note 1) | \$ 397        | \$ 19,973                    | \$ 661        | \$ 28,791                    |
| As a result of consumer debt clearance (Note 2)             | 16,514        | 591,630                      | 18,027        | 627,651                      |
| Total   | \$ 16,911     | \$ 611,603                   | \$ 18,688     | \$ 656,442                   |

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          | June 30, 2022   |   |                             |
|---------------|---|---|-----------------------------|
| Rank (Note 1) | Industry Category (Note 2)  | Total Credit Consists of Loans (Note 3) | Percentage of Net Worth (%) |
| 1             | A Group (other holding companies)   | \$ 8,616,136                            | 6.52                        |
| 2             | B Group (real estate development activities)  | 7,219,962                               | 5.46                        |
| 3             | C Group (other holding companies)   | 6,511,712                               | 4.92                        |
| 4             | D Group (real estate development activities)  | 5,294,840                               | 4.00                        |
| 5             | E Group (metal casting)   | 5,284,822                               | 4.00                        |
| 6             | F Group (manufacture of computer, peripheral equipment and software wholesale activities) | 4,249,649                               | 3.21                        |
| 7             | G Group (real estate development activities)  | 3,888,000                               | 2.94                        |
| 8             | H Group (real estate lease and sale activities)   | 3,527,108                               | 2.67                        |
| 9             | I Company (real estate development activities)  | 3,005,000                               | 2.27                        |
| 10            | J Company (other metalworking activities)   | 3,000,000                               | 2.27                        |

| Year             | June 30, 2021                                      |   |                                   |
|------------------|--|---|-----------------------------------|
| Rank<br>(Note 1) | Industry Category (Note 2)                         | Total Credit<br>Consists of<br>Loans (Note 3) | Percentage<br>of Net<br>Worth (%) |
| 1                | A Group (packaging and testing of semi-conductors) | \$ 11,012,589                                 | 7.92                              |
| 2                | B Group (manufacture of computers)                 | 10,823,541                                    | 7.78                              |
| 3                | C Group (real estate development activities)       | 5,445,128                                     | 3.92                              |
| 4                | D Group (metal casting)                            | 5,156,807                                     | 3.71                              |
| 5                | E Group (real estate development activities)       | 5,018,650                                     | 3.61                              |
| 6                | F Group (rolling and extruding of iron and steel)  | 4,980,764                                     | 3.58                              |
| 7                | G Company (other metalworking activities)          | 4,600,000                                     | 3.31                              |
| 8                | H Group (other telecommunications industry)        | 4,095,299                                     | 2.95                              |
| 9                | I Group (real estate development activities)       | 3,739,000                                     | 2.69                              |
| 10               | J Group (real estate development activities)       | 3,528,000                                     | 2.54                              |

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. If the borrower is the group enterprise, for the risk exposure maximum, the line of industry must be disclosed. The line of industry must be classified and filled to the industry name of sub-category which is based on the industry classification standard of Department of Budget, Accounting and Statistics.

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

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

| June 30, 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                   | \$ 22,521,501 | \$ 12,864,740 | \$ 43,852,339 | \$ 1,073,481       | \$ -        | \$ 80,312,061 |
| Financial liabilities at fair value through profit or loss | -             | -             | -             | 1,742,170          | -           | 1,742,170     |
| Securities sold under repurchase agreements                | 27,767,849    | 12,689,509    | 2,838,273     | 611,196            | -           | 43,906,827    |
| Payables   | 8,034,355     | 542,511       | 158,550       | 2,262,496          | 2,344,713   | 13,342,625    |
| Deposits and remittances                                   | 1,169,760,579 | 183,706,262   | 133,665,232   | 208,738,279        | 25,393,494  | 1,721,263,846 |
| Bank debentures  | -             | 1,451,306     | 216,547       | 3,499,076          | 55,937,162  | 61,104,091    |

| 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   | 9,576,334     | 551,491       | 162,803       | 148,785            | 2,045,652   | 12,485,065    |
| 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    |

| June 30, 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                   | \$ 17,803,340 | \$ 21,339,085 | \$ 30,489,693 | \$ 8,083,783       | \$ -        | \$ 77,715,901 |
| Due to the central bank and banks                          | 10            | 22            | 32            | 130,294            | -           | 130,358       |
| Financial liabilities at fair value through profit or loss | -             | -             | -             | 1,562,900          | -           | 1,562,900     |
| Securities sold under repurchase agreements                | 8,531,535     | 1,300,611     | 1,318,411     | 1,459,643          | -           | 12,610,200    |
| Payables   | 5,462,342     | 1,052,519     | 166,743       | 1,992,687          | 2,123,513   | 10,797,804    |
| Deposits and remittances                                   | 1,087,171,948 | 171,746,164   | 201,239,734   | 236,844,029        | 24,652,620  | 1,721,654,495 |
| Bank debentures  | -             | 3,128,488     | 174,783       | 405,239            | 48,169,586  | 51,878,096    |
| Other financial liabilities - certificate of deposits      | 725,634       | -             | -             | -                  | -           | 725,634       |

## Bank SinoPac (China)

(In Thousands of CNY)

| June 30, 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 | \$ 235,188 | \$ 1,403,368 | \$ -        | \$ -               | \$ -        | \$ 1,638,556 |
| Payables                                 | 317,786    | 201,829      | 402,163     | 107,835            | -           | 1,029,613    |
| Deposits and remittances                 | 6,172,983  | 995,000      | 1,293,868   | 2,350,770          | 53,882      | 10,866,503   |

(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     | 116,672            | -           | 1,050,426    |
| Deposits and remittances                    | 4,321,632 | 1,937,420  | 1,340,063   | 2,591,947          | 161,781     | 10,352,843   |

(In Thousands of CNY)

| June 30, 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 | \$ 311,307 | \$ 589,144 | \$ 66,059   | \$ 633,679         | \$ -        | \$ 1,600,189 |
| Payables                                 | 278,374    | 239,319    | 134,198     | 88,082             | -           | 739,973      |
| Deposits and remittances                 | 3,380,549  | 887,206    | 2,302,375   | 181,766            | 140,819     | 6,892,715    |

### 3) Maturity analysis of financial derivatives

#### 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

| June 30, 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 | \$ 7,529,421 | \$ -       | \$ -        | \$ -               | \$ -        | \$ 7,529,421 |

| 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 |

| June 30, 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 | \$ 3,115,901 | \$ -       | \$ -        | \$ -               | \$ -        | \$ 3,115,901 |

### Bank SinoPac (China)

(In Thousands of CNY)

| June 30, 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 | \$ 17,429 | \$ -       | \$ -        | \$ -               | \$ -        | \$ 17,429 |

(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)

| June 30, 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 | \$ 5,426  | \$ -       | \$ -        | \$ -               | \$ -        | \$ 5,426 |

### 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

| June 30, 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  | \$ 622,801,738 | \$ 498,023,418 | \$ 379,700,427 | \$ 286,556,804     | \$ 21,251,013 | \$ 1,808,333,400 |
| Cash outflow   | 622,138,171    | 496,877,583    | 378,942,921    | 287,565,302        | 21,041,097    | 1,806,565,074    |

| 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    |

| June 30, 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  | \$ 287,879,139 | \$ 244,235,082 | \$ 181,449,381 | \$ 253,946,236     | \$ 7,141,437 | \$ 974,651,275 |
| Cash outflow   | 288,481,225    | 244,071,714    | 181,970,187    | 253,930,103        | 7,148,445    | 975,601,674    |

## Bank SinoPac (China)

(In Thousands of CNY)

| June 30, 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  | \$ 2,531,375      | \$ 3,054,632 | \$ 7,049,871       | \$ 632,527 | \$ -         | \$ 13,268,405 |
| Cash outflow   | 2,518,203         | 3,036,403    | 7,017,624          | 629,346    | -            | 13,201,576    |

(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)

| June 30, 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  | \$ 2,472,440      | \$ 3,510,774 | \$ 4,854,358       | \$ 492,098 | \$ -         | \$ 11,329,670 |
| Cash outflow   | 2,516,873         | 3,520,127    | 4,863,240          | 493,975    | -            | 11,394,215    |

### 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

| June 30, 2022            | 0-30 Days    | 31-90 Days   | 91-180 Days  | 181 Days to 1 Year | Over 1 Year   | Total         |
|--------------------------|--------------|--------------|--------------|--------------------|---------------|---------------|
| Undrawn loan commitments | \$ 4,002,080 | \$ 1,862,291 | \$ 1,364,628 | \$ 6,289,086       | \$ 31,650,873 | \$ 45,168,958 |
| Guarantees               | 9,163,089    | 7,808,256    | 2,704,123    | 5,611,971          | 10,413,107    | 35,700,546    |
| Standby letter of credit | 2,034,172    | 2,695,742    | 1,679,790    | 660,884            | -             | 7,070,588     |

| 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     |

| June 30, 2021            | 0-30 Days  | 31-90 Days   | 91-180 Days  | 181 Days to 1 Year | Over 1 Year   | Total         |
|--------------------------|------------|--------------|--------------|--------------------|---------------|---------------|
| Undrawn loan commitments | \$ 271,409 | \$ 5,076,314 | \$ 3,139,796 | \$ 5,299,200       | \$ 34,246,468 | \$ 48,033,187 |
| Guarantees               | 8,418,557  | 8,830,318    | 4,152,913    | 3,861,324          | 8,187,873     | 33,450,985    |
| Standby letter of credit | 2,050,752  | 3,886,335    | 1,450,565    | 155,789            | -             | 7,543,441     |

Bank SinoPac (China)

(In Thousands of CNY)

| June 30, 2022             | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days to 1 Year | Over 1 Year | Total     |
|---------------------------|-----------|------------|-------------|--------------------|-------------|-----------|
| Undrawn loans commitments | \$ 31,016 | \$ 3,753   | \$ 26,413   | \$ -               | \$ 636      | \$ 61,818 |
| Guarantee                 | 25,994    | 132,823    | 330,137     | 195,144            | 96,539      | 780,637   |
| Standby letter of credit  | 10,852    | 94,093     | -           | -                  | -           | 104,945   |

(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)

| June 30, 2021             | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days to 1 Year | Over 1 Year | Total      |
|---------------------------|-----------|------------|-------------|--------------------|-------------|------------|
| Undrawn loans commitments | \$ -      | \$ 5,938   | \$ -        | \$ 3,709           | \$ 141,808  | \$ 151,455 |
| Guarantee                 | 123,332   | 160,470    | 242,257     | 310,052            | 179,449     | 1,015,560  |
| Standby letter of credit  | 74,192    | 27,361     | 56,100      | 108,947            | -           | 266,600    |

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:

| June 30, 2022                   | Less than 1 Year | 1-5 Years    | Over 5 Years | Total        |
|---------------------------------|------------------|--------------|--------------|--------------|
| Lease agreement commitments     |                  |              |              |              |
| Lease liabilities (lessee)      | \$ 700,233       | \$ 1,610,111 | \$ 805,359   | \$ 3,115,703 |
| Operating lease income (lessor) | 86,330           | 147,505      | -            | 233,835      |

| 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      |

| June 30, 2021                   | Less than 1 Year | 1-5 Years    | Over 5 Years | Total        |
|---------------------------------|------------------|--------------|--------------|--------------|
| Lease agreement commitments     |                  |              |              |              |
| Lease liabilities (lessee)      | \$ 615,496       | \$ 1,298,184 | \$ 846,144   | \$ 2,759,824 |
| Operating lease income (lessor) | 86,567           | 212,252      | 6,235        | 305,054      |



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)

|                                  | June 30, 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  | \$ 1,870,306,894 | \$ 182,006,662 | \$ 211,479,956 | \$ 229,912,210 | \$ 168,038,823 | \$ 172,917,981     | \$ 905,951,262 |
| Main capital outflow on maturity | 2,256,052,038    | 105,194,945    | 157,062,930    | 301,032,414    | 341,954,615    | 476,824,958        | 873,982,176    |
| Gap                              | (385,745,144)    | 76,811,717     | 54,417,026     | (71,120,204)   | (173,915,792)  | (303,906,977)      | 31,969,086     |

|                                  | June 30, 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  | \$ 1,809,356,297 | \$ 198,914,249 | \$ 250,413,913 | \$ 199,029,854 | \$ 142,353,706 | \$ 195,393,794     | \$ 823,250,781 |
| Main capital outflow on maturity | 2,127,265,399    | 84,132,397     | 139,006,291    | 289,446,546    | 295,420,963    | 509,052,773        | 810,206,429    |
| Gap                              | (317,909,102)    | 114,781,852    | 111,407,622    | (90,416,692)   | (153,067,257)  | (313,658,979)      | 13,044,352     |

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)

|                                  | June 30, 2022 |               |               |              |                    |              |
|----------------------------------|---------------|---------------|---------------|--------------|--------------------|--------------|
|                                  | Total         | 0-30 Days     | 31-90 Days    | 91-180 Days  | 181 Days to 1 Year | Over 1 Year  |
| Main capital inflow on maturity  | \$ 50,556,556 | \$ 16,281,346 | \$ 11,116,229 | \$ 8,227,944 | \$ 5,856,011       | \$ 9,075,026 |
| Main capital outflow on maturity | 51,582,873    | 16,568,564    | 12,890,846    | 8,939,452    | 7,481,579          | 5,702,432    |
| Gap                              | (1,026,317)   | (287,218)     | (1,774,617)   | (711,508)    | (1,625,568)        | 3,372,594    |

(In Thousands of U.S. Dollars)

|                                  | June 30, 2021 |              |              |              |                    |              |
|----------------------------------|---------------|--------------|--------------|--------------|--------------------|--------------|
|                                  | Total         | 0-30 Days    | 31-90 Days   | 91-180 Days  | 181 Days to 1 Year | Over 1 Year  |
| Main capital inflow on maturity  | \$ 35,288,327 | \$ 9,111,978 | \$ 7,021,340 | \$ 4,465,574 | \$ 5,714,302       | \$ 8,975,133 |
| Main capital outflow on maturity | 36,469,593    | 9,549,075    | 7,194,918    | 7,099,627    | 7,501,224          | 5,124,749    |
| Gap                              | (1,181,266)   | (437,097)    | (173,578)    | (2,634,053)  | (1,786,922)        | 3,850,384    |

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 by petition accordingly. The executive division coordinates with relevant divisions to formulate the plan and submit to president for approval then submit the plan to the asset and liability management committee after implementation.

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 June 30, 2022, the Bank has identified all information systems and internal processes that need to be updated and has finished the updating, 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 June 30, 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       | \$ 139,413,432   | \$ -                  |
| EUR LIBOR       | -                | -                     |
| GBP LIBOR       | -                | -                     |
| JPY LIBOR       | -                | -                     |
| CHF LIBOR       | -                | -                     |
| Total           | \$ 139,413,432   | \$ -                  |

| <b>Derivatives</b> | <b>Notional Amount</b> |
|--------------------|------------------------|
| USD LIBOR          | \$ 47,517,997          |
| EUR LIBOR          | -                      |
| GBP LIBOR          | -                      |
| JPY LIBOR          | -                      |
| CHF LIBOR          | -                      |
| Total              | \$ 47,517,997          |

## 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 Six Months Ended June 30, 2022</b> |                |                |
|--------------------|---|----------------|----------------|
|                    | <b>Average</b>                                | <b>Maximum</b> | <b>Minimum</b> |
| Exchange rate risk | 20,854  | 33,786         | 8,748          |
| Interest rate risk | 62,326  | 186,224        | 30,050         |
| Equity risk        | 2,849   | 6,180          | 602            |
| Total VaR          | 64,967  | 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 - 2021.06.30.

|                    | <b>For the Six Months Ended June 30, 2021</b> |                |                |
|--------------------|---|----------------|----------------|
|                    | <b>Average</b>                                | <b>Maximum</b> | <b>Minimum</b> |
| Exchange rate risk | 17,229  | 39,447         | 11,289         |
| Interest rate risk | 33,529  | 58,153         | 20,737         |
| Equity risk        | 4,745   | 13,291         | -              |
| Total VaR          | 39,654  | 68,237         | 22,885         |

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

Note 2: Historical data period: 2021.01.04 - 2021.06.30.

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

(In Thousands of CNY)

|                    | For the Six Months Ended June 30, 2022 |         |         |
|--------------------|--|---------|---------|
|                    | Average                                | Maximum | Minimum |
| Exchange rate risk | 2,865                                  | 5,507   | 1,283   |
| Interest rate risk | 166                                    | 585     | 12      |
| Equity risk        | -                                      | -       | -       |
| Total VaR          | 527                                    | 1,258   | 306     |

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

Note 2: Historical data period: 2022.01.01 - 2022.06.30.

(In Thousands of CNY)

|                    | For the Six Months Ended June 30, 2021 |         |         |
|--------------------|--|---------|---------|
|                    | Average                                | Maximum | Minimum |
| Exchange rate risk | 2,373                                  | 4,394   | 1,518   |
| Interest rate risk | 85                                     | 581     | 26      |
| Equity risk        | -                                      | -       | -       |
| Total VaR          | 362                                    | 2,060   | 155     |

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

Note 2: Historical data period: 2021.01.01 - 2021.06.30.

### 13) Exchange rate risks

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

| June 30, 2022                |                                       |               |                     |
|------------------------------|---------------------------------------|---------------|---------------------|
|                              | Foreign<br>Currency<br>(In Thousands) | Exchange Rate | Converted to<br>NTD |
| <u>Financial assets</u>      |                                       |               |                     |
| Monetary items               |                                       |               |                     |
| USD                          | \$ 17,478,942                         | 29.72900      | \$ 519,631,467      |
| CNY                          | 17,426,841                            | 4.44088       | 77,390,510          |
| Nonmonetary items            |                                       |               |                     |
| USD                          | 428,211                               | 29.72900      | 12,730,285          |
| <u>Financial liabilities</u> |                                       |               |                     |
| Monetary items               |                                       |               |                     |
| USD                          | 20,284,638                            | 29.72900      | 603,042,003         |
| CNY                          | 16,749,644                            | 4.44088       | 74,383,159          |



| December 31, 2021            |                                       |               |                     |
|------------------------------|---------------------------------------|---------------|---------------------|
|                              | Foreign<br>Currency<br>(In Thousands) | Exchange Rate | Converted to<br>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          |
| June 30, 2021                |                                       |               |                     |
|                              | Foreign<br>Currency<br>(In Thousands) | Exchange Rate | Converted to<br>NTD |
| <u>Financial assets</u>      |                                       |               |                     |
| Monetary items               |                                       |               |                     |
| USD                          | \$ 15,657,962                         | 27.87001      | \$ 436,387,558      |
| CNY                          | 16,859,829                            | 4.31518       | 72,753,197          |
| Nonmonetary items            |                                       |               |                     |
| USD                          | 396,608                               | 27.87001      | 11,053,469          |
| <u>Financial liabilities</u> |                                       |               |                     |
| Monetary items               |                                       |               |                     |
| USD                          | 18,767,280                            | 27.87001      | 523,044,281         |
| CNY                          | 16,029,710                            | 4.31518       | 69,171,084          |

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

a) Interest rate sensitivity information (New Taiwan dollars)

June 30, 2022

| Items  | 1 to 90 Days     | 91 to 180 Days | 181 Days to<br>1 Year | Over 1 Year    | Total            |
|--|------------------|----------------|-----------------------|----------------|------------------|
| Interest rate-sensitive assets                             | \$ 1,132,271,978 | \$ 23,057,427  | \$ 64,922,872         | \$ 114,130,104 | \$ 1,334,382,381 |
| Interest rate-sensitive liabilities                        | 326,389,598      | 772,120,325    | 58,510,927            | 65,013,435     | 1,222,034,285    |
| Interest rate-sensitive gap                                | 805,882,380      | (749,062,898)  | 6,411,945             | 49,116,669     | 112,348,096      |
| Net worth  |                  |                |                       |                | 139,872,060      |
| Ratio of interest rate-sensitive assets to liabilities (%) |                  |                |                       |                | 109.19%          |
| Ratio of interest rate-sensitive gap to net worth (%)      |                  |                |                       |                | 80.32%           |

**June 30, 2021**

| Items  | 1 to 90 Days     | 91 to 180 Days | 181 Days to 1 Year | Over 1 Year    | Total            |
|--|------------------|----------------|--------------------|----------------|------------------|
| Interest rate-sensitive assets                             | \$ 1,114,582,872 | \$ 31,341,665  | \$ 112,497,782     | \$ 124,417,716 | \$ 1,382,840,035 |
| Interest rate-sensitive liabilities                        | 328,490,869      | 758,021,054    | 108,803,189        | 56,863,987     | 1,252,179,099    |
| Interest rate-sensitive gap                                | 786,092,003      | (726,679,389)  | 3,694,593          | 67,553,729     | 130,660,936      |
| Net worth  |                  |                |                    |                | 136,800,826      |
| Ratio of interest rate-sensitive assets to liabilities (%) |                  |                |                    |                | 110.43%          |
| Ratio of interest rate-sensitive gap to net worth (%)      |                  |                |                    |                | 95.51%           |

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)

**June 30, 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                             | \$ 11,055,155 | \$ 525,300     | \$ 495,919         | \$ 3,471,356 | \$ 15,547,730 |
| Interest rate-sensitive liabilities                        | 7,443,974     | 8,993,968      | 943,986            | 228,864      | 17,610,792    |
| Interest rate-sensitive gap                                | 3,611,181     | (8,468,668)    | (448,067)          | 3,242,492    | (2,063,062)   |
| Net worth  |               |                |                    |              | (186,325)     |
| Ratio of interest rate-sensitive assets to liabilities (%) |               |                |                    |              | 88.29%        |
| Ratio of interest rate-sensitive gap to net worth (%)      |               |                |                    |              | 1,107.24%     |

**June 30, 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                             | \$ 9,998,665 | \$ 602,080     | \$ 237,242         | \$ 3,476,195 | \$ 14,314,182 |
| Interest rate-sensitive liabilities                        | 4,947,713    | 10,285,322     | 1,564,997          | 88,599       | 16,886,631    |
| Interest rate-sensitive gap                                | 5,050,952    | (9,683,242)    | (1,327,755)        | 3,387,596    | (2,572,449)   |
| Net worth  |              |                |                    |              | 52,550        |
| Ratio of interest rate-sensitive assets to liabilities (%) |              |                |                    |              | 84.77%        |
| Ratio of interest rate-sensitive gap to net worth (%)      |              |                |                    |              | (4,895.24%)   |

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   | June 30, 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<br>Transactions under repurchase agreements | \$ 17,490,983                             | \$ 16,998,716                              | \$ 17,490,983                             | \$ 16,998,716                              | \$ 492,267                |
| Investments in debt instruments at amortized cost<br>Transactions under repurchase agreements                 | 409,532                                   | 390,247                                    | 410,180                                   | 390,247                                    | 19,933                    |
| Securities purchased under resell agreements<br>Transactions under repurchase agreements                      | 25,033,925                                | 26,420,274                                 | 25,033,925                                | 26,420,274                                 | (1,386,349)               |

| 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<br>Transactions under repurchase agreements | \$ 2,735,542                              | \$ 2,650,255                               | \$ 2,735,542                              | \$ 2,650,255                               | \$ 85,287                 |
| Securities purchased under resell agreements<br>Transactions under repurchase agreements                      | 6,671,855                                 | 7,087,481                                  | 6,671,855                                 | 7,087,481                                  | (415,626)                 |

| Category of Financial Asset   | June 30, 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<br>Transactions under repurchase agreements | \$ 3,902,330                              | \$ 3,811,039                               | \$ 3,902,330                              | \$ 3,811,039                               | \$ 91,291                 |
| Securities purchased under resell agreements<br>Transactions under repurchase agreements                      | 8,307,327                                 | 8,723,664                                  | 8,307,327                                 | 8,723,664                                  | (416,337)                 |

## 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:

### June 30, 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                       | \$ 29,642,945                              | \$ -  | \$ 29,642,945                            | \$ 10,411,545                                  | \$ 1,052,771                 | \$ 18,178,629        |
| Securities purchased under resell agreements | 57,317,363                                 | -   | 57,317,363                               | 57,315,517                                     | -                            | 1,846                |
|  | <u>\$ 86,960,308</u>                       | <u>\$ -</u>   | <u>\$ 86,960,308</u>                     | <u>\$ 67,727,062</u>                           | <u>\$ 1,052,771</u>          | <u>\$ 18,180,475</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                      | \$ 27,817,908                                   | \$ -   | \$ 27,817,908                                 | \$ 10,411,545                                  | \$ 6,627,804             | \$ 10,778,559        |
| Securities sold under repurchase agreements | 43,809,237                                      | -  | 43,809,237                                    | 43,798,378                                     | 10,859                   | -                    |
|   | <u>\$ 71,627,145</u>                            | <u>\$ -</u>  | <u>\$ 71,627,145</u>                          | <u>\$ 54,209,923</u>                           | <u>\$ 6,638,663</u>      | <u>\$ 10,778,559</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 | 46,121,524                                 | -   | 46,121,524                               | 46,110,329                                     | -                            | 11,195              |
|  | <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.

June 30, 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                       | \$ 10,841,009                              | \$ -  | \$ 10,841,009                            | \$ 4,837,565                                   | \$ 2,146,292                 | \$ 3,857,152        |
| Securities purchased under resell agreements | <u>69,285,428</u>                          | <u>-</u>  | <u>69,285,428</u>                        | <u>69,274,955</u>                              | <u>-</u>                     | <u>10,473</u>       |
|  | <u>\$ 80,126,437</u>                       | <u>\$ -</u>   | <u>\$ 80,126,437</u>                     | <u>\$ 74,112,520</u>                           | <u>\$ 2,146,292</u>          | <u>\$ 3,867,625</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                      | \$ 11,835,964                                   | \$ -   | \$ 11,835,964                                 | \$ 4,837,565                                   | \$ 760,234               | \$ 6,238,165        |
| Securities sold under repurchase agreements | <u>12,598,303</u>                               | <u>-</u>   | <u>12,598,303</u>                             | <u>12,598,303</u>                              | <u>-</u>                 | <u>-</u>            |
|   | <u>\$ 24,434,267</u>                            | <u>\$ -</u>  | <u>\$ 24,434,267</u>                          | <u>\$ 17,435,868</u>                           | <u>\$ 760,234</u>        | <u>\$ 6,238,165</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 the "Regulations Governing the Capital Adequacy and Capital Category of Banks", etc., and is managed by the Group's risk management and financing divisions.

### c. Statement of capital adequacy

| Analysis Items                                 |                            |  | Year           | June 30, 2022  |  |
|--|----------------------------|--|----------------|----------------|--|
|  |                            |  | Standalone     | Consolidation  |  |
| Eligible capital                               | Common stock equity        |  | \$ 126,244,061 | \$ 126,131,891 |  |
|  | Other Tier 1 capital       |  | 25,500,000     | 25,500,000     |  |
|  | Tier 2 capital             |  | 36,284,850     | 36,861,660     |  |
|  | Eligible capital           |  | 188,028,911    | 188,493,551    |  |
| Risk-weighted assets                           | Credit risk                | Standardized approach                                    | 1,146,792,902  | 1,192,937,664  |  |
|  |                            | Internal rating - based approach                         | -              | -              |  |
|  |                            | Securitization   | -              | -              |  |
|  | Operational risk           | Basic indicator approach                                 | 50,726,187     | 52,454,161     |  |
|  |                            | Standardized approach/ alternative standardized approach | -              | -              |  |
|  |                            | Advanced measurement approach                            | -              | -              |  |
|  | Market risk                | Standardized approach                                    | 43,625,433     | 44,808,296     |  |
|  |                            | Internal model approach                                  | -              | -              |  |
|  | Total risk-weighted assets |  | 1,241,144,522  | 1,290,200,121  |  |
| Capital adequacy ratio                         |                            |  | 15.15%         | 14.61%         |  |
| Common stock equity risk - based capital ratio |                            |  | 10.17%         | 9.78%          |  |
| Tier 1 risk - based capital ratio              |                            |  | 12.23%         | 11.75%         |  |
| Leverage ratio                                 |                            |  | 6.66%          | 6.62%          |  |

| Analysis Items                                 |                            |  | Year | December 31, 2021 |               |               |
|--|----------------------------|--|------|-------------------|---------------|---------------|
|  |                            |  |      | Standalone        | Consolidation |               |
| Eligible capital                               | Common stock equity        |  | \$   | 132,290,534       | \$            | 134,619,600   |
|  | Other Tier 1 capital       |  |      | 18,058,460        |               | 20,500,000    |
|  | Tier 2 capital             |  |      | 32,523,527        |               | 38,218,773    |
|  | Eligible capital           |  |      | 182,872,521       |               | 193,338,373   |
| Risk-weighted assets                           | Credit risk                | Standardized approach                                    |      | 1,070,623,669     |               | 1,135,596,901 |
|  |                            | Internal rating - based approach                         |      | -                 |               | -             |
|  |                            | Securitization   |      | -                 |               | -             |
|  | Operational risk           | Basic indicator approach                                 |      | 50,726,187        |               | 52,454,161    |
|  |                            | Standardized approach/ alternative standardized approach |      | -                 |               | -             |
|  |                            | Advanced measurement approach                            |      | -                 |               | -             |
|  | Market risk                | Standardized approach                                    |      | 35,846,921        |               | 36,848,684    |
|  |                            | Internal model approach                                  |      | -                 |               | -             |
|  | Total risk-weighted assets |  |      |                   | 1,157,196,777 |               |
| Capital adequacy ratio                         |                            |  |      | 15.80%            |               | 15.78%        |
| Common stock equity risk - based capital ratio |                            |  |      | 11.43%            |               | 10.99%        |
| Tier 1 risk - based capital ratio              |                            |  |      | 12.99%            |               | 12.66%        |
| Leverage ratio                                 |                            |  |      | 6.66%             |               | 6.83%         |

| Analysis Items                                 |                            |   | Year           | June 30, 2021  |               |
|--|----------------------------|---|----------------|----------------|---------------|
|  |                            |   |                | Standalone     | Consolidation |
| Eligible capital                               | Common stock equity        |   | \$ 127,082,639 | \$ 129,368,166 |               |
|  | Other Tier 1 capital       |   | 14,829,631     | 17,220,000     |               |
|  | Tier 2 capital             |   | 32,166,518     | 37,590,122     |               |
|  | Eligible capital           |   | 174,078,788    | 184,178,288    |               |
| Risk-weighted assets                           | Credit risk                | Standardized approach                                       | 1,055,071,748  | 1,106,501,043  |               |
|  |                            | Internal rating - based approach                            | -              | -              |               |
|  |                            | Securitization  | -              | -              |               |
|  | Operational risk           | Basic indicator approach                                    | 47,241,106     | 49,534,891     |               |
|  |                            | Standardized approach/<br>alternative standardized approach | -              | -              |               |
|  |                            | Advanced measurement approach                               | -              | -              |               |
|  | Market risk                | Standardized approach                                       | 34,289,730     | 34,792,805     |               |
|  |                            | Internal model approach                                     | -              | -              |               |
|  | Total risk-weighted assets |   | 1,136,602,584  | 1,190,828,739  |               |
| Capital adequacy ratio                         |                            |   | 15.32%         | 15.47%         |               |
| Common stock equity risk - based capital ratio |                            |   | 11.18%         | 10.86%         |               |
| Tier 1 risk - based capital ratio              |                            |   | 12.49%         | 12.31%         |               |
| Leverage ratio                                 |                            |   | 6.51%          | 6.68%          |               |

Note 1: These tables were filled according to “Regulations Governing the Capital Adequacy Ratio of Banks” and related calculation tables.

Note 2: The Bank shall disclose the capital adequacy ratio for the current and previous period in annual financial reports. For semiannual financial report, the Bank shall disclose the capital adequacy ratio for the current period, previous period, and previous year-end.

Note 3: The formula is as follows:

- 1) Eligible capital = Common stock equity + Other Tier 1 capital + Tier 2 capital.
- 2) Total risk-weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirement for market risk) x 12.5.
- 3) Ratio of capital adequacy = Eligible capital ÷ Total risk-weighted assets.
- 4) Common stock equity risk-based capital ratio = Common stock equity ÷ Total risk-weighted assets.
- 5) Tier 1 risk-based capital ratio = (Common stock equity + Other Tier 1 capital) ÷ Total risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital ÷ Total exposure risk.

Note 4: In accordance with Financial Supervisory Commission Guideline No. 09900146911, gains from the sale of idle assets are not to be included in the Bank’s capital adequacy ratio calculation until disposed outside the Group.

Note 5: Under Order No. 10902745641 issued by the FSC, which referred to the amendment of “Eligible Capital and Risk-weighted Assets Calculation and Related Tables”, the real-estate-secured loans are divided into three types: “residential real estate exposures”, “commercial real estate exposures” and “land acquisition, development and construction exposures”; each type was given different risk weight based on the real estate loan ratio and type when the capital adequacy ratio was calculated as from December 31, 2020.



#### 46. CROSS-SELLING INFORMATION

For the six months ended June 30, 2022 and 2021, the Bank charged SinoPac Securities for \$3,853 and \$6,136, respectively, as marketing and opening accounts.

The Bank paid to SinoPac Securities \$2,703 and \$2,457 for the six months ended June 30, 2022 and 2021 for bonus as part of the cross-selling agreement.

The Bank charged SinoPac Leasing for \$31 and \$198 for the six months ended June 30, 2022 and 2021 for bonus as part of the cross-selling agreement.

The Bank paid to SinoPac Leasing \$11 and \$13 for the six months ended June 30, 2022 and 2021 for bonus as part of the cross-selling agreement.

The Bank paid to SinoPac Venture Capital \$6 for the six months ended June 30, 2021 for bonus as 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                  |                   | June 30, 2022 | June 30, 2021 |
|------------------------|-------------------|---------------|---------------|
| Return on total assets | Before income tax | 0.41%         | 0.34%         |
|                        | After income tax  | 0.35%         | 0.29%         |
| Return on net worth    | Before income tax | 6.39%         | 4.90%         |
|                        | After income tax  | 5.45%         | 4.24%         |
| Profit margin          |                   | 40.20%        | 38.26%        |

Note 1:  $\text{Return on total assets} = \text{Income before (after) income tax} \div \text{Average total assets}$ .

Note 2:  $\text{Return on net worth} = \text{Income before (after) income tax} \div \text{Average net worth}$ .

Note 3:  $\text{Profit margin} = \text{Income after income tax} \div \text{Net revenues}$ .

Note 4: Income before (after) income tax represents income for the six months ended June 30, 2022 and 2021.

#### 48. TRUST BUSINESS UNDER THE TRUST LAW

##### a. Balance sheets, income statement and trust properties of trust accounts

These statements were managed by the Bank's Trust Department. However, these items were not included in the Bank's financial statements.

#### Balance Sheets of Trust Accounts June 30, 2022 and 2021

|                                     | June 30               |            |                       |            |
|-------------------------------------|-----------------------|------------|-----------------------|------------|
|                                     | 2022                  | %          | 2021                  | %          |
| <u>Trust assets</u>                 |                       |            |                       |            |
| Bank deposits                       | \$ 8,493,227          | 1          | \$ 6,306,651          | 1          |
| Bonds                               | 18,134,330            | 3          | 15,186,797            | 3          |
| Stocks                              | 29,385,423            | 4          | 18,585,282            | 3          |
| Funds                               | 119,093,336           | 17         | 110,670,322           | 19         |
| Securities lent                     | 504,178               | -          | 1,015,247             | -          |
| Receivables                         | 1,193,397             | -          | 307,641               | -          |
| Prepayments                         | 78                    | -          | 41                    | -          |
| Real estate                         |                       |            |                       |            |
| Land                                | 19,270,980            | 3          | 15,303,154            | 3          |
| Buildings                           | 126,081               | -          | 148,008               | -          |
| Construction in progress            | 6,977,128             | 1          | 2,973,137             | -          |
| Securities under custody            | <u>498,585,097</u>    | <u>71</u>  | <u>414,122,330</u>    | <u>71</u>  |
| Total trust assets                  | <u>\$ 701,763,255</u> | <u>100</u> | <u>\$ 584,618,610</u> | <u>100</u> |
| <u>Trust liabilities</u>            |                       |            |                       |            |
| Payables                            | \$ 1,667              | -          | \$ 1,450              | -          |
| Payable on securities under custody | 498,585,097           | 71         | 414,122,330           | 71         |
| Trust capital                       | 199,777,475           | 28         | 166,439,887           | 28         |
| Reserves and cumulative earnings    |                       |            |                       |            |
| Net income                          | (2,206,227)           | -          | 1,522,352             | -          |
| Cumulative earnings                 | 5,713,851             | 1          | 2,551,788             | 1          |
| Deferred amount                     | <u>(108,608)</u>      | <u>-</u>   | <u>(19,197)</u>       | <u>-</u>   |
| Total trust liabilities             | <u>\$ 701,763,255</u> | <u>100</u> | <u>\$ 584,618,610</u> | <u>100</u> |

Note: As of June 30, 2022 and 2021, the Bank's Offshore Banking Unit invested in foreign securities under specific purpose trust accounts amounting to \$5,224,986 and \$4,345,734, respectively. As of June 30, 2022 and 2021, the Bank's Offshore Banking Unit invested in domestic securities under specific purpose trust accounts amounting to \$1,032,393 and \$843,356, respectively.

### Income Statements of Trust Account

|                                     | For the Six Months Ended June 30 |              |                     |            |
|-------------------------------------|----------------------------------|--------------|---------------------|------------|
|                                     | 2022                             | %            | 2021                | %          |
| Trust income                        |                                  |              |                     |            |
| Interest income                     | \$ 10,049                        | 1            | \$ 5,760            | -          |
| Borrowed Securities income          | 11,241                           | 1            | 7,920               | 1          |
| Cash dividends                      | 1,012,466                        | 89           | 161,524             | 11         |
| Gains from beneficial certificates  | 21,813                           | 2            | 18,989              | 1          |
| Realized investment income          | 68,925                           | 6            | 75,522              | 5          |
| Unrealized investment income        | 4,916                            | -            | 1,254,681           | 82         |
| Other revenues                      | <u>11,038</u>                    | <u>1</u>     | <u>7,472</u>        | <u>-</u>   |
| Total trust income                  | <u>1,140,448</u>                 | <u>100</u>   | <u>1,531,868</u>    | <u>100</u> |
| Trust expense                       |                                  |              |                     |            |
| Trust administrative expenses       | 4,457                            | -            | 3,407               | -          |
| Donation expense - charitable trust | 3,399                            | -            | 5,407               | -          |
| Realized investment loss            | 4,268                            | -            | 284                 | -          |
| Unrealized investment loss          | 3,334,164                        | 292          | -                   | -          |
| Other expense                       | <u>387</u>                       | <u>-</u>     | <u>418</u>          | <u>-</u>   |
| Total trust expense                 | <u>3,346,675</u>                 | <u>292</u>   | <u>9,516</u>        | <u>-</u>   |
| (Loss) income before income tax     | (2,206,227)                      | (192)        | 1,522,352           | 100        |
| Income tax expense                  | <u>-</u>                         | <u>-</u>     | <u>-</u>            | <u>-</u>   |
| (Loss) income after income tax      | <u>\$ (2,206,227)</u>            | <u>(192)</u> | <u>\$ 1,522,352</u> | <u>100</u> |

### Trust Properties of Trust Accounts June 30, 2022 and 2021

| Investment Portfolio     | June 30               |                       |
|--------------------------|-----------------------|-----------------------|
|                          | 2022                  | 2021                  |
| Bank deposits            | \$ 8,493,227          | \$ 6,306,651          |
| Bonds                    | 18,134,330            | 15,186,797            |
| Stocks                   | 29,385,423            | 18,585,282            |
| Funds                    | 119,093,336           | 110,670,322           |
| Securities lent          | 504,178               | 1,015,247             |
| Real estate              |                       |                       |
| Land                     | 19,270,980            | 15,303,154            |
| Buildings                | 126,081               | 148,008               |
| Construction in progress | 6,977,128             | 2,973,137             |
| Securities under custody | <u>498,585,097</u>    | <u>414,122,330</u>    |
| Total                    | <u>\$ 700,569,780</u> | <u>\$ 584,310,928</u> |

- b. The operations of the Bank's Trust Department consist of planning, managing and operating of trust business and affiliated business. These operations are governed by the Banking Law and the Trust Law.

## 49. 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<br>(Note) |
| 2   | Endorsements/guarantees provided  | None<br>(Note) |
| 3   | Marketable securities held  | None<br>(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<br>(Note) |
| 5   | Derivative transactions   | Note 8         |

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: Table 3.
- d. Information on incorporate branches and investment in Mainland China: Table 4.
- e. Information of major shareholders: Due to The Bank is not-listed on the Exchange and OTC Banking, not required for disclosure.

## 50. 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 six months ended June 30, 2022 and 2021 are without change. The Bank reports the following:

Domestic branches: Provide services and products through 123 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 Six Months Ended June 30, 2022 |                       |                   |              |                    |                        |               |
|---------------|---|--|-----------------------|-------------------|--------------|--------------------|------------------------|---------------|
|               |   | Domestic Branches                      | Financial Transaction | Overseas Branches | Others       | Operating Segments | Non-operating Segments | Total         |
| Income (loss) | Net interest revenue  | \$ 7,760,007                           | \$ (70,786)           | \$ 1,660,450      | \$ 1,303,460 | \$ 10,653,131      | \$ 1,012,821           | \$ 11,665,952 |
|               | Interest income   | 9,402,177                              | (4,253)               | 2,344,440         | 1,914,752    | 13,657,116         | 3,274,999              | 16,932,115    |
|               | Revenue amount segments   | 2,018,699                              | 12,992                | (286,196)         | (162,529)    | 1,582,966          | (1,582,966)            | -             |
|               | Interest expenses   | (3,660,869)                            | (79,525)              | (397,794)         | (448,763)    | (4,586,951)        | (679,212)              | (5,266,163)   |
|               | Service fee and commissions income, net                                       | 4,288,411                              | (30,001)              | 378,907           | 332,554      | 4,969,871          | (165,248)              | 4,804,623     |
|               | Others  | 241,773                                | 905,379               | 190,769           | (67,361)     | 1,270,560          | 916,235                | 2,186,795     |
|               | Net revenue   | 12,290,191                             | 804,592               | 2,230,126         | 1,568,653    | 16,893,562         | 1,763,808              | 18,657,370    |
|               | Reversal of bad debts expense, commitment and guarantee liability (provision) | (935,775)                              | -                     | (469,608)         | (47,050)     | (1,452,433)        | 179,613                | (1,272,820)   |
|               | Operating expenses  | (6,330,939)                            | (216,220)             | (774,134)         | (1,149,303)  | (8,470,596)        | (119,795)              | (8,590,391)   |
|               | Profit from continuing operations before tax                                  | 5,023,477                              | 588,372               | 986,384           | 372,300      | 6,970,533          | 1,823,626              | 8,794,159     |
|               | Income tax expense  | (728,620)                              | (85,339)              | (143,068)         | (71,805)     | (1,028,832)        | (265,089)              | (1,293,921)   |
|               | Net income  | 4,294,857                              | 503,033               | 843,316           | 300,495      | 5,941,701          | 1,558,537              | 7,500,238     |

Segment revenues and results

|               |   | For the Six Months Ended June 30, 2021 |                       |                   |              |                    |                        |              |
|---------------|---|--|-----------------------|-------------------|--------------|--------------------|------------------------|--------------|
|               |   | Domestic Branches                      | Financial Transaction | Overseas Branches | Others       | Operating Segments | Non-operating Segments | Total        |
| Income (loss) | Net interest revenue  | \$ 7,001,210                           | \$ (6,349)            | \$ 1,540,177      | \$ 1,162,391 | \$ 9,697,429       | \$ 233,612             | \$ 9,931,041 |
|               | Interest income   | 7,981,517                              | 1,699                 | 1,943,196         | 1,642,636    | 11,569,048         | 2,651,718              | 14,220,766   |
|               | Revenue amount segments   | 2,067,442                              | 37,852                | (141,070)         | (130,441)    | 1,833,783          | (1,833,783)            | -            |
|               | Interest expenses   | (3,047,749)                            | (45,900)              | (261,949)         | (349,804)    | (3,705,402)        | (584,323)              | (4,289,725)  |
|               | Service fee and commissions income, net                         | 3,877,580                              | (70,499)              | 242,646           | 309,183      | 4,358,910          | (201,414)              | 4,157,496    |
|               | Others  | 95,813                                 | 473,491               | 240,268           | (60,809)     | 748,763            | 595,120                | 1,343,883    |
|               | Net revenue   | 10,974,603                             | 396,643               | 2,023,091         | 1,410,765    | 14,805,102         | 627,318                | 15,432,420   |
|               | Bad debts expense, commitment and guarantee liability provision | (162,084)                              | -                     | (518,272)         | (80,990)     | (761,346)          | (151,949)              | (913,295)    |
|               | Operating expenses  | (5,710,402)                            | (171,159)             | (667,256)         | (1,059,888)  | (7,608,705)        | (76,395)               | (7,685,100)  |
|               | Profit from continuing operations before tax                    | 5,102,117                              | 225,484               | 837,563           | 269,887      | 6,435,051          | 398,974                | 6,834,025    |
|               | Income tax expense  | (690,590)                              | (30,520)              | (113,367)         | (42,210)     | (876,687)          | (52,818)               | (929,505)    |
|               | Net income  | 4,411,527                              | 194,964               | 724,196           | 227,677      | 5,558,364          | 346,156                | 5,904,520    |

**BANK SINOPAC**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL**  
**JUNE 30, 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 | \$ 1,055,357<br>(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 SIX MONTHS ENDED JUNE 30, 2022  
(In Thousands of New Taiwan Dollars)**

| No.<br>(Note 1) | Transaction Company            | Counterparty                   | Nature of<br>Relationship<br>(Note 2) | Description of Transactions                           |                       |                     |   |
|-----------------|--------------------------------|--------------------------------|---------------------------------------|---|-----------------------|---------------------|---|
|                 |                                |                                |                                       | Financial Statements Account                          | Transaction<br>Amount | Transaction<br>Item | Percentage of<br>Consolidated<br>Revenue/Assets<br>(%) (Note 3) |
| 0               | Bank SinoPac                   | Bank SinoPac (China) Ltd.      | a                                     | Due from the Central Bank and call loans to bank, net | \$ 2,818,714          | Note 4              | 0.13  |
|                 |                                | Bank SinoPac (China) Ltd.      | a                                     | Receivables, net                                      | 125,423               | Note 4              | 0.01  |
|                 |                                | Bank SinoPac (China) Ltd.      | a                                     | Interest income                                       | 51,052                | Note 4              | 0.27  |
|                 |                                | SinoPac Insurance Brokers Ltd. | a                                     | Deposits and remittances                              | 70,787                | Note 4              | -   |
| 1               | Bank SinoPac (China) Ltd.      | Bank SinoPac                   | b                                     | Deposits from the Central Bank and banks              | 2,818,714             | Note 4              | 0.13  |
|                 |                                | Bank SinoPac                   | b                                     | Payables  | 125,423               | Note 4              | 0.01  |
|                 |                                | Bank SinoPac                   | b                                     | Interest expenses                                     | 51,052                | Note 4              | 0.27  |
| 2               | SinoPac Insurance Brokers Ltd. | Bank SinoPac                   | b                                     | Cash and cash equivalents, net                        | 10,157                | Note 4              | -   |
|                 |                                | Bank SinoPac                   | b                                     | Other financial assets, net                           | 60,630                | 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 INVESTED ENTERPRISES  
FOR THE SIX MONTHS ENDED JUNE 30, 2022  
(In Thousands of New Taiwan Dollars or Thousands Shares)**

| Investee Company   | Location  | Main Businesses and Products   | Percentage of Ownership (%) | Carrying Amount | Investment Gains (Losses) | Consolidated Investment |                 |        |                             | Note   |
|--|-----------|--|-----------------------------|-----------------|---------------------------|-------------------------|-----------------|--------|-----------------------------|--|
|  |           |  |                             |                 |                           | Shares                  | Imitated Shares | Total  |                             |  |
|  |           |  |                             |                 |                           |                         |                 | Shares | Percentage of Ownership (%) |  |
| <u>Financial related enterprise</u><br>Bank SinoPac (China) Ltd. | China     | Commercial Bank  | 100.00                      | \$ 9,983,737    | \$ 152,361                | -                       | -               | -      | 100.00                      | Subsidiary and Note 1<br>Subsidiary and Note 1 |
| SinoPac Insurance Brokers Ltd.                                   | Hong Kong | Insurance brokerage business   | 100.00                      | 70,565          | (108)                     | 100                     | -               | 100    | 100.00                      |  |
| Global Securities Finance Corporation                            | Taiwan    | Investment management  | 2.64                        | 5,522           | -                         | 535                     | -               | 535    | 2.88                        | Note 2   |
| Taipei Foreign Exchange Inc.                                     | Taiwan    | Foreign exchange market maker  | 3.43                        | 23,283          | 4,760                     | 680                     | -               | 680    | 3.43                        |  |
| Taiwan Futures Exchange  | Taiwan    | Futures exchange and settlement  | 1.07                        | 366,554         | 14,211                    | 8,752                   | -               | 8,752  | 2.08                        | Note 2   |
| Fuh Hwa Securities Investment Trust Co., Ltd.                    | Taiwan    | Securities investment trust and consultant   | 4.63                        | 115,790         | 41,691                    | 2,779                   | -               | 2,779  | 4.63                        | Note 2   |
| Financial Information Service Co., Ltd.                          | Taiwan    | Planning and developing the information system of across banking institution and managing the information web system | 2.48                        | 461,866         | -                         | 12,927                  | -               | 12,927 | 2.48                        | Note 2   |
| Taiwan Asset Management Corporation                              | Taiwan    | Evaluating, auctioning, and managing for financial institutions' loan  | 0.28                        | 15,000          | 1,950                     | 3,000                   | -               | 3,000  | 0.28                        |  |
| Taiwan Financial Asset Service Co.                               | Taiwan    | Auction  | 5.88                        | 132,800         | -                         | 10,000                  | -               | 10,000 | 5.88                        | Note 2   |
| Sunny Asset Management Corp.                                     | Taiwan    | Purchasing for financial institutions' loan assets   | 1.42                        | 437             | 130                       | 85                      | -               | 85     | 1.42                        |  |
| Taiwan Depository and Clearing Co.                               | Taiwan    | Computerizing book-entry operation for securities  | 0.08                        | 41,975          | -                         | 4,010                   | -               | 4,010  | 0.92                        |  |
| Taiwan Mobile Payment Corporation                                | Taiwan    | Promoting E-commerce and developing E-billing  | 1.00                        | 2,256           | -                         | 600                     | -               | 600    | 1.00                        |  |
| <u>Nonfinancial related enterprise</u>                           |           |  |                             |                 |                           |                         |                 |        |                             |  |
| Taiwan Television Enterprise, Ltd.                               | Taiwan    | Wireless television company  | 4.84                        | 77,745          | -                         | 13,787                  | -               | 13,787 | 4.91                        |  |
| Victor Taichung Machinery Works Co., Ltd.                        | Taiwan    | Manufacturer and seller of tool machine, plastic machine and other precise equipment                                 | 0.08                        | 1,653           | -                         | 157                     | -               | 157    | 0.08                        |  |

Note 1: Foreign-currency amounts were translated at the exchange rate on the balance sheet date, except for foreign-currency-denominated income and expenses, which were translated to New Taiwan dollars at the average exchange rate for the six months ended June 30, 2022.

Note 2: Investment gains are dividend income.

Note 3: Above shares are in thousands of shares.

**TABLE 4****BANK SINOPAC AND SUBSIDIARIES**

**INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE SIX MONTHS ENDED JUNE 30, 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 June 30, 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              | \$ 9,628,358                    | Investment in Mainland China directly | \$ 9,628,358  | \$ -             | \$ -   | \$ 9,628,358  | \$ 153,469                                    | 100                         | \$ 152,361                                      | \$ 9,983,737                   | \$ -                                      |

| Accumulated Investment in Mainland China as of June 30, 2022 | Investment Amounts Authorized by Investment Commission, MOEA | Limit on Investment |
|--|--|---------------------|
| \$9,628,358  | \$9,628,358  | \$79,349,150        |

Note 1: The accumulated investment amounts in Mainland China as of June 30, 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 six months ended June 30, 2022 have been audited 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.