

## **Bank SinoPac**

**Financial Statements for the  
Years Ended December 31, 2022 and 2021 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholder  
Bank SinoPac

### **Opinion**

We have audited the accompanying financial statements of Bank SinoPac (the Bank), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years ended December 31, 2022 and 2021 in conformity with Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Securities Firms and the guidelines issued by the authority.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank 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 financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the 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 matter of the Bank's financial statements for the year ended December 31, 2022 is 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 financial statements. Therefore, the estimation of impairment of discounts and loans is identified as a key audit matter for the year ended December 31, 2022.

Refer to Notes 4, 5 and 45 to the accompanying 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Securities Firms and the guidelines issued by the authority, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank 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 Bank's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the 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 Standards on Auditing of 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 Standards on Auditing of 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 Bank'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 Bank'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 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 Bank to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank 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 financial statements for the year ended December 31, 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

March 8, 2023

Notice to Readers

*The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.*

# BANK SINOPAC

## BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 41)	\$ 51,449,457	2	\$ 43,237,986	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 7, 41 and 42)	276,872,760	12	205,964,164	10
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 41)	51,971,954	2	44,404,579	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9 and 41)	301,671,750	13	368,963,992	18
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10 and 42)	225,460,151	10	167,247,985	8
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 11 and 41)	60,264,108	3	46,121,524	2
RECEIVABLES, NET (Notes 4, 12 and 41)	50,122,188	2	53,123,666	3
CURRENT INCOME TAX ASSETS (Notes 4, 30 and 41)	1,138,146	-	1,104,320	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 13, 41 and 42)	1,280,566,011	55	1,149,417,902	54
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Notes 4 and 14)	10,086,279	1	9,766,161	1
OTHER FINANCIAL ASSETS, NET (Notes 4, 15 and 41)	4,354,809	-	3,942,295	-
PROPERTY AND EQUIPMENT, NET (Notes 4, 16, 18 and 41)	9,526,380	-	9,481,471	-
RIGHT-OF-USE ASSETS, NET (Notes 4, 17 and 41)	2,563,465	-	2,536,483	-
INVESTMENT PROPERTY, NET (Notes 4 and 18)	1,025,508	-	1,051,692	-
INTANGIBLE ASSETS, NET (Notes 4, 19 and 41)	1,641,345	-	1,511,297	-
DEFERRED INCOME TAX ASSETS (Notes 4 and 30)	1,297,694	-	1,321,865	-
OTHER ASSETS, NET (Notes 20 and 41)	<u>9,139,465</u>	<u>-</u>	<u>2,559,543</u>	<u>-</u>
TOTAL	<u>\$ 2,339,151,470</u>	<u>100</u>	<u>\$ 2,111,756,925</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 21 and 41)	\$ 70,286,599	3	\$ 67,864,800	3
DUE TO THE CENTRAL BANK AND BANKS	-	-	205,030	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 41)	30,191,306	1	8,640,489	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 9, 10, 11 and 22)	28,310,978	1	9,737,736	1
PAYABLES (Notes 4, 23, 28, 37 and 41)	20,396,752	1	16,737,374	1
CURRENT INCOME TAX LIABILITIES (Notes 4, 30 and 41)	1,212,298	-	853,287	-
DEPOSITS AND REMITTANCES (Notes 24 and 41)	1,956,478,218	84	1,795,796,499	85
BANK DEBENTURES (Notes 25 and 41)	56,250,137	3	50,548,494	2
OTHER FINANCIAL LIABILITIES (Note 26)	29,467,278	1	9,624,737	1
PROVISIONS (Notes 4, 27 and 28)	2,499,880	-	3,027,422	-
LEASE LIABILITIES (Notes 4, 17 and 41)	2,625,615	-	2,559,860	-
DEFERRED INCOME TAX LIABILITIES (Notes 4 and 30)	1,128,363	-	776,194	-
OTHER LIABILITIES (Notes 29 and 41)	<u>2,443,446</u>	<u>-</u>	<u>2,256,339</u>	<u>-</u>
Total liabilities	<u>2,201,290,870</u>	<u>94</u>	<u>1,968,628,261</u>	<u>93</u>
<b>EQUITY</b>				
Capital stock				
Common stock	<u>90,325,841</u>	<u>4</u>	<u>86,889,193</u>	<u>4</u>
Capital surplus	<u>12,147,640</u>	<u>1</u>	<u>12,147,640</u>	<u>1</u>
Retained earnings				
Legal reserve	33,468,449	1	29,790,449	1
Special reserve	357,169	-	361,146	-
Unappropriated earnings	<u>15,248,452</u>	<u>1</u>	<u>12,259,998</u>	<u>1</u>
Total retained earnings	<u>49,074,070</u>	<u>2</u>	<u>42,411,593</u>	<u>2</u>
Other equity	<u>(13,686,951)</u>	<u>(1)</u>	<u>1,680,238</u>	<u>-</u>
Total equity	<u>137,860,600</u>	<u>6</u>	<u>143,128,664</u>	<u>7</u>
TOTAL	<u>\$ 2,339,151,470</u>	<u>100</u>	<u>\$ 2,111,756,925</u>	<u>100</u>

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

# BANK SINOPAC

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2022</u>		<u>2021</u>		<u>Percentage Increase (Decrease)</u>
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>%</u>
INTEREST INCOME	\$ 42,379,409	119	\$ 27,179,115	91	56
INTEREST EXPENSES	<u>(18,153,646)</u>	<u>(51)</u>	<u>(7,848,027)</u>	<u>(26)</u>	131
NET INTEREST REVENUE (Notes 4, 32 and 41)	<u>24,225,763</u>	<u>68</u>	<u>19,331,088</u>	<u>65</u>	25
NET REVENUES OTHER THAN INTEREST (Note 4)					
Service fee income, net (Notes 33 and 41)	6,856,032	19	7,034,990	24	(3)
Gains on financial assets and liabilities at fair value through profit or loss, net (Notes 34 and 41)	1,966,476	5	580,695	2	239
Realized gains on financial assets at fair value through other comprehensive income (Notes 35 and 41)	791,290	2	1,601,400	5	(51)
(Losses) gains arising from derecognition of financial assets measured at amortized cost	(83,790)	-	23,207	-	(461)
Foreign exchange gains	1,622,770	5	919,439	3	76
(Impairment loss on assets) reversal of impairment loss on assets (Note 15)	(14,226)	-	53,243	-	(127)
Share of profit of subsidiaries (Note 14)	284,060	1	105,801	-	168
Net other revenue other than interest income (Notes 36 and 41)	<u>132,881</u>	<u>-</u>	<u>151,013</u>	<u>1</u>	(12)
Net revenues other than interest	<u>11,555,493</u>	<u>32</u>	<u>10,469,788</u>	<u>35</u>	10
NET REVENUE	<u>35,781,256</u>	<u>100</u>	<u>29,800,876</u>	<u>100</u>	20
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4, 5, 12, 13, 15 and 27)	<u>(2,380,745)</u>	<u>(7)</u>	<u>(2,249,331)</u>	<u>(7)</u>	6

(Continued)

# BANK SINOPAC

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2022</u>		<u>2021</u>		<u>Percentage Increase (Decrease)</u>
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>%</u>
OPERATING EXPENSES					
Employee benefits expenses (Notes 4, 28, 37 and 41)	\$ (9,686,777)	(27)	\$ (8,894,131)	(30)	9
Depreciation and amortization expense (Notes 4, 17, 38 and 41)	(1,495,253)	(4)	(1,398,070)	(5)	7
Other general and administrative expenses (Notes 39 and 41)	<u>(4,935,258)</u>	<u>(14)</u>	<u>(4,178,298)</u>	<u>(14)</u>	18
Total operating expenses	<u>(16,117,288)</u>	<u>(45)</u>	<u>(14,470,499)</u>	<u>(49)</u>	11
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	17,283,223	48	13,081,046	44	32
INCOME TAX EXPENSE (Notes 4 and 30)	<u>(2,569,946)</u>	<u>(7)</u>	<u>(1,665,728)</u>	<u>(6)</u>	54
NET INCOME	<u>14,713,277</u>	<u>41</u>	<u>11,415,318</u>	<u>38</u>	29
OTHER COMPREHENSIVE INCOME (Note 4)					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit plans	478,041	1	128,519	-	272
Revaluation (losses) gains on investments in equity instruments measured at fair value through other comprehensive income (Note 31)	(3,285,187)	(9)	1,784,617	6	(284)
Change in fair value of financial liability attributable to change in credit risk of liability (Note 31)	39,237	-	(3,539)	-	1,209
Income tax related to items that will not be reclassified to profit or loss (Notes 30 and 31)	<u>(95,608)</u>	<u>-</u>	<u>(25,704)</u>	<u>-</u>	272
Items that will not be reclassified to profit or loss	<u>(2,863,517)</u>	<u>(8)</u>	<u>1,883,893</u>	<u>6</u>	(252)

(Continued)



# BANK SINOPAC

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2022</u>		<u>2021</u>		<u>Percentage Increase (Decrease)</u>
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>%</u>
Items that will be reclassified to profit or loss					
Exchange differences on translation of foreign operations (Note 31)	\$ 141,386	-	\$ (77,140)	-	283
Share of other comprehensive (loss) income of subsidiaries, associates and joint ventures accounted for using the equity method (Note 31)	(105,328)	-	54,302	-	(294)
Losses from investments in debt instruments measured at fair value through other comprehensive income (Note 31)	(11,997,343)	(33)	(3,918,548)	(13)	206
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 30 and 31)	<u>(7,212)</u>	<u>-</u>	<u>4,568</u>	<u>-</u>	(258)
Items that will be reclassified to profit or loss	<u>(11,968,497)</u>	<u>(33)</u>	<u>(3,936,818)</u>	<u>(13)</u>	204
Other comprehensive income	<u>(14,832,014)</u>	<u>(41)</u>	<u>(2,052,925)</u>	<u>(7)</u>	622
TOTAL COMPREHENSIVE INCOME	<u>\$ (118,737)</u>	<u>-</u>	<u>\$ 9,362,393</u>	<u>31</u>	(101)
EARNINGS PER SHARE (Note 40)					
Basic	<u>\$ 1.63</u>		<u>\$ 1.26</u>		

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

(Concluded)

# BANK SINOPAC

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Capital Stock (Note 31) Common Stock	Capital Surplus (Note 31)	Retained Earnings (Notes 9 and 31)				Other Equity (Notes 4 and 31)			Total	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability		
BALANCE AT JANUARY 1, 2021	\$ 86,061,159	\$ 12,147,640	\$ 26,912,280	\$ 373,453	\$ 9,593,897	\$ 36,879,630	\$ (582,164)	\$ 5,242,350	\$ (82,343)	\$ 4,577,843	\$ 139,666,272
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)	-	-	-	-	-
Net income for the year ended December 31, 2021	-	-	-	-	11,415,318	11,415,318	-	-	-	-	11,415,318
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	-	102,815	102,815	(61,711)	(2,090,490)	(3,539)	(2,155,740)	(2,052,925)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	11,518,133	11,518,133	(61,711)	(2,090,490)	(3,539)	(2,155,740)	9,362,393
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	741,865	741,865	-	(741,865)	-	(741,865)	-
BALANCE AT DECEMBER 31, 2021	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)	-	-	-	-	-
Net income for the year ended December 31, 2022	-	-	-	-	14,713,277	14,713,277	-	-	-	-	14,713,277
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	382,433	382,433	113,108	(15,366,792)	39,237	(15,214,447)	(14,832,014)
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	15,095,710	15,095,710	113,108	(15,366,792)	39,237	(15,214,447)	(118,737)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	152,742	152,742	-	(152,742)	-	(152,742)	-
BALANCE AT DECEMBER 31, 2022	<u>\$ 90,325,841</u>	<u>\$ 12,147,640</u>	<u>\$ 33,468,449</u>	<u>\$ 357,169</u>	<u>\$ 15,248,452</u>	<u>\$ 49,074,070</u>	<u>\$ (530,767)</u>	<u>\$ (13,109,539)</u>	<u>\$ (46,645)</u>	<u>\$ (13,686,951)</u>	<u>\$ 137,860,600</u>

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

# BANK SINOPAC

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit from continuing operations before tax	\$ 17,283,223	\$ 13,081,046
Adjustments to reconcile profit:		
Depreciation expenses	1,260,050	1,192,410
Amortization expenses	235,203	205,660
Provision for bad debt expense	2,804,753	2,778,418
Interest expenses	18,153,646	7,848,027
Net loss (gain) arising from derecognition of financial assets measured at amortized cost	83,790	(23,207)
Interest income	(42,379,409)	(27,179,115)
Dividend income	(1,236,782)	(703,039)
Net change in provisions for guarantee liabilities	(56,610)	83,467
Net change in other provisions	113,355	(44,351)
Share of profit of subsidiaries for using equity method	(284,060)	(105,801)
Losses on disposal and retirement of property and equipment	4,258	5,490
Property and equipment transferred to expense	1,403	595
Impairment loss on financial assets (reversal of impairment loss on financial assets)	41,724	(53,243)
Reversal of impairment loss on non-financial assets	(27,498)	-
Net gains on changing in leasing contracts	(87)	(429)
Changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(22,238,322)	(4,375,142)
(Increase) decrease in financial assets at fair value through profit or loss	(7,567,375)	9,931,271
Decrease (increase) in financial assets at fair value through other comprehensive income	52,018,131	(40,455,743)
Increase in investments in debt instruments at amortized cost	(58,157,747)	(4,850,899)
Increase in securities purchased under resell agreements	(1,148,202)	(4,152)
Decrease (increase) in receivables	5,028,254	(8,999,253)
Increase in discounts and loans	(134,326,220)	(41,149,822)
(Increase) decrease in other financial assets	(465,568)	3,963,772
(Increase) decrease in other assets	(6,115,864)	1,270,732
Increase (decrease) in deposits from the Central Bank and banks	2,421,799	(3,572,107)
Increase (decrease) in financial liabilities at fair value through profit or loss	21,590,054	(11,855,435)
Increase in securities sold under repurchase agreements	18,573,242	6,036,413
Increase in payables	1,293,990	2,841,058
Increase in deposits and remittances	160,681,719	165,562,206
Increase (decrease) in other financial liabilities	19,842,541	(417,556)
Decrease in provisions for employee benefits	(605,055)	(251,346)
Increase (decrease) in other liabilities	187,107	(3,422,554)
Net cash generated from operations	47,009,443	67,337,371
Interest received	40,154,442	27,029,587
Dividends received	1,206,235	702,842

(Continued)

# BANK SINOPAC

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Interest paid	\$ (15,623,169)	\$ (8,272,872)
Income tax paid	<u>(1,929,760)</u>	<u>(1,125,479)</u>
Net cash generated from operating activities	<u>70,817,191</u>	<u>85,671,449</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(836,512)	(868,564)
Proceeds from disposal of property and equipment	138	302
Acquisition of intangible assets	(164,098)	(124,290)
Acquisition of right-of-use assets	(336)	(695)
Acquisition of investment properties	<u>(1,736)</u>	<u>(245)</u>
Net cash used in investing activities	<u>(1,002,544)</u>	<u>(993,492)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in due to the Central Bank and banks	(205,030)	124,650
Bank debentures issued	7,000,000	11,000,000
Repayment of bank debentures payable	(1,300,000)	(5,530,000)
Repayments of lease liabilities	(600,846)	(608,248)
Cash dividends paid	<u>(5,149,327)</u>	<u>(5,900,001)</u>
Net cash used in financing activities	<u>(255,203)</u>	<u>(913,599)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>316,683</u>	<u>(97,068)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	69,876,127	83,667,290
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>\$ 236,770,425</u>	<u>\$ 153,103,135</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 306,646,552</u>	<u>\$ 236,770,425</u>

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

	2022	2021
Cash and cash equivalents in balance sheets	\$ 51,449,457	\$ 43,237,986
Due from the Central Bank and call loans to banks reclassified as cash and cash equivalents under the definition of IAS 7	196,109,283	147,439,009
Securities purchased under resell agreements reclassified as cash and cash equivalents under the definition of IAS 7	<u>59,087,812</u>	<u>46,093,430</u>
Cash and cash equivalents at the end of year	<u>\$ 306,646,552</u>	<u>\$ 236,770,425</u>

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

(Concluded)

# BANK SINOPAC

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 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 financial statements are presented in New Taiwan dollars.

## 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Bank's board of directors on March 8, 2023.

## 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 Bank's accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
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 financial statements were authorized for issue, the Bank assessed that the application of the above standards and interpretations will have no material impact on the Bank'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 Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

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

As of the date the financial statements were authorized for issue, the Bank assessed that the application of the above standards and interpretations will have no material impact on the Bank's financial position and financial performance.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

The 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, Regulations Governing the Preparation of Financial Reports by Securities Firms and the guidelines issued by the authority.

##### **Basis of Preparation**

The 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.

When preparing its financial statements, the Bank used equity method to account for its investment in subsidiaries and associate or joint venture. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owner of the Bank in its consolidated financial statements, adjustments arising from the differences in accounting treatment between consolidated and nonconsolidated bases were made to equity investment - equity method and associate or joint venture, share of profit or loss of subsidiaries and share of other comprehensive income of subsidiaries and related equity items and associate or joint venture, as appropriate, in the financial statements.

The accompanying financial statements include the accounts of the Head Office, OBU, all branches and the representative office. All interoffice transactions and balances have been eliminated.

## **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 Bank's 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 45 for the maturity analysis of assets and liabilities.

## **Foreign Currencies**

In preparing the financial statements of the Bank, transactions in currencies other than the Bank'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 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.

## **Investment Accounted for Using the Equity Method**

The Bank uses the equity method of accounting on investment of subsidiaries.

The subsidiaries are the entities controlled by the Bank.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Bank's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Bank also recognizes the Bank's share of the change in other equity of the subsidiary.

When the Bank's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Bank's net investment in the subsidiary), the Bank continues recognizing its share of further losses.



The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and side stream transactions between subsidiaries are recognized in the financial statements only to the extent of interests in the subsidiary that are not related to the Bank.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

## **Financial Instruments**

Financial assets and financial liabilities are recognized when the Bank 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 44.

##### **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 Bank 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 Bank'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 Bank 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 Bank always recognizes lifetime Expected Credit Loss (ECL) for receivables. For all other financial instruments, the Bank 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 Bank 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 Bank 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.

c. Derecognition of financial assets

The Bank 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 Bank 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 44.

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 Bank'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 Bank, 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 Bank 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 Bank 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 Bank 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 Bank 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. 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 Bank assesses whether the contract is, or contains, a lease.

### **a. The Bank 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 Bank'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 Bank 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 Bank. 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 Bank as lessee**

The Bank 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 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 Bank 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 Bank 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 Bank 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 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 Bank'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 Bank 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 Bank 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 Bank'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.

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 Bank'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 Bank can no longer withdraw the offer of the termination benefit and when the Bank 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 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 Bank 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.

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 Bank and the amount of income can be measured reliably.

## **Income Tax**

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

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.

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 Bank 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 Bank 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 Bank'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 Bank 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 Bank 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 Bank 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 Bank 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 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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Cash on hand	\$ 6,932,931	\$ 6,383,284
Due from other banks	40,798,101	32,676,045
Notes and checks for clearing	<u>3,718,425</u>	<u>4,178,657</u>
	<u>\$ 51,449,457</u>	<u>\$ 43,237,986</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Call loans to banks	\$ 170,968,560	\$ 115,616,937
Trade finance advance - interbank	11,051,789	8,727,495
Deposit reserve - checking accounts	43,522,334	36,110,430
Due from the Central Bank - interbank settlement funds	6,000,041	6,000,477
Deposit reserve - demand accounts	44,715,565	38,955,034
Deposit reserve - foreign currencies	<u>614,471</u>	<u>553,791</u>
	<u>\$ 276,872,760</u>	<u>\$ 205,964,164</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.

Please refer to Note 42 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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Financial assets mandatorily classified as at fair value through profit or loss		
Corporate bonds	\$ 7,060,615	\$ 1,532,353
Commercial paper	5,784,949	2,698,706
Government bonds	5,127,237	19,499,020
Certificates of deposits	654,860	2,566,482
Bank debentures	219,864	814,147
Currency swap contracts	19,398,346	3,906,217
Interest rate swap contracts	7,721,935	2,371,949
Forward contracts	794,965	416,686
Option contracts	455,242	333,421
Others	426,951	303,786
	<u>\$ 47,644,964</u>	<u>\$ 34,442,767</u>
Financial assets designated at fair value through profit or loss		
Corporate bonds	4,326,990	8,874,520
Government bonds	-	1,087,292
	<u>4,326,990</u>	<u>9,961,812</u>
	<u>\$ 51,971,954</u>	<u>\$ 44,404,579</u>
Held-for-trading financial liabilities		
Currency swap contracts	\$ 20,784,749	\$ 4,300,390
Interest rate swap contracts	4,333,016	1,590,206
Option contracts	2,033,467	481,189
Forward contracts	918,050	505,767
Others	331,582	219,190
	<u>28,400,864</u>	<u>7,096,742</u>
Financial liabilities designated at fair value through profit or loss		
Bank debentures	<u>1,790,442</u>	<u>1,543,747</u>
	<u>1,790,442</u>	<u>1,543,747</u>
	<u>\$ 30,191,306</u>	<u>\$ 8,640,489</u>

(Concluded)

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Difference between carrying amount and the amount due on maturity		
Fair value	\$ 1,790,442	\$ 1,543,747
Amount due on maturity	<u>(1,800,452)</u>	<u>(1,552,780)</u>
	<u>\$ (10,010)</u>	<u>\$ (9,033)</u>

	<b>Changes in Fair Value Attributable to Changes in Credit Risk</b>
Change in amount during the year	
For the year ended December 31, 2022	<u>\$ 39,237</u>
For the year ended December 31, 2021	<u>\$ (3,539)</u>
Accumulated amount of change	
As of December 31, 2022	<u>\$ (46,645)</u>
As of December 31, 2021	<u>\$ (85,882)</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 Bank engages in derivative transactions mainly to accommodate customers' needs and manage its own exposure positions. Outstanding derivative contracts (nominal) on December 31, 2022 and 2021 were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Currency swap contracts	\$ 1,550,322,704	\$ 1,078,334,386
Interest rate swap contracts	809,552,828	635,575,071
Option contracts	141,515,693	26,502,293
Forward contracts	98,973,923	73,243,660
Futures contracts	47,487,035	2,974,507
Assets swap contracts	6,718,389	1,313,081
Cross-currency swap contracts	2,211,152	1,948,175
Equity-linked swap contracts	1,923,356	2,269,657

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Equity instruments at fair value through other comprehensive income	\$ 21,393,961	\$ 15,299,410
Debt instruments at fair value through other comprehensive income	<u>280,277,789</u>	<u>353,664,582</u>
	<u>\$ 301,671,750</u>	<u>\$ 368,963,992</u>

a. Equity instruments at fair value through other comprehensive income

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Stock	\$ 17,599,965	\$ 12,137,078
Real estate investment trust beneficiary securities	<u>3,793,996</u>	<u>3,162,332</u>
	<u>\$ 21,393,961</u>	<u>\$ 15,299,410</u>

The Bank 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, and not held for trading purpose. Therefore, the equity instruments are designated as at fair value through other comprehensive income.

Due to management the risk of investment position, the Bank sold the stocks at fair value of \$4,291,286 and \$5,449,834 and transferred the net gain of \$152,742 and \$741,865 from other equity to retained earnings for the years ended December 31, 2022 and 2021, respectively. The gain was transferred from other equity to retained earnings.

b. Debt instrument at fair value through other comprehensive income

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Certificates of deposits	\$ 87,312,857	\$ 122,309,518
Bank debentures	72,968,081	74,280,760
Commercial paper	43,112,630	76,584,814
Corporate bonds	32,680,780	37,161,348
Government bonds	25,642,750	26,621,417
Asset-based securities	15,311,285	12,321,296
Others	<u>3,249,406</u>	<u>4,385,429</u>
	<u>\$ 280,277,789</u>	<u>\$ 353,664,582</u>

1) Loss allowance of debt instruments at fair value through other comprehensive income were \$42,628 and \$46,018 on December 31, 2022 and 2021, respectively. Credit risk management and information of impairment valuation of debt instruments at FVTOCI are shown in Note 45.

2) As of December 31, 2022 and 2021, the par value of debt instruments at FVTOCI under repurchase agreement were \$8,284,157 and \$2,719,709, respectively.

## 10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2022	2021
Government bonds	\$ 62,307,008	\$ 55,754,680
Certificates of deposits	60,038,758	48,763,448
Bank debentures	50,285,085	35,908,206
Asset-based securities	38,185,507	12,379,342
Corporate bonds	12,551,932	12,727,316
Others	<u>2,108,635</u>	<u>1,728,307</u>
	225,476,925	167,261,299
Less: Loss allowance	<u>(16,774)</u>	<u>(13,314)</u>
	<u>\$ 225,460,151</u>	<u>\$ 167,247,985</u>

- a. Credit risk management and information of impairment valuation of investments in debt instruments at amortized cost are shown in Note 45.
- b. Please refer to Note 42 for information relating to investments in debt instruments at amortized cost pledged as security.
- c. As of December 31, 2022, the par value of investments in debt instruments at amortized cost under repurchase agreements was \$1,302,984. (December 31, 2021: None)

## 11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2022	2021
Commercial papers	\$ 31,990,324	\$ 35,734,209
Government bonds	19,478,850	5,801,254
Negotiable certificates of deposits	6,428,179	1,010,467
Corporate bonds	2,015,748	2,529,746
Bank debentures	<u>351,007</u>	<u>1,045,848</u>
	<u>\$ 60,264,108</u>	<u>\$ 46,121,524</u>
Agreed-upon resell amount	\$ 60,479,388	\$ 46,139,385
Par value	\$ 64,453,307	\$ 47,337,338
Expiry	March 2023	May 2022

As of December 31, 2022 and 2021, the par value of securities purchased under resell agreements under repurchase agreements were \$20,998,888 and \$7,034,258, respectively.



## 12. RECEIVABLES, NET

	December 31	
	2022	2021
Credit card receivable	\$ 20,878,070	\$ 20,472,061
Accounts receivable - factoring	15,882,597	13,588,340
Interest and revenue receivables	6,992,659	3,946,199
Accounts receivable - forfaiting	3,345,588	10,030,050
Accounts and notes receivables	1,241,913	3,065,035
Acceptances	858,879	1,022,325
Trust administration fee revenue receivable	796,056	694,755
Others	<u>796,466</u>	<u>1,039,464</u>
	50,792,228	53,858,229
Less: Allowance for credit losses	(669,975)	(734,529)
Less: Premium or discount on receivables	<u>(65)</u>	<u>(34)</u>
Net amount	<u>\$ 50,122,188</u>	<u>\$ 53,123,666</u>

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

	For the Year Ended December 31	
	2022	2021
Balance, January 1	\$ 734,529	\$ 707,809
Provision	44,518	195,072
Write-off	(129,846)	(161,822)
Effect of exchange rate changes	<u>20,774</u>	<u>(6,530)</u>
Balance, December 31	<u>\$ 669,975</u>	<u>\$ 734,529</u>

Please refer to Note 45 for the analysis of receivable impairment loss. The Bank received payments for loans previously written-off \$154,371 and \$156,963 for the years ended December 31, 2022 and 2021, respectively, which were recognized as deduction of provision expenses.

## 13. DISCOUNTS AND LOANS, NET

	December 31	
	2022	2021
Export negotiation	\$ 881,123	\$ 848,190
Secured overdrafts	37,037	54,682
Accounts receivable - financing	1,488,785	1,770,109
Short-term loans	131,557,609	96,859,350
Secured short-term loans	89,373,177	103,048,775
Medium-term loans	274,208,895	234,694,159
Secured medium-term loans	205,984,380	163,494,469
		(Continued)

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Long-term loans	\$ 13,930,441	\$ 10,487,473
Secured long-term loans	579,199,271	552,421,368
Non-performing loans transferred from loans	<u>1,257,085</u>	<u>1,201,033</u>
	1,297,917,803	1,164,879,608
Less: Allowance for credit losses	(17,024,716)	(15,070,505)
Less: Premium or discount on discounts and loans	<u>(327,076)</u>	<u>(391,201)</u>
Net amount	<u>\$ 1,280,566,011</u>	<u>\$ 1,149,417,902</u> (Concluded)

- a. Please refer to Note 45 for the analysis of impairment loss on discounts and loans, and Note 42 for information relating to discounts and loans pledged as security.
- b. The Bank assessed the collectability of discounts and loans to determine the required allowance. Movements in the allowance of discounts and loans were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance, January 1	\$ 15,070,505	\$ 14,607,419
Provision	2,894,657	2,570,788
Write-off	(1,222,772)	(2,021,929)
Effect of exchange rate changes	<u>282,326</u>	<u>(85,773)</u>
Balance, December 31	<u>\$ 17,024,716</u>	<u>\$ 15,070,505</u>

The Bank received payments for loans previously written-off \$310,503 and \$401,061 for the years ended December 31, 2022 and 2021, respectively, which were recognized as deduction of provision expenses.

#### 14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Investments in subsidiaries - unlisted companies		
Bank SinoPac (China) Ltd.	\$ 10,014,775	\$ 9,699,938
SinoPac Insurance Brokers Ltd.	<u>71,504</u>	<u>66,223</u>
	<u>\$ 10,086,279</u>	<u>\$ 9,766,161</u>

As of the end of the reporting period, the proportion of ownership and voting rights in subsidiaries held by the Bank were all 100%.

The Bank's share of profit and other comprehensive income of subsidiaries for the years ended December 31, 2022 and 2021 were based on the subsidiaries' financial statements audited by the auditors for the same periods. The share of profit of subsidiaries for using equity method were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Bank SinoPac (China) Ltd.	\$ 285,976	\$ 115,689
SinoPac Insurance Brokers Ltd.	<u>(1,916)</u>	<u>(9,888)</u>
	<u>\$ 284,060</u>	<u>\$ 105,801</u>

## 15. OTHER FINANCIAL ASSETS, NET

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Purchase of the PEM Group's instruments	\$ 4,539,144	\$ 4,091,191
Bank deposits not belonging to cash and cash equivalent	2,204,770	1,957,091
Others	<u>44,699</u>	<u>48,700</u>
	<u>6,788,613</u>	<u>6,096,982</u>
Less: Allowance for credit loss	(1,577)	(4,577)
Less: Accumulated impairment	<u>(2,432,227)</u>	<u>(2,150,110)</u>
Net amount	<u>\$ 4,354,809</u>	<u>\$ 3,942,295</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.

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 December 31, 2022 a reserve of US\$79,165 thousand (NT\$2,432,227) had been set aside to cover the accumulated impairment losses. The Bank has recognized impairment loss of \$48,020 and reversal of impairment loss of \$41,795 for PEM Group for the years ended December 31, 2022 and 2021.

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance, January 1	\$ 4,577	\$ 1,681
Provision	4,782	12,558
Write-off	(8,034)	(9,617)
Effect of exchange rate changes	<u>252</u>	<u>(45)</u>
Balance, December 31	<u>\$ 1,577</u>	<u>\$ 4,577</u>

The Bank received payments for loans previously written-off \$13,759 and \$10,868 for the years ended December 31, 2022 and 2021, respectively, which were recognized as deduction of provision expenses.

## 16. PROPERTY AND EQUIPMENT, NET

The movements of property and equipment for the years ended December 31, 2022 and 2021 are summarized as follows:

For the Year Ended December 31, 2022								
	Land and Land Improvements	Buildings	Machinery and Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments for Equipment and Construction in Progress	Total
<u>Cost</u>								
Balance, January 1	\$ 5,589,458	\$ 5,544,807	\$ 2,230,160	\$ 1,065	\$ 1,543,134	\$ 1,413,325	\$ 363,510	\$ 16,685,459
Addition	-	56,585	236,903	-	117,021	48,513	377,490	836,512
Deduction	-	(8,341)	(43,669)	-	(56,303)	(46,784)	-	(155,097)
Reclassifications	15,365	102,513	104,025	-	28,279	34,641	(457,353)	(172,530)
Effect of exchange rate changes	-	-	17,947	116	3,356	7,896	52	29,367
Balance, December 31	<u>5,604,823</u>	<u>5,695,564</u>	<u>2,545,366</u>	<u>1,181</u>	<u>1,635,487</u>	<u>1,457,591</u>	<u>283,699</u>	<u>17,223,711</u>
<u>Accumulated depreciation</u>								
Balance, January 1	61	3,435,727	1,381,794	1,065	1,152,687	1,232,654	-	7,203,988
Depreciation	23	141,083	313,610	-	98,262	54,674	-	607,652
Deduction	-	(8,277)	(41,493)	-	(54,633)	(46,298)	-	(150,701)
Reclassifications	-	12,831	-	-	-	-	-	12,831
Effect of exchange rate changes	-	-	14,355	116	2,235	6,855	-	23,561
Balance, December 31	<u>84</u>	<u>3,581,364</u>	<u>1,668,266</u>	<u>1,181</u>	<u>1,198,551</u>	<u>1,247,885</u>	<u>-</u>	<u>7,697,331</u>
<u>Net amount</u>								
Balance, December 31	<u>\$ 5,604,739</u>	<u>\$ 2,114,200</u>	<u>\$ 877,100</u>	<u>\$ -</u>	<u>\$ 436,936</u>	<u>\$ 209,706</u>	<u>\$ 283,699</u>	<u>\$ 9,526,380</u>
For the Year Ended December 31, 2021								
	Land and Land Improvements	Buildings	Machinery and Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments for Equipment and Construction in Progress	Total
<u>Cost</u>								
Balance, January 1	\$ 5,598,481	\$ 5,487,732	\$ 2,105,098	\$ 1,103	\$ 1,483,646	\$ 1,469,046	\$ 200,011	\$ 16,345,117
Addition	-	50,756	217,519	-	114,360	33,087	452,842	868,564
Deduction	-	-	(115,654)	-	(80,992)	(97,500)	-	(294,146)
Reclassifications	(9,023)	6,319	28,627	-	27,015	11,183	(289,339)	(225,218)
Effect of exchange rate changes	-	-	(5,430)	(38)	(895)	(2,491)	(4)	(8,858)
Balance, December 31	<u>5,589,458</u>	<u>5,544,807</u>	<u>2,230,160</u>	<u>1,065</u>	<u>1,543,134</u>	<u>1,413,325</u>	<u>363,510</u>	<u>16,685,459</u>
<u>Accumulated depreciation</u>								
Balance, January 1	37	3,306,561	1,217,334	1,103	1,148,483	1,284,527	-	6,958,045
Depreciation	24	132,618	283,500	-	84,504	47,552	-	548,198
Deduction	-	-	(111,624)	-	(79,524)	(97,206)	-	(288,354)
Reclassifications	-	(3,452)	(2,732)	-	-	-	-	(6,184)
Effect of exchange rate changes	-	-	(4,684)	(38)	(776)	(2,219)	-	(7,717)
Balance, December 31	<u>61</u>	<u>3,435,727</u>	<u>1,381,794</u>	<u>1,065</u>	<u>1,152,687</u>	<u>1,232,654</u>	<u>-</u>	<u>7,203,988</u>
<u>Net amount</u>								
Balance, December 31	<u>\$ 5,589,397</u>	<u>\$ 2,109,080</u>	<u>\$ 848,366</u>	<u>\$ -</u>	<u>\$ 390,447</u>	<u>\$ 180,671</u>	<u>\$ 363,510</u>	<u>\$ 9,481,471</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	2.17-15 years

The amounts of other equipment rented out as of December 31, 2022 and 2021 were \$1,209 and \$1,524, respectively.

## 17. LEASE ARRANGEMENTS

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Land	\$ 237	\$ 64
Buildings	2,423,558	2,360,704
Machinery and computer equipment	110,069	142,075
Transportation equipment	8,795	15,000
Other equipment	2,069	2,575
Decommissioning restoration costs	<u>18,737</u>	<u>16,065</u>
	<u>\$ 2,563,465</u>	<u>\$ 2,536,483</u>
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets	<u>\$ 630,190</u>	<u>\$ 1,021,914</u>
Depreciation charge for right-of-use assets		
Land	\$ 64	\$ 1,057
Buildings	591,480	583,493
Machinery and computer equipment	33,641	33,545
Transportation equipment	9,270	9,629
Other equipment	903	626
Decommissioning restoration costs	<u>5,353</u>	<u>3,886</u>
	<u>\$ 640,711</u>	<u>\$ 632,236</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Carrying amount	<u>\$ 2,625,615</u>	<u>\$ 2,559,860</u>

Range of discount rates for lease liabilities were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Land	1.0212%-2.1233%	0.1404%-1.0212%
Buildings	0.1553%-4.9530%	0.1553%-4.8096%
Machinery and computer equipment	0.5754%-2.3588%	0.5754%-1.0768%
Transportation equipment	0.3804%-5.5000%	0.3804%-5.5000%
Other equipment	0.4416%-1.5240%	0.3410%-0.8686%

c. Material lease-in activities and terms

The Bank leases certain buildings for use as business locations, offices and employee's dormitories with lease terms of 0.5 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 Bank 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 16, 18 and 45.

2) Other

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases	\$ 19,015	\$ 13,797
Expenses relating to low-value asset leases	\$ 39,428	\$ 39,597
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 3,548	\$ 7,515
Total cash outflow for leases	\$ (723,677)	\$ (736,539)

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 Bank has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 18. INVESTMENT PROPERTY, NET

The movements of investment property are summarized as follows:

	<b>For the Year Ended December 31, 2022</b>		
	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance, January 1	\$ 785,118	\$ 603,570	\$ 1,388,688
Addition	-	1,736	1,736
Deduction	-	-	-
Reclassifications	(15,365)	(13,699)	(29,064)
Balance, December 31	<u>769,753</u>	<u>591,607</u>	<u>1,361,360</u>
<u>Accumulated depreciation</u>			
Balance, January 1	-	336,996	336,996
Depreciation	-	11,687	11,687
Deduction	-	-	-
Reclassifications	-	(12,831)	(12,831)
Balance, December 31	-	<u>335,852</u>	<u>335,852</u>
<u>Net amount</u>			
Balance, December 31	<u>\$ 769,753</u>	<u>\$ 255,755</u>	<u>\$ 1,025,508</u>

	<b>For the Year Ended December 31, 2021</b>		
	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance, January 1	\$ 776,095	\$ 592,627	\$ 1,368,722
Addition	-	245	245
Deduction	-	-	-
Reclassifications	<u>9,023</u>	<u>10,698</u>	<u>19,721</u>
Balance, December 31	<u>785,118</u>	<u>603,570</u>	<u>1,388,688</u>
<u>Accumulated depreciation</u>			
Balance, January 1	-	321,568	321,568
Depreciation	-	11,976	11,976
Deduction	-	-	-
Reclassifications	<u>-</u>	<u>3,452</u>	<u>3,452</u>
Balance, December 31	<u>-</u>	<u>336,996</u>	<u>336,996</u>
<u>Net amount</u>			
Balance, December 31	<u>\$ 785,118</u>	<u>\$ 266,574</u>	<u>\$ 1,051,692</u>

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

<u>Category</u>	<u>Useful Lives</u>
Buildings	36-60 years

The above investment property of the Bank 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 December 31, 2022 and 2021 were \$15,186,818 and \$15,184,279, 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).

## 19. INTANGIBLE ASSETS, NET

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Goodwill	\$ 876,717	\$ 876,717
Computer software	<u>764,628</u>	<u>634,580</u>
	<u>\$ 1,641,345</u>	<u>\$ 1,511,297</u>

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

	<b>Goodwill</b>	<b>Computer Software</b>	<b>Total</b>
<u>2022</u>			
Balance, January 1	\$ 876,717	\$ 634,580	\$ 1,511,297
Addition	-	164,098	164,098
Amortization	-	(235,203)	(235,203)
Reclassifications	-	200,191	200,191
Effects of exchange rate changes	-	962	962
Balance, December 31	<u>\$ 876,717</u>	<u>\$ 764,628</u>	<u>\$ 1,641,345</u>
<u>2021</u>			
Balance, January 1	\$ 876,717	\$ 513,994	\$ 1,390,711
Addition	-	124,290	124,290
Amortization	-	(205,660)	(205,660)
Reclassifications	-	202,170	202,170
Effects of exchange rate changes	-	(214)	(214)
Balance, December 31	<u>\$ 876,717</u>	<u>\$ 634,580</u>	<u>\$ 1,511,297</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 December 31, 2022 and 2021. The impairment tests on goodwill were conducted on October 31, 2022 and 2021. The actual net income for the years ended December 31, 2022 and 2021 amounted to \$82,059 and \$94,018, 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 Bank found no objective evidence that goodwill had been tested for impaired as of December 31, 2022 and 2021.



**20. OTHER ASSETS, NET**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Guarantee deposits	\$ 8,624,775	\$ 2,096,267
Prepayment	234,556	186,752
Temporary payment and suspense accounts	217,182	229,628
Others	<u>70,887</u>	<u>54,903</u>
	9,147,400	2,567,550
Less: Allowance for inventory write-down - gold	-	(72)
Less: Accumulated impairment	<u>(7,935)</u>	<u>(7,935)</u>
Net amount	<u>\$ 9,139,465</u>	<u>\$ 2,559,543</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Call loans from banks	\$ 58,634,717	\$ 56,206,243
Redeposits from Chunghwa Post	10,054,000	10,076,600
Call loans from Central Bank	1,536,177	1,384,478
Due to banks	<u>61,705</u>	<u>197,479</u>
	<u>\$ 70,286,599</u>	<u>\$ 67,864,800</u>

**22. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Government bonds	\$ 18,061,133	\$ 5,270,814
Bank debentures	8,050,303	3,095,494
Corporate bonds	<u>2,199,542</u>	<u>1,371,428</u>
	<u>\$ 28,310,978</u>	<u>\$ 9,737,736</u>
Agreed-upon repurchase price	\$ 28,573,095	\$ 9,751,875
Par value	30,586,029	9,753,967
Maturity date	November 2023	December 2022

## 23. PAYABLES

	December 31	
	2022	2021
Interests payable	\$ 3,969,043	\$ 1,440,209
Accounts payable - factoring	3,875,519	2,807,640
Notes and checks in clearing	3,718,425	4,178,657
Accrued expenses	3,696,413	3,269,633
Dividends payable to SPH	1,435,025	1,435,025
Accounts payable	1,151,465	984,134
Acceptances payable	659,297	842,350
Others	<u>1,891,565</u>	<u>1,779,726</u>
	<u>\$ 20,396,752</u>	<u>\$ 16,737,374</u>

## 24. DEPOSITS AND REMITTANCES

	December 31	
	2022	2021
Checking	\$ 13,122,340	\$ 13,625,698
Demand	450,664,013	472,627,519
Savings - demand	525,698,441	507,555,116
Time deposits	659,645,341	546,715,433
Negotiable certificates of deposits	16,639,400	427,800
Savings - time	289,947,164	252,214,965
Inward remittances	659,159	1,043,879
Outward remittances	70,920	1,556,260
Others	<u>31,440</u>	<u>29,829</u>
	<u>\$ 1,956,478,218</u>	<u>\$ 1,795,796,499</u>

## 25. 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:

	December 31		Maturity Date	Rates
	2022	2021		
First subordinated bank debentures issued in 2012 (B)	\$ -	\$ 1,299,947	2012.09.18-2022.09.18 Principal is repayable on maturity date.	Fixed interest rate of 1.65%, interest is paid annually.
Third subordinated bank debentures issued in 2014 (B)	699,904	699,850	2014.09.30-2024.09.30 Principal is repayable on maturity date.	Fixed interest rate of 2.05%, interest is paid annually.
Third subordinated bank debentures issued in 2016	1,419,874	1,419,747	2016.12.23-2023.12.23 Principal is repayable on maturity date.	Fixed interest rate of 1.50%, interest is paid annually.
First subordinated bank debentures issued in 2017 (A)	149,973	149,950	2017.02.24-2024.02.24 Principal is repayable on maturity date.	Fixed interest rate of 1.60%, interest is paid annually.
First subordinated bank debentures issued in 2017 (B)	2,099,504	2,099,390	2017.02.24-2027.02.24 Principal is repayable on maturity date.	Fixed interest rate of 1.90%, interest is paid annually.
Third subordinated bank debentures issued in 2017 (A)	199,970	199,950	2017.06.28-2024.06.28 Principal is repayable on maturity date.	Fixed interest rate of 1.70%, interest is paid annually.
Third subordinated bank debentures issued in 2017 (B)	539,831	539,796	2017.06.28-2027.06.28 Principal is repayable on maturity date.	Fixed interest rate of 1.95%, interest is paid annually.

(Continued)

	December 31		Maturity Date	Rates
	2022	2021		
Fourth subordinated bank debentures issued in 2017	\$ 3,000,000	\$ 2,999,660	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)	649,857	649,797	2018.04.30-2025.04.30 Principal is repayable on maturity date.	Fixed interest rate of 1.40%, interest is paid annually.
First subordinated bank debentures issued in 2018 (B)	499,823	499,791	2018.04.30-2028.04.30 Principal is repayable on maturity date.	Fixed interest rate of 1.65%, interest is paid annually.
First subordinated bank debentures issued in 2019	1,999,649	1,999,437	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)	1,199,700	1,199,605	2019.01.25-2026.01.25 Principal is repayable on maturity date.	Fixed interest rate of 1.40%, interest is paid annually.
Second subordinated bank debentures issued in 2019 (B)	1,799,377	1,799,280	2019.01.25-2029.01.25 Principal is repayable on maturity date.	Fixed interest rate of 1.55%, interest is paid annually.
Third senior bank debentures issued in 2019	2,999,877	2,999,796	2019.06.26-2024.06.26 Principal is repayable on maturity date.	Fixed interest rate of 0.76%, interest is paid annually.
Fourth subordinated bank debentures issued in 2019	1,499,682	1,499,503	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)	1,749,494	1,749,359	2019.08.23-2026.08.23 Principal is repayable on maturity date.	Fixed interest rate of 1.03%, interest is paid annually.
Fifth subordinated bank debentures issued in 2019 (B)	1,749,354	1,749,260	2019.08.23-2029.08.23 Principal is repayable on maturity date.	Fixed interest rate of 1.13%, interest is paid annually.
First subordinated bank debentures issued in 2020	2,999,550	2,999,382	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	1,999,520	1,999,456	2020.03.31-2030.03.31 Principal is repayable on maturity date.	Fixed interest rate of 0.75%, interest is paid annually.
Third subordinated bank debentures issued in 2020	2,899,659	2,899,532	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	2,599,502	2,599,439	2020.06.30-2030.06.30 Principal is repayable on maturity date.	Fixed interest rate of 1.00%, interest is paid annually.
Fifth subordinated bank debentures issued in 2020	2,099,737	2,099,648	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	2,399,562	2,399,508	2020.10.29-2030.10.29 Principal is repayable on maturity date.	Fixed interest rate of 0.87%, interest is paid annually.
Seventh senior bank debentures issued in 2020	999,797	999,726	2020.11.06-2025.11.06 Principal is repayable on maturity date.	Fixed interest rate of 0.46%, interest is paid annually.
First senior bank debentures issued in 2021	999,793	999,732	2021.05.18-2026.05.18 Principal is repayable on maturity date.	Fixed interest rate of 0.45%, interest is paid annually.
Second subordinated bank debentures issued in 2021	2,719,575	2,719,455	2021.05.28, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and two months.	Fixed interest rate of 1.70%, interest is paid annually.
Third subordinated bank debentures issued in 2021	2,299,615	2,299,571	2021.05.28-2031.05.28 Principal is repayable on maturity date.	Fixed interest rate of 0.82%, interest is paid annually.
Fourth subordinated bank debentures issued in 2021	3,279,620	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	1,699,464	1,699,405	2021.10.28-2031.10.28 Principal is repayable on maturity date.	Fixed interest rate of 0.80%, interest is paid annually.
First subordinated bank debentures issued in 2022	4,999,222	-	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	<u>1,999,652</u>	<u>-</u>	2022.04.08-2027.04.08 Principal is repayable on maturity date.	Fixed interest rate of 0.78%, interest is paid annually.
	<u>\$ 56,250,137</u>	<u>\$ 50,548,494</u>		

(Concluded)

## 26. OTHER FINANCIAL LIABILITIES

	December 31	
	2022	2021
Principal of structured products	\$ 29,312,266	\$ 9,596,029
Cumulative earnings on appropriated loan fund	<u>155,012</u>	<u>28,708</u>
	<u>\$ 29,467,278</u>	<u>\$ 9,624,737</u>

## 27. PROVISIONS

	December 31	
	2022	2021
Provision for employee benefits	\$ 1,750,817	\$ 2,355,872
Provision for financing commitment	287,654	161,914
Provision for guarantee liabilities	338,746	394,577
Provision for decommissioning liabilities	107,424	97,672
Other	<u>15,239</u>	<u>17,387</u>
	<u>\$ 2,499,880</u>	<u>\$ 3,027,422</u>

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

	For the Year Ended December 31, 2022		
	Provision for Financing Commitment	Provision for Guarantee Liabilities	Other Provision
Balance, January 1	\$ 161,914	\$ 394,577	\$ 17,387
(Reversal of) provision	115,480	(56,610)	(4,245)
Effect of exchange rate changes	<u>10,260</u>	<u>779</u>	<u>2,097</u>
Balance, December 31	<u>\$ 287,654</u>	<u>\$ 338,746</u>	<u>\$ 15,239</u>

  

	For the Year Ended December 31, 2021		
	Provision for Financing Commitment	Provision for Guarantee Liabilities	Other Provision
Balance, January 1	\$ 211,027	\$ 311,918	\$ 14,817
(Reversal of) provision	(46,710)	83,467	3,048
Effect of exchange rate changes	<u>(2,403)</u>	<u>(808)</u>	<u>(478)</u>
Balance, December 31	<u>\$ 161,914</u>	<u>\$ 394,577</u>	<u>\$ 17,387</u>

## 28. PROVISIONS FOR EMPLOYEE BENEFITS

	December 31	
	2022	2021
Recognized in balance sheets (payables and provisions)		
Defined contribution plans	\$ 47,611	\$ 42,597
Defined benefit plans	1,249,859	1,896,474
Preferential interest on employees' deposits	343,699	340,375
Others	<u>157,259</u>	<u>119,023</u>
	<u>\$ 1,798,428</u>	<u>\$ 2,398,469</u>

### a. Defined contribution plans

The Bank adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Based on the LPA, the Bank makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total expenses recognized for the years ended December 31, 2022 and 2021 of \$269,838 and \$257,203, respectively, represent contributions payable to these plans by the Bank at rates specified in the rules of the plans.

### b. Defined benefit plans

For the Bank employees who adopt for defined benefit plans regulated by the Labor Standards Act, the retirement benefits are paid to employees as follow: (i) a lump sum payment equal to two base units for each year of service; (ii) that each year of service exceeding 15 years is entitled to only one base unit of wage; and (iii) that the maximum payment is for up to 45 base units. Any fraction of a year that is equal to six months or more is counted as one year of service, and any fraction of a year that is less than six months is counted as half a year of service.

Pension contributions are deposited in the Trust department of Bank of Taiwan and Bank SinoPac in the Organization of Supervisory Committee of Business Entities' Labor Retirement Reserve's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund deposited in the Trust department of Bank of Taiwan is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Bank has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Bank's defined benefit plans were as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 4,410,096	\$ 4,951,842
Fair value of plan assets	<u>(3,160,237)</u>	<u>(3,055,368)</u>
Deficit	1,249,859	1,896,474
Asset ceiling	<u>-</u>	<u>-</u>
Net defined benefit liability	<u>\$ 1,249,859</u>	<u>\$ 1,896,474</u>

Movements in net defined benefit liability (asset) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2021	<u>\$ 5,241,258</u>	<u>\$ (2,996,055)</u>	<u>\$ 2,245,203</u>
Service cost			
Current service cost	54,494	-	54,494
Past service cost	-	-	-
Net interest expense (income)	<u>15,435</u>	<u>(9,022)</u>	<u>6,413</u>
Recognized in (profit) or loss	<u>69,929</u>	<u>(9,022)</u>	<u>60,907</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(35,833)	(35,833)
Actuarial (gain) loss - changes in financial assumptions	(151,672)	-	(151,672)
Actuarial (gain) loss - changes in demographic assumptions	5,340	-	5,340
Actuarial (gain) loss - experience adjustments	<u>3,744</u>	<u>-</u>	<u>3,744</u>
Recognized in other comprehensive income	<u>(142,588)</u>	<u>(35,833)</u>	<u>(178,421)</u>
Contributions from the employer	-	(231,215)	(231,215)
Benefits paid	<u>(216,757)</u>	<u>216,757</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 4,951,842</u>	<u>\$ (3,055,368)</u>	<u>\$ 1,896,474</u>
Balance at January 1, 2022	<u>\$ 4,951,842</u>	<u>\$ (3,055,368)</u>	<u>\$ 1,896,474</u>
Service cost			
Current service cost	40,036	-	40,036
Past service cost	-	-	-
Net interest expense (income)	<u>29,181</u>	<u>(18,435)</u>	<u>10,746</u>
Recognized in (profit) or loss	<u>69,217</u>	<u>(18,435)</u>	<u>50,782</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(204,623)	(204,623)
Actuarial (gain) loss - changes in financial assumptions	(300,275)	-	(300,275)
Actuarial (gain) loss - changes in demographic assumptions	35	-	35
Actuarial (gain) loss - experience adjustments	<u>37,015</u>	<u>-</u>	<u>37,015</u>
Recognized in other comprehensive income	<u>(263,225)</u>	<u>(204,623)</u>	<u>(467,848)</u>
Contributions from the employer	-	(229,549)	(229,549)
Benefits paid	<u>(347,738)</u>	<u>347,738</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 4,410,096</u>	<u>\$ (3,160,237)</u>	<u>\$ 1,249,859</u>

The plan assets' actual returns were \$223,058 and \$44,855 for the years ended December 31, 2022 and 2021.

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

- 1) Investment risk: Bureau of Labor Funds, Ministry of Labor invests plan assets in domestic and foreign securities, debt securities, bank deposits, etc. through self-utilization and entrusted management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate	1.30%	0.60%
Expected rate of salary increase	1.75%	1.75%
Turnover rate	0.34%	0.36%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate (2022: 1.30%; 2021: 0.60%)		
0.25% increase	<u>\$ (100,757)</u>	<u>\$ (122,857)</u>
0.25% decrease	<u>\$ 104,091</u>	<u>\$ 127,192</u>
Expected rate of salary increase 1.75%		
0.25% increase	<u>\$ 103,365</u>	<u>\$ 125,416</u>
0.25% decrease	<u>\$ (100,562)</u>	<u>\$ (121,786)</u>
Turnover rate (2022: 0.34%; 2021: 0.36%)		
110% of expected turnover rate	<u>\$ (50)</u>	<u>\$ (98)</u>
90% of expected turnover rate	<u>\$ 50</u>	<u>\$ 98</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
The expected contributions to the plan for the next year	<u>\$ 202,921</u>	<u>\$ 210,968</u>
The average duration of the defined benefit obligation	9 years	10 years

c. Preferential interest on employees' deposits

The Bank offers preferential interest on employees' deposits to both current and retired employees.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate	4.00%	4.00%
Expected interest rate on preferential interest on employees' deposits		
Manager	7.47%	6.84%
Staff	13.00%	13.00%
Normal deposit interest rate	1.47%	0.84%
Return on deposits	2.00%	2.00%
Excess preferential interest		
Manager	4.00%	4.00%
Staff	9.53%	10.16%
The probability of preferential interest on employees' deposits is canceled within ten years	50.00%	50.00%

The amounts included in the balance sheets arising from the Bank's obligation in respect of its preferential interest on employee's deposits were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Present value of defined benefit obligation	\$ 343,699	\$ 340,375
Fair value of plan assets	-	-
Deficit	343,699	340,375
Asset ceiling	-	-
Net defined benefit liability	<u>\$ 343,699</u>	<u>\$ 340,375</u>

Movements in net defined benefit liability (asset) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2021	<u>\$ 293,173</u>	<u>\$ -</u>	<u>\$ 293,173</u>
Service cost			
Past service cost	16,173	-	16,173
Interest expense	<u>6,330</u>	<u>-</u>	<u>6,330</u>
Recognized in (profit) or loss	<u>22,503</u>	<u>-</u>	<u>22,503</u>
Remeasurement			
Actuarial (gain) loss - experience adjustments	31,646	-	31,646
Actuarial (gain) loss - changes in assumptions	<u>18,256</u>	<u>-</u>	<u>18,256</u>

(Continued)



	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Recognized in other comprehensive income	\$ 49,902	\$ -	\$ 49,902
Benefits paid	<u>(25,203)</u>	<u>-</u>	<u>(25,203)</u>
Balance at December 31, 2021	<u>\$ 340,375</u>	<u>\$ -</u>	<u>\$ 340,375</u>
Balance at January 1, 2022	<u>\$ 340,375</u>	<u>\$ -</u>	<u>\$ 340,375</u>
Service cost			
Past service cost	32,242	-	32,242
Interest expense	<u>7,130</u>	<u>-</u>	<u>7,130</u>
Recognized in (profit) or loss	<u>39,372</u>	<u>-</u>	<u>39,372</u>
Remeasurement			
Actuarial (gain) loss - experience adjustments	8,921	-	8,921
Actuarial (gain) loss - changes in assumptions	<u>(19,114)</u>	<u>-</u>	<u>(19,114)</u>
Recognized in other comprehensive income	<u>(10,193)</u>	<u>-</u>	<u>(10,193)</u>
Benefits paid	<u>(25,855)</u>	<u>-</u>	<u>(25,855)</u>
Balance at December 31, 2022	<u>\$ 343,699</u>	<u>\$ -</u>	<u>\$ 343,699</u> (Concluded)

d. Other

Others included long-term incentive compensation plans, deferred service leave and termination benefits. For the years ended December 31, 2022 and 2021, the liabilities related to cash-settled share-based payments of long-term incentive compensation plans were recognized as \$113,875 and \$83,022, respectively, the acquired total embedded value of which were \$98,092 and \$63,437, respectively.

## 29. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Guarantee deposits received	\$ 1,504,159	\$ 1,255,606
Temporary receipt and suspense accounts	621,590	656,896
Advance receipts	179,479	204,426
Deferred revenue	106,494	114,579
Others	<u>31,724</u>	<u>24,832</u>
	<u>\$ 2,443,446</u>	<u>\$ 2,256,339</u>

### 30. 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:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax		
Current period	\$ 2,297,364	\$ 1,586,866
Adjustments for prior period	(1,670)	3,731
Others	<u>-</u>	<u>51,768</u>
	2,295,694	1,642,365
Deferred tax		
Temporary adjustment	<u>274,252</u>	<u>23,363</u>
Income tax expenses recognized in profit or loss	<u>\$ 2,569,946</u>	<u>\$ 1,665,728</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit before tax	<u>\$ 17,283,223</u>	<u>\$ 13,081,046</u>
Income tax expense calculated at the statutory rate (20%)	\$ 3,456,645	\$ 2,616,209
Tax effect of adjusting items:		
Additional income tax under the Alternative Minimum Tax Act	-	353,765
Adjustments for prior years' tax	(1,670)	3,731
Tax-exempt income	(156,354)	(61,183)
Permanent difference	(728,565)	(1,298,159)
Others	<u>(110)</u>	<u>51,365</u>
Income tax expense recognized in profit or loss	<u>\$ 2,569,946</u>	<u>\$ 1,665,728</u>

The ROC Income Tax Act was 20%. The rate of unappropriated earnings was 5%.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Deferred tax</u>		
Adjustments of current period		
Defined benefit plans remeasurement	\$ (95,608)	\$ (25,704)
Share of the comprehensive income of subsidiaries accounted for using the equity method	21,066	(10,861)
Exchange difference on translating foreign operations	<u>(28,278)</u>	<u>15,429</u>
Income tax recognized in other comprehensive income	<u>\$ (102,820)</u>	<u>\$ (21,136)</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Current tax assets</u>		
Receivables from adopting the linked-tax system	\$ 1,055,020	\$ 1,055,020
Others	<u>83,126</u>	<u>49,300</u>
	<u>\$ 1,138,146</u>	<u>\$ 1,104,320</u>
<u>Current tax liabilities</u>		
Payables for adopting the linked-tax system	\$ 989,706	\$ 586,906
Others	<u>222,592</u>	<u>266,381</u>
	<u>\$ 1,212,298</u>	<u>\$ 853,287</u>

d. Deferred tax assets and liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Deferred tax assets</u>		
Allowance for doubtful accounts	\$ 759,569	\$ 630,008
Provision for defined benefit	293,803	414,791
Exchange differences on translating foreign operations	134,752	163,029
Unrealized gains or losses on foreign exchange and derivative instruments	-	53,992
Others	<u>109,570</u>	<u>60,045</u>
	<u>\$ 1,297,694</u>	<u>\$ 1,321,865</u>

(Continued)

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Deferred tax liabilities</u>		
Land value increment tax	\$ 587,038	\$ 587,038
Unrealized gains on foreign exchange and derivative instruments	294,964	-
Investments accounted for using the equity method	199,806	142,601
Others	<u>46,555</u>	<u>46,555</u>
	<u>\$ 1,128,363</u>	<u>\$ 776,194</u>
		(Concluded)

Deferred tax expenses recognized in profit or loss were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Allowance for doubtful accounts	\$ (129,561)	\$ (24,611)
Provision for defined benefit	25,380	24,564
Investments accounted for using the equity method	57,205	22,243
Unrealized gains or losses on foreign exchange and derivative instruments	348,956	12,127
Others	<u>(27,728)</u>	<u>(10,960)</u>
	<u>\$ 274,252</u>	<u>\$ 23,363</u>

The Bank did not have unused loss carryforwards as of December 31, 2022.

- e. The Bank's tax returns through 2017 had been assessed by the tax authorities.
- f. SinoPac Call Center was merged into Bank SinoPac in 2019 and its profit-seeking enterprise income tax was assessed through 2017.

### 31. 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 was set September 13, 2022 as the record date.

In order to strengthen the Bank's capital, increase the common equity ratio and support the capital needs for operations and business expansion, the Bank's board of directors, on behalf of the shareholders' meeting, resolved to issue 666,667 thousand common shares at a price of \$15 per share for a total amount of \$10 billion, which was 100% subscribed by the parent company, SPH. The capital increase was approved by the authorities and the record date was set as March 21, 2023.

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).

The details of capital surplus were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Share premium	\$ 4,001,872	\$ 4,001,872
Donated surplus	83	83
Consolidation premium	8,076,524	8,076,524
Others	<u>69,161</u>	<u>69,161</u>
	<u>\$ 12,147,640</u>	<u>\$ 12,147,640</u>

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 - other, 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

	<b>Exchange Differences on Translation of Foreign Operations</b>	<b>Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income</b>		<b>Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability</b>	<b>Total</b>
		<b>Equity Instrument</b>	<b>Debt Instrument</b>		
Balance January 1, 2022	\$ (643,875)	\$ 2,903,884	\$ (493,889)	\$ (85,882)	\$ 1,680,238
Exchange differences					
Exchange differences on translation of foreign operations	141,386	-	-	-	141,386
Related income tax	(28,278)	-	-	-	(28,278)
Financial assets at fair value through other comprehensive income					
Current adjustment for change in value	-	(3,285,187)	(12,438,098)	-	(15,723,285)
Adjustment for loss allowance of debt instruments	-	-	(3,390)	-	(3,390)
Current disposal	-	-	444,145	-	444,145
					(Continued)

	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income		Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	Total
		Equity Instrument	Debt Instrument		
Cumulative realized gain or loss transferred to retained earnings due to disposal	\$ -	\$ (152,742)	\$ -	\$ -	\$ (152,742)
Share of gains (losses) of subsidiary and other comprehensive income of those investments					
Recognition	-	-	(107,108)	-	(107,108)
Adjustment for loss allowance of debt instruments	-	-	1,780	-	1,780
Related income tax	-	-	21,066	-	21,066
Change in fair value of financial liability attributable to change in credit risk of liability					
Change in amount	-	-	-	39,237	39,237
Balance December 31, 2022	<u>\$ (530,767)</u>	<u>\$ (534,045)</u>	<u>\$ (12,575,494)</u>	<u>\$ (46,645)</u>	<u>\$ (13,686,951)</u> (Concluded)

	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income		Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	Total
		Equity Instrument	Debt Instrument		
Balance January 1, 2021	\$ (582,164)	\$ 1,861,132	\$ 3,381,218	\$ (82,343)	\$ 4,577,843
Exchange differences					
Exchange differences on translation of foreign operations	(77,140)	-	-	-	(77,140)
Related income tax	15,429	-	-	-	15,429
Financial assets at fair value through other comprehensive income					
Current adjustment for change in value	-	1,784,617	(3,004,221)	-	(1,219,604)
Adjustment for loss allowance of debt instruments	-	-	(15,012)	-	(15,012)
Current disposal	-	-	(899,315)	-	(899,315)
Cumulative realized gain or loss transferred to retained earnings due to disposal	-	(741,865)	-	-	(741,865)

(Continued)

	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income		Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	Total
		Equity Instrument	Debt Instrument		
Share of gains (losses) of subsidiary and other comprehensive income of those investments					
Recognition	\$ -	\$ -	\$ 53,184	\$ -	\$ 53,184
Adjustment for loss allowance of debt instruments	-	-	1,118	-	1,118
Related income tax	-	-	(10,861)	-	(10,861)
Change in fair value of financial liability attributable to change in credit risk of liability					
Change in amount	-	-	-	(3,539)	(3,539)
Balance December 31, 2021	<u>\$ (643,875)</u>	<u>\$ 2,903,884</u>	<u>\$ (493,889)</u>	<u>\$ (85,882)</u>	<u>\$ 1,680,238</u> (Concluded)

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 appropriates a special reserve in accordance with Rule No. 1090150022. If there's a net deduction of other equity accumulated in the previous period, the Bank should appropriate the same amount of special reserve from the unappropriated retained earnings in the previous period, if there's still a shortage, the Bank should appropriate special reserve which is from the current net income after tax and the current unappropriated retained earning not included in the current net income after tax.

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.

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.

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

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

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

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

The appropriations of earnings for 2021 have been proposed by the Bank's board of directors (on behalf of the shareholder's meeting) on May 20, 2022. The appropriations and dividends per share were as follows:

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



The appropriations of earnings for 2022 have been proposed by the Bank's board of directors on March 8, 2023. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>
Legal reserve	\$ 4,574,536
Special reserve	10,673,916

The board of directors approved the 2022 appropriations of earnings on March 8, 2023, that will be resolved by shareholder's resolution (on behalf of the shareholder's meeting) in 2023.

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.

### 32. NET INTEREST REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest income		
Loans	\$ 28,570,246	\$ 20,009,046
Security investments	8,418,954	5,540,794
Due from the Central Bank and call loans to banks	3,595,072	591,237
Securities purchased under resell agreements	555,801	126,011
Credit card revolving interest rate income	494,766	507,897
Others	<u>744,570</u>	<u>404,130</u>
	<u>42,379,409</u>	<u>27,179,115</u>
Interest expenses		
Deposits	(14,547,160)	(6,507,434)
Call loans from banks	(1,504,647)	(331,789)
Bank debentures	(853,945)	(774,274)
Securities sold under repurchase agreements	(609,921)	(21,202)
Interest expense of structured products	(476,643)	(112,335)
Others	<u>(161,330)</u>	<u>(100,993)</u>
	<u>(18,153,646)</u>	<u>(7,848,027)</u>
	<u>\$ 24,225,763</u>	<u>\$ 19,331,088</u>

**33. SERVICE FEE INCOME, NET**

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Service fee income		
Insurance services	\$ 2,423,544	\$ 2,555,470
Trust and related services	2,120,410	2,615,175
Loan services	1,934,526	1,573,901
Credit card services	716,360	606,054
Others	<u>1,268,901</u>	<u>1,109,137</u>
	<u>8,463,741</u>	<u>8,459,737</u>
Service fee expenses		
Credit card services	(686,704)	(592,999)
Interbank services	(331,217)	(252,227)
Trust services	(164,340)	(164,246)
Foreign exchange transaction	(49,496)	(35,359)
Others	<u>(375,952)</u>	<u>(379,916)</u>
	<u>(1,607,709)</u>	<u>(1,424,747)</u>
	<u>\$ 6,856,032</u>	<u>\$ 7,034,990</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Disposal gain (loss) on financial assets and liabilities at fair value through profit or loss		
Government bonds	\$ (569,908)	\$ (153,711)
Corporate bonds	(774,106)	107,082
Interest rate swap contracts	1,429,344	1,228,392
Currency swap contracts	644,207	497,573
Future contracts	553,288	(286,522)
Forward contracts	(217,043)	(132,774)
Option contracts	(748,439)	(23,545)
Others	<u>135,007</u>	<u>130,979</u>
	<u>452,350</u>	<u>1,367,474</u>
Unrealized gain (loss) on financial assets and liabilities at fair value through profit or loss		
Government bonds	180,034	(208,766)
Bank debentures	(153,991)	(53,682)
Corporate bonds	(828,383)	(70,551)
Interest rate swap contracts	2,535,938	(778,230)
Currency swap contracts	233,000	(82,551)
Option contracts	(883,797)	48,286
Others	<u>1,482</u>	<u>19,342</u>
	<u>1,084,283</u>	<u>(1,126,152)</u>
Interest income	428,496	338,419
Dividend income	<u>1,347</u>	<u>954</u>
	<u>\$ 1,966,476</u>	<u>\$ 580,695</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Dividends revenue		
Holding at the end of the reporting period	\$ 1,226,113	\$ 597,514
Disposed in the reporting period	9,322	104,571
Gain or loss from disposal of debt instruments	<u>(444,145)</u>	<u>899,315</u>
	<u>\$ 791,290</u>	<u>\$ 1,601,400</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Rental income	\$ 87,392	\$ 91,069
Operating assets rental income	26,707	27,847
Others	<u>18,782</u>	<u>32,097</u>
	<u>\$ 132,881</u>	<u>\$ 151,013</u>

**37. EMPLOYEE BENEFITS EXPENSES**

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Salaries and wages	\$ 8,006,388	\$ 7,325,150
Labor insurance and national health insurance	561,076	538,566
Pension costs	320,620	318,110
Cash-settled share based payment transaction	30,853	44,247
Others	<u>767,840</u>	<u>668,058</u>
	<u>\$ 9,686,777</u>	<u>\$ 8,894,131</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 \$90,000 and \$70,000 as employees' compensation and \$34,127 and \$27,000 as remuneration of directors for the years ended December 31, 2022 and 2021.

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

The board of directors approved \$90,000 as employees' compensation and \$34,127 as remuneration of directors on January 16, 2023 and February 24, 2023, respectively. These amounts were the same as those recognized in the financial statements and will be delivered entirely in cash.

The board of directors approved \$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 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.

### 38. DEPRECIATION AND AMORTIZATION EXPENSE

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Depreciation expense		
Land improvements	\$ 23	\$ 24
Buildings	152,770	144,594
Machinery and computer equipment	313,610	283,500
Other equipment	98,262	84,504
Leasehold improvements	54,674	47,552
Right-of-use assets	<u>640,711</u>	<u>632,236</u>
	1,260,050	1,192,410
Amortization expense	<u>235,203</u>	<u>205,660</u>
	<u>\$ 1,495,253</u>	<u>\$ 1,398,070</u>

### 39. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Taxation and fees	\$ 1,583,849	\$ 1,235,399
Professional advisory	593,799	462,154
Automated equipment	533,794	477,271
Marketing	521,973	401,226
Insurance	402,166	374,765
Location fee	384,127	380,798
Communications expense	322,088	297,209
Others	<u>593,462</u>	<u>549,476</u>
	<u>\$ 4,935,258</u>	<u>\$ 4,178,298</u>

#### 40. 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.

	Dollars Per Share	
	<u>For the Year Ended December 31</u>	
	2022	2021
Basic EPS	\$ <u>1.63</u>	\$ <u>1.26</u>

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

##### Net income

	<u>For the Year Ended December 31</u>	
	2022	2021
Net income for calculating basic EPS	\$ <u>14,713,277</u>	\$ <u>11,415,318</u>

##### Shares

	Shares in Thousands	
	<u>For the Year Ended December 31</u>	
	2022	2021
The weighted-average number of common stock outstanding in the computation of basic EPS	<u>9,032,584</u>	<u>9,032,584</u>

When calculating the EPS for the comparative period, the 2022 EPS was retrospectively adjusted for the effects of the bonus stock issuance on September 13, 2022. Thus, the basic EPS for the year ended December 31, 2021 decreased from NT\$1.31 to NT\$1.26.

#### 41. RELATED-PARTY TRANSACTIONS

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

a. Related parties and their relationships with the Bank

<u>Related Party</u>	<u>Relationship with the Bank</u>
SinoPac Financial Holdings Company Limited (SPH)	Parent company of the Bank
Bank SinoPac (China) Ltd.	Subsidiary of the Bank
SinoPac Securities Corporation (SinoPac Securities)	Subsidiary of SPH
SinoPac Venture Capital Corporation (SinoPac Venture Capital)	Subsidiary of SPH
SinoPac Securities Investment Trust Co., Ltd. (SinoPac Securities Investment Trust)	Subsidiary of SPH
SinoPac Leasing Corporation (SPL)	Subsidiary of SPH
SinoPac Securities Investment Service Corporation (SinoPac Securities Investment Service)	Subsidiary of SinoPac Securities

(Continued)

<b>Related Party</b>	<b>Relationship with the Bank</b>
SinoPac Securities Venture Capital Corporation (SinoPac Securities Venture Capital)	Subsidiary of SinoPac Securities
SinoPac Securities (Asia) Ltd. (SinoPac Securities (Asia))	Affiliate of SinoPac Securities
SinoPac Capital (Asia) Ltd. (SinoPac Capital (Asia))	Affiliate of SinoPac Securities
SinoPac Capital International (HK) Limited	Subsidiary of SPL
The Bankers Association of the Republic of China (BAROC)	Affiliate of SPH's chairman
SinoPac Foundation	Affiliate of SPH's chairman
Global Unichip Corp. (GUC)	Affiliate of SPH's chairman's spouse
TransGlobe Life Insurance Inc. (TGL)	Affiliate of second-degree-in-laws of SinoPac Futures's chairman
Taiwan Stock Exchange (TWSE)	Affiliate of the SPH's general manager (before June 2022)
High Entropy Materials, Inc. (High Entropy Materials)	Affiliate of the SinoPac Venture Capital's general manager
Shin Yuan Investment Co., Ltd. (Shin Yuan Investment)	SPH's corporate director
Hsin Yi Recreation Enterprise Co., Ltd. (Hsin Yi Recreation)	Affiliate of SPH's corporate director
Quanta Computer Inc. (Quanta Computer)	Affiliate of SPH's director (before July 2022)
Pegatron Corporation (Pegatron)	Affiliate of SPH's director
Uni-President Development Corp. (Uni-President Development)	Affiliate of the Bank's director
President Chain Store Corporation (PCSC)	Affiliate of the Bank's director
ScinoPharm Taiwan, Ltd. (ScinoPharm)	Affiliate of the Bank's director
Chunghwa Telecom Co., Ltd. (Chunghwa Telecom)	Affiliate of the Bank's director
Taiwan Futures Exchange (TAIFEX)	Affiliate of SinoPac Securities' director
Taiwan Riken Industrial Co., Ltd. (Taiwan Riken Industrial)	Affiliate of SinoPac Securities' director
Yuanta Securities Co., Ltd. (Yuanta Securities)	Affiliate of second-degree-in-laws of the Bank's 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
Evercast Precision Industry Corporation (Evercast Precision)	Affiliate of first-degree kin of the Bank's manager
Kim Great Co., Ltd. (Kim Great)	Affiliate of second-degree kin of the Bank's manager
Hao-Xin-Di Co., Ltd. (Hao-Xin-Di)	Affiliate of second-degree kin of the Bank's manager
Zetai Investment Limited (Zetai Investment)	Affiliate of second-degree kin of the Bank's manager
Kingstate Electronics Corporation (Kingstate Electronics)	Affiliate of second-degree kin of the Bank's manager
Yong, Yu-Kang Construction Co., Ltd. (Yong, Yu-Kang Construction)	Affiliate of third-degree kin of the Bank's manager
Froch Enterprise Co., Ltd. (Froch Enterprise)	Affiliate of second-degree-in-laws of the Bank's manager
Hao Yu Co., Ltd. (Hao Yu)	Affiliate of second-degree-in-laws of the Bank's manager
Avision Inc. (Avision)	The Bank holds more than 5% of the capital of charitable trust entrusted assets

(Continued)

<b>Related Party</b>	<b>Relationship with the Bank</b>
Jhong Cing Investment Co., Ltd. (Jhong Cing Investment)	Related party
E Ink Holdings Inc. (E Ink Holdings)	Related party
Hsin-Yi Foundation	Related party
China Color Printing Co., Ltd. (China Color Printing)	Related party
Taigen Biotechnology Co., Ltd. (Taigen Biotechnology)	Related party
YFY Biotech Management Co., Ltd. (YFY Biotech Management)	Related party
Hoss Investment Inc (Hoss Investment)	Related party
YuanHan Materials Inc. (YuanHan Materials)	Related party
Yong Hsin Yi Enterprise Co., Ltd. (Yong Hsin Yi Enterprise)	Related party
Effion Enertech Co., Ltd. (Effion Enertech)	Related party
Hoss Capital Inc. (Hoss Capital)	Related party
Shin Foong Specialty And Applied Materials Co., Ltd. (Shin Foong Specialty And Applied Materials)	Related party
Everterminal Co., Ltd. (Everterminal)	Related party
Foundation of Fire Fighting Development	Related party
YFY Packaging Inc. (YFY Packaging)	Related party
Shen's Art Printing Co., Ltd. (Shen's Art Printing)	Related party
Foongtone Technology Co., Ltd. (Foongtone Technology)	Related party
Yuen Foong Shop Co., Ltd. (Yuen Foong Shop)	Related party
YFY Biotech Co., Ltd. (YFY Biotech)	Related party
Others	The Bank's directors, 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) Cash and cash equivalents

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Due from banks		
Bank SinoPac (China) Ltd.	\$ 1,350	\$ 1,328

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

	<b>For the Year Ended December 31, 2022</b>		
	<b>Ending Balance</b>	<b>Interest (%)</b>	<b>Interest Income</b>
Call loans to banks			
Bank SinoPac (China) Ltd.	\$ 3,072,355	0.66-5.39	\$ 74,959
Hua Nan Bank	1,226,221	0.16-8.5	13,824
Others	-	0.59	68

<b>For the Year Ended December 31, 2021</b>			
	<b>Ending Balance</b>	<b>Interest (%)</b>	<b>Interest Income</b>
Call loans to banks			
Bank SinoPac (China) Ltd.	\$ 3,135,704	0.13-3.41	\$ 101,632
Hua Nan Bank	553,791	0.025-2.2	1,579

### 3) Derivative financial instruments

<b>December 31, 2022</b>					
	<b>Contract (Notional) Amount</b>	<b>Contract Period</b>	<b>Valuation Gains or Losses</b>	<b>Account</b>	<b>Balance</b>
Interest rate swap contracts					
SinoPac Securities	\$ 675,000	2020.8.3- 2024.8.12	\$ (4,566)	Financial liabilities at fair value through profit or loss	\$ 7,122
Hua Nan Bank	11,123,563	2020.11.13- 2032.3.16	398,067	Financial assets at fair value through profit or loss	473,707
TAIFEX	3,150,000	2022.7.27- 2027.8.11	14,033	Financial assets at fair value through profit or loss	14,033
TAIFEX	2,000,000	2022.7.27- 2023.7.27	(3,610)	Financial liabilities at fair value through profit or loss	3,610
Forward contracts					
TGL	772,448	2022.10.17- 2023.7.13	16,430	Financial assets at fair value through profit or loss	16,430
TGL	3,081,540	2022.3.30- 2023.6.16	(128,889)	Financial liabilities at fair value through profit or loss	128,889
Currency swap contracts					
Hua Nan Bank	1,843,413	2021.11.11- 2023.10.5	89,955	Financial assets at fair value through profit or loss	88,916
Hua Nan Bank	3,686,826	2022.1.12- 2023.4.20	(237,148)	Financial liabilities at fair value through profit or loss	237,148
TGL	7,680,888	2021.1.21- 2023.4.14	78,444	Financial assets at fair value through profit or loss	74,865
TGL	9,038,066	2022.9.27- 2023.3.1	(236,918)	Financial liabilities at fair value through profit or loss	236,918
<b>December 31, 2021</b>					
	<b>Contract (Notional) Amount</b>	<b>Contract Period</b>	<b>Valuation Gains or Losses</b>	<b>Account</b>	<b>Balance</b>
Interest rate swap contracts					
SinoPac Securities	\$ 500,000	2020.3.9- 2022.3.9	\$ (544)	Financial assets at fair value through profit or loss	\$ 160
SinoPac Securities	675,000	2020.8.3- 2024.8.12	(1,256)	Financial liabilities at fair value through profit or loss	2,555
Hua Nan Bank	8,898,000	2020.11.13- 2031.11.4	81,345	Financial assets at fair value through profit or loss	89,414
Currency swap contracts					
SinoPac Securities	956,800	2021.9.9- 2022.5.12	9,116	Financial assets at fair value through profit or loss	9,116
Hua Nan Bank	830,687	2021.10.5- 2022.7.15	10,704	Financial assets at fair value through profit or loss	10,704
Hua Nan Bank	553,791	2021.11.11- 2023.9.28	(1,039)	Financial liabilities at fair value through profit or loss	1,039



4) Securities purchased under resell agreements

2022

	<u>December 31</u>		<u>For the Year Ended December 31</u>
	<u>Face Amount</u>	<u>Carrying Amount</u>	<u>Interest Income</u>
Others	\$ -	\$ -	\$ 14

2021

	<u>December 31</u>		<u>For the Year Ended December 31</u>
	<u>Face Amount</u>	<u>Carrying Amount</u>	<u>Interest Income</u>
Others	\$ -	\$ -	\$ 2,437

5) Receivables

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Interest receivable		
Others	\$ 2,437	\$ 59,597
Credit card receivable		
Others	266,266	289,173
Other receivables		
Bank SinoPac (China) Ltd.	105,171	104,956
Others	6,453	705

6) Current income tax assets and liabilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Receivables from adopting the linked-tax system	\$ 1,055,020	\$ 1,055,020
Payables from adopting the linked-tax system	\$ 989,706	\$ 586,906

7) Loans

<u>For the Year Ended December 31, 2022</u>			
<u>Ending Balance</u>	<u>Highest Balance</u>	<u>Interest/ Fee Rates (%)</u>	<u>Interest Income</u>
\$ 10,483,666	\$ 12,182,074	0-10.77	\$ 146,415

Category	December 31, 2022						
	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees' consumer loans	237	\$ 392,615	\$ 356,109	V	-	None	Yes
Household mortgage loans	1,164	7,494,220	7,122,009	V	-	Real estate	Yes
Others:							
	SPL	400,000	70,000	V	-	Real estate	Yes
	Froch Enterprise	248,808	-	V	-	None, Note 1	Yes
	Uni-President Development	130,000	-	V	-	None, Note 1	Yes
	Jhong Cing Investment	58,160	54,634	V	-	Real estate	Yes
	Kim Great	43,566	40,670	V	-	Real estate	Yes
	Evercast Precision	32,472	-	V	-	Real estate	Yes
	Hao-Xin-Di	7,689	6,833	V	-	Real estate	Yes
	Hotai Investment	2,406	1,581	V	-	Vehicle	Yes
	Zetai Investment	1,225	875	V	-	Vehicle	Yes
	Yong, Yu-Kang Construction	131	-	V	-	Certificates of deposits	Yes
	Others	3,370,782	2,830,955	V	-	Real estate, certificates of deposits, securities and vehicle	Yes
	Others subtotal	4,295,239	3,005,548				
	Total	\$ 12,182,074	\$ 10,483,666				

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

Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Income
<u>\$ 9,702,175</u>	<u>\$ 11,726,148</u>	0-12.9	<u>\$ 123,524</u>

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

Note 1: Non-related party of the Bank at the loan's 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.

8) Guarantees

December 31, 2022

Related Party	Highest Balance in Current Year	Ending Balance	Provision	Rates	Type of Collaterals	Note
Yuanta Securities	\$ 820,000	\$ -	\$ -	0.30%	None, Note	

December 31, 2021

None.

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

9) Financial assets at fair value through other comprehensive income

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Equity instrument		
TAIFEX	\$ 333,886	\$ 410,315
PCSC	207,808	-
Quanta Computer	-	311,563
Others	23,032	19,659

10) Other financial assets

The Bank had interest revenue from call loans to security corporations for the year ended December 31, 2021 was \$33.

11) Property and equipment

For the years ended December 31, 2022 and 2021, the Bank purchased property and equipment from its related parties for a total price of \$27,473 and \$29,580, respectively, recognized as machinery and computer equipment and prepayment.

The Bank leased other equipment from its related parties, due to the date, December 31, 2022 and 2021, the carrying amount were \$56 and \$67, respectively.

12) Intangible assets

For the years ended December 31, 2022 and 2021, the Bank purchased computer software from its related parties in the amount of \$36,372 and \$27,355, respectively, recognized as intangible assets.

13) Other assets

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Prepayments		
Others	\$ 4,303	\$ 4,708
Guarantee deposits		
Others	78,137	59,682

The Bank signed an agreement with other related parties for the purchase. The Bank paid \$27,412 and \$45,652 for the years ended December 31, 2022 and 2021, which were recorded as prepayments (other assets) or other operating expenses.

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

The amount of interest revenue through above guarantee for the years ended December 31, 2022 and 2021 were \$64 and \$48, respectively.

14) Notes and bonds transaction

	<b>For the Year Ended December 31, 2022</b>	
	<b>Purchase of Notes and Bonds</b>	<b>Sell of Notes and Bonds</b>
Quanta Computer	\$ 999,768	\$ 999,981
SinoPac Securities	-	7,000,000

	<b>For the Year Ended December 31, 2021</b>	
	<b>Purchase of Notes and Bonds</b>	<b>Sell of Notes and Bonds</b>
SPH	\$ 3,500,000	\$ -
SinoPac Securities	-	10,200,000
Hua Nan Bank	-	5,003,395

15) Deposits from the Central Bank and banks

2022

	<b>December 31</b>		<b>For the Year Ended December 31</b>
	<b>Ending Balance</b>	<b>Interest Rates (%)</b>	<b>Interest Expense</b>
Hua Nan Bank	\$ 1,228,942	0.11-5.35	\$ 15,588
Others	15,279	-	-

2021

	<b>December 31</b>		<b>For the Year Ended December 31</b>
	<b>Ending Balance</b>	<b>Interest Rates (%)</b>	<b>Interest Expense</b>
Hua Nan Bank	\$ 913,755	0.09-1.30	\$ 792
Others	2,252	-	-

16) Payables

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Accrued expenses		
Others	\$ 56	\$ 13
Interests payable		
Others	7,803	587
Dividends payable to SPH		
SPH	1,435,025	1,435,025
Others payable		
Others	2,631	13,290

17) Bank debentures

The Bank's bank debentures issued for the year ended December 31, 2022 and 2021 were underwritten by SinoPac Securities who were paid \$1,000 and \$1,700 commission fee, respectively (recognized as discount of bank debentures).

The Bank paid interest of bank debentures to related parties for the years ended December 31, 2022 and 2021 were \$47,653 and \$15,660, respectively.

18) Deposits

2022

	<b>December 31</b>		<b>For the Year Ended December 31</b>
	<b>Ending Balance</b>	<b>Interest Rates (%)</b>	<b>Interest Expense</b>
	<u>\$ 30,314,297</u>	0-13	<u>\$ 239,802</u>
	<b>Ending Balance</b>	<b>Interest Rate (%)</b>	
SinoPac Securities	\$ 6,220,948	0-4.55	
TGL	4,998,167	0.2-0.85	
GUC	1,984,002	0.001-1.01	
E Ink Holdings	1,034,254	0-1.44	
ScinoPharm	1,034,040	0.405-1.44	

(Continued)

	<b>Ending Balance</b>	<b>Interest Rate (%)</b>
Hsin-Yi Foundation	\$ 791,639	0.01-1.9
SinoPac Securities (Asia)	513,531	0-2.75
BAROC	432,384	0-1.455
TAIFEX	400,000	0.285-1.135
Hsin Yi Recreation	281,785	0.2-2
China Color Printing	271,554	0.405-1.44
SPL	268,751	0-0.85
Taigen Biotechnology	248,812	0-3.25
YFY Biotech Management	194,824	0-1.135
Hoss Investment	184,407	0.2-1.7
YuanHan Materials	182,288	0.001-1.44
SinoPac Securities Venture Capital	179,980	0.405
SinoPac Securities Investment Service	173,052	0-1.44
Yong Hsin Yi Enterprise	153,080	0.405-4.83
Taiwan Riken Industrial	146,724	0.001-1.195
Effion Enertech	132,420	0.405-1.005
Hoss Capital	131,525	0.2-0.85
Shin Yuan Investment	126,312	0.001-4.83
Shin Foong Specialty And Applied Materials	106,957	0.405-0.85
Everterminal	100,301	0.285-0.865
Others	<u>10,022,560</u>	0-13
	<u>\$ 30,314,297</u>	(Concluded)

2021

	<b>December 31</b>	<b>For the Year Ended December 31</b>
	<b>Ending Balance</b>	<b>Interest Expense</b>
	<u>\$ 66,831,040</u>	<u>\$ 246,093</u>
	<b>Ending Balance</b>	<b>Interest Rate (%)</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
Taigen Biotechnology	551,865	0-0.815
YuanHan Materials	423,029	0.001-0.815
TWSE	300,441	0.03-0.76
China Color Printing	271,089	0.03-0.815
		(Continued)

	<b>Ending Balance</b>	<b>Interest Rate (%)</b>
Hsin Yi Recreation	\$ 246,856	0.03-1.7
YFY Biotech Management	208,432	0-0.76
SinoPac Securities Venture Capital	205,408	0.03
TAIFEX	200,001	0.03-0.76
SinoPac Securities Investment Service	177,434	0-0.815
SinoPac Capital (Asia)	152,338	0-0.18
Taiwan Riken Industrial	148,918	0-2
YFY Packaging	142,639	0-0.76
SinoPac Venture Capital	142,031	0.03-0.08
Yong Hsin Yi Enterprise	141,002	0.03-0.815
High Entropy Materials	140,263	0.03
Shin Yuan Investment	135,031	0.001-0.57
Effion Enertech	127,146	0.03-0.38
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>9,272,565</u>	0-13
	<u>\$ 66,831,040</u>	(Concluded)

19) Other liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Guarantee deposits received	\$ 10,803	\$ 11,727
Advance receipts	11	12

20) Revenues and expenses

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Lease contracts - guarantee deposits interest revenue	\$ 328	\$ 319
Lease contracts - interest expenses	30,402	32,705
Commissions and fee revenues	132,486	67,940
Commissions and fee expenses	72,616	71,393
Realized gains on financial assets at fair value through other comprehensive income	25,847	35,070
Net other revenue other than interest income	14,371	14,359
Lease contracts - depreciation expenses	106,193	106,893
Other general and administrative expenses	239,638	206,090

## 21) Operating lease

### The Bank as a lessee

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Lease contracts - right of use, net		
SPL	\$ 569,552	\$ 626,145
Chunghwa Telecom	63,384	108,126
Others	10,088	13,451
Lease contracts - lease liability		
SPL	608,016	653,091
Chunghwa Telecom	64,523	109,522
Others	10,147	13,479

- a) Guarantee deposits, please refer to Note 41,b.13).
- 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 41,b.20).

### The Bank as a lessor

Lessee	Rental Income		Lease Term	Receiving Frequency
	For the Year Ended			
	December 31			
	2022	2021		
SinoPac Securities	\$ 31,586	\$ 31,910	November 2025	Rentals received monthly
SinoPac Securities Investment Trust	9,692	9,851	December 2029	Rentals received monthly
SPL	6,481	6,443	July 2026	Rentals received monthly
Yuen Foong Shop	4,356	4,358	January 2023	Rentals received monthly
YFY Biotech	3,396	3,396	October 2025	Rentals received monthly
Others	8,006	7,551	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.

## 22) 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 SinoPac Foundation. 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 Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 309,142	\$ 262,002
Post-employment benefits	<u>2,473</u>	<u>15,144</u>
	<u><b>\$ 311,615</b></u>	<u><b>\$ 277,146</b></u>

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

## 42. PLEDGED OR MORTGAGED ASSETS

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

<b>Restricted Assets</b>	<b>Object</b>	<b>December 31</b>		<b>Purposes</b>
		<b>2022</b>	<b>2021</b>	
Due from the Central Bank and call loans to banks	Deposit reserve - demand accounts	\$ -	\$ 5,000,000	Note 1
Investment in debt instruments at amortized cost	Certificates of deposits	8,153,618	8,138,448	Note 2
Investment in debt instruments at amortized cost	Government bonds	1,462,398	1,609,325	Note 3
Discounts and loans	Loans	16,610,100	12,975,007	Note 4

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

Note 2: Pledged 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 3: 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 4: Pledged in accordance with the Federal Reserve Bank under the discount window program.

#### 43. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

	December 31	
	2022	2021
Trust assets	\$ 726,153,141	\$ 631,453,936
Securities under custody	229,382,736	214,851,201
Agent for government bonds	84,867,900	89,466,800
Receipts under custody	24,861,918	27,281,580
Agent for marketable securities under custody	16,758,120	5,885,170
Guarantee notes payable	8,739,018	8,752,948
Appointment of investment	6,434,557	4,533,851
Goods under custody	1,083,102	1,215,393

As of December 31, 2022, in addition to above mentioned 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 December 31, 2022, the Bank recognized operating expense in the amount of \$76,250.

- b. The Bank entered into contracts to buy computers and office equipment for \$802,570 and \$866,570, of which \$518,871 and \$503,060 had not been paid as of December 31, 2022 and 2021.
- c. Contingent liabilities and contingencies
- 1) The Securities and Futures Investors Protection Center (SFIPC) filed a lawsuit against the Bank and SinoPac Leasing Corporation's (SPL) subsidiary, Grand Capital International Limited (renamed as SinoPac Capital International Limited on October 4, 2018, liquidated), on the ground that Procomp Informatics Ltd. (Procomp) deposited US\$10,000 thousand in the Bank's Shisung Branch (formerly Sungshan Branch) and placed a restriction on the use of this deposit as a condition for a short-term loan to Addie International Limited granted by SPL and for allegedly helping Yeh, Sue-Fei and Procomp do irregular trading. But at the same time, Procomp used the restricted deposit for fictitious sale transactions. Later, when problems on Procomp's account arose, the Bank and SPL demanded compensation, which was taken from Procomp's account, resulting in damage to Procomp. The Bank was suspected of misleading investors by concealing the restricted status of Procomp's deposit and window dressing Procomp's financial statements. On behalf of investors, the SFIPC filed a lawsuit against the Bank, SPL and all other parties related to Procomp jointly. The amount of the claim was \$4,207,212 in total.

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

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

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

- 2) The Bank dealt with Skwentex International Corporation (Skwentex) regarding Skwentex's receivables from Siltrontechnics Electronics Corporation. The relevant accounts receivable transaction involved suspected false cycle trading and was investigated by the Taiwan New Taipei District Prosecutors in 2015. This case was still under process by the Criminal Court. 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.

- d. In accordance with the Guidelines on Corporate Governance of Commercial Banks issued by the China Banking and Insurance Regulatory Commission, the Bank undertakes to maintain sufficient capital that meet capital adequacy requirement of Bank SinoPac (China) Ltd; if the capital is not sufficient to maintain business needs or regulatory requirements, the Bank will promptly report to the board of directors for approval of a capital expansion plan to meet the corporate governance and regulatory requirements of Bank SinoPac (China) Ltd.
- e. In order to meet the needs of Bank SinoPac (China) Ltd.'s loan commitments, the Bank issued to financial institutions Letter of Support which declares that the Bank will actively support the operation of Bank SinoPac (China) Ltd.

#### **44. 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	December 31, 2022			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Stocks	\$ 95,712	\$ 90,731	\$ -	\$ 4,981
Bonds	12,407,716	5,680,416	6,727,300	-
Others	6,437,319	-	6,437,319	-
Financial assets designated at fair value through profit or loss				
Bonds	4,326,990	4,326,990	-	-
Financial assets at fair value through other comprehensive income				
Equity instruments at FVTOCI				
Stocks and others	21,393,961	18,090,063	2,116,325	1,187,573
Debt instruments at FVTOCI				
Bonds	134,482,589	69,166,340	64,241,462	1,074,787
Certificates of deposits and others	145,795,200	554,582	145,240,618	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	1,790,442	-	1,790,442	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	28,704,217	2,910	26,084,905	2,616,402
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	28,400,864	8,665	26,885,116	1,507,083

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	5,265,996	-	5,265,996	-
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	142,364,383	76,116,304	65,279,429	968,650
Certificates of deposits and others	211,300,199	244,036	210,630,070	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	7,183,886	2,354	6,732,356	449,176
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	7,096,742	67,489	6,271,713	757,540

## 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 Bank used is the same as market participants'. The Bank can obtain this information.

The basis of fair value estimation used by the Bank 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 Bank assessed the active level of market and the adequacy of fair value of emerging stocks and measured the investments at fair value.

The Bank 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 Bank on fair value.

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

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

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

4) Transfer between Level 1 and Level 2

For the year ended December 31, 2022, the Bank transferred part of the government bonds, corporate bonds, bank debentures and certificates of deposits from Level 1 to Level 2 because the Bank determined these investments were not in an active market.

For the year ended December 31, 2021, the Bank transferred part of the government bonds, corporate bonds and bank debentures from Level 1 to Level 2 because the Bank 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 Year Ended December 31, 2022									
Items	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
<u>Non-derivative financial instruments</u>									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	\$ -	\$ 4,981	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,981
Financial assets at fair value through other comprehensive income									
Equity instruments at FVTOCI	1,400,647	-	(213,066)	-	-	(8)	-	-	1,187,573
Debt instruments at FVTOCI	1,394,743	-	(26)	-	-	(450,775)	-	130,845	1,074,787
<u>Derivative financial instruments</u>									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as FVOCI	449,176	2,167,226	-	-	-	-	-	-	2,616,402

For the Year Ended December 31, 2021									
Items	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
<u>Non-derivative financial instruments</u>									
Financial assets at fair value through other comprehensive income									
Equity instruments at FVTOCI	\$ 1,200,430	\$ -	\$ 190,829	\$ 9,388	\$ -	\$ -	\$ -	\$ -	\$ 1,400,647
Debt instruments at FVTOCI	1,838,716	-	13,870	426,067	-	(835,078 )	-	(48,832 )	1,394,743
<u>Derivative financial instruments</u>									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	277,946	171,230	-	-	-	-	-	-	449,176

For the years ended December 31, 2022 and 2021, the gains on valuation included in net income with assets still held were gain \$2,633,950 and \$198,969, respectively.

For the years ended December 31, 2022 and 2021, the gains or losses on valuation included in other comprehensive income with assets still held were loss \$213,092 and gain \$204,699, respectively.

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

For the Year Ended December 31, 2022								
Items	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
<u>Derivative financial instruments</u>								
Financial liabilities at fair value through profit or loss								
Held-for-trading financial liabilities	\$ 757,540	\$ 749,543	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,507,083

For the Year Ended December 31, 2021								
Items	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
<u>Derivative financial instruments</u>								
Financial liabilities at fair value through profit or loss								
Held-for-trading financial liabilities	\$ 881,535	\$ (123,995)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 757,540

For the years ended December 31, 2022 and 2021, the gains or losses on valuation results included in net income from liabilities still held were loss \$1,205,107 and gain \$98,121, 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:

December 31, 2022

Financial Instruments Measured at Fair Value	Financial Assets	Financial Liabilities	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)
<u>Derivative financial instruments</u>					
Financial instruments at fair value through profit or loss					
Interest rate swap contracts	\$ 1,928,089	\$ 819,142	Sellers' quote	(Notes 1 and 2)	-
Currency swap contracts -Hybrid	379,401	379,196	Sellers' quote	(Note 1)	-
FX swap structured instruments					
Others	<u>308,912</u>	<u>308,745</u>	Sellers' quote	(Note 1)	-
	<u>\$ 2,616,402</u>	<u>\$ 1,507,083</u>			
<u>Non-derivative financial instruments</u>					
Financial instruments at fair value through profit or loss					
Financial assets mandatorily classified as at FVTPL					
Stock	<u>\$ 4,981</u>	<u>\$ -</u>	Market approach	Discount factor of liquidity	20%
Financial assets at fair value through other comprehensive income					
Equity instruments at FVTOCI					
Stock	<u>\$ 1,187,573</u>	<u>\$ -</u>	Market approach or market value with liquidity valuation discount	Discount factor of liquidity	0%-30%
Debt instruments at FVTOCI					
Bonds	<u>\$ 1,074,787</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					
Currency swap contracts -Hybrid	\$ 300,992	\$ 300,830	Sellers' quote	(Note 1)	-
FX swap structured instruments					
Interest rate swap contracts	9,947	318,542	Sellers' quote	(Notes 1 and 2)	-
Others	<u>138,237</u>	<u>138,168</u>	Sellers' quote	(Note 1)	-
	<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>			

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 Bank 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:

December 31, 2022

Item	Changes in the Fair Value Reflected in Current Profit or Loss	
	Unfavorable Change	Favorable Change
<u>Asset</u> Financial assets at fair value through other comprehensive income Debt instruments at fair value through other comprehensive income	\$ (37,145)	\$ 37,145

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

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, due to the Central Bank and banks, securities sold under repurchase agreements, payables, deposits and remittances and other financial liabilities.

Items	December 31, 2022	
	Carrying Amount	Fair Value
Investments in debt instruments at amortized cost	\$ 225,460,151	\$ 215,147,668
Bank debentures	56,250,137	55,325,833

  

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

2) Hierarchy information of fair value of financial instruments

Assets and Liabilities Item	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Investments in debt instruments at amortized cost	\$ 215,147,668	\$ 42,163,904	\$ 172,983,764	\$ -
Bank debentures	55,325,833	-	29,570,833	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

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, due to 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 Bank 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.
- f) Investment accounted for using the equity method: The fair value of unquoted equity investments cannot be reliably measured because it has no quoted price in an active market, the variability interval of fair value measurements is significant or the probability of the estimations in the variability interval cannot be reasonably assessed. Hence, the fair value is not disclosed.

## 45. FINANCIAL RISK MANAGEMENT

### a. Overview

The Bank documents the risk management policies, including overall operating strategies and risks control philosophy. The Bank'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 Bank's policies are executed properly.

### b. Risk management framework

The board of directors is the top risk supervisor of the Bank. 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. The credit committee helps the board of directors approve cases over general manager's authority and cases related to credit risk investment under the board's authorization, reporting to the Board of Directors on a regular basis.

The board of directors authorized the Bank'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. Credit-related businesses mainly refer to fund financing/advance payment, loans, credit card-related credit, acceptance, guarantee or commitment, trade financing, foreign exchange transactions, as well as the counterparty and issuer's credit risks related to investing in securities and conducting derivative trading. The issuer's credit risk should be considered as part of the market risk when the investment target is part of securities in an active market.

2) Policies and strategies

The Bank 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 Bank'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 Bank 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.

ii. Credit quality level

The Bank 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 Bank established a credit risk assessment model for corporate banking and retail banking through statistical methods, professional judgment and clients' information. Each model is regularly monitored for its effectiveness to examine whether the predicted results match the actual conditions, and the Bank will evaluate the suitability of the models accordingly.

For corporate banking customers, in addition to using credit rating models for risk pricing and limit control, the Bank has also developed a dedicated risk rating system for the small and micro enterprises who apply through a standardized project process. In addition to differentiated classification for each rating, the system will directly reject customers whose risk ratings are too high.

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

b) Investment business

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

The Bank carries out derivative instrument transactions with counterparties in financial industry which are almost above the investment level. The Bank 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 Bank 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 collateral appraisal and management disposal of collateral, acceptance of real estate as collateral, credit policies for every commodity to regulate collateral categories, appraisals, procedures, deduction percentages, loan rate, maturity analysis, management and disposal.

To maintain collateral's effectiveness, the Bank 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 Bank 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, it should be submitted to the Credit Committee for approval and report to the Board of Directors for review.

c) Agreement of net settlement

The Bank 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 Bank 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 Bank, 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 Bank 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 Bank'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 Bank 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 Bank.
- 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 Bank. 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 Bank 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 Bank's 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 Bank 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 Bank 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 Bank's ability to recover related contract payments.

#### 8) Measurement of expected credit losses

For the purpose of measuring expected credit losses, the Bank 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 Bank 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 Bank 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.

10) The maximum credit exposure of the financial instruments held by the Bank

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	
	December 31, 2022	December 31, 2021
Undrawn credit card commitments	\$ 221,832,593	\$ 207,556,077
Undrawn loan commitments	45,037,275	45,228,261
Guarantees	33,517,043	39,560,079
Standby letter of credit	7,728,165	7,406,923

The Bank adopts a strict and continuous evaluation procedure and reviews 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 Bank

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 Bank'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 Bank maintains a diversified portfolio to limit its exposure to any geographic region, country or individual creditor and monitor its exposures continually. The Bank's most significant concentrations of credit risk are summarized by industry, region and collateral as follows:

a) By industry

Industries	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
Private enterprise	\$ 609,764,514	46.98	\$ 525,650,856	45.13
Public enterprise	16,719,849	1.29	1,413,442	0.12
Government sponsored enterprise and business	12,000,000	0.93	13,993,648	1.20
Nonprofit organization	192,340	0.01	272,106	0.02
Private	651,745,182	50.21	615,447,654	52.83
Financial institutions	7,495,918	0.58	8,101,902	0.70
Total	\$ 1,297,917,803	100.00	\$ 1,164,879,608	100.00

b) By region

Regions	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
Domestic	\$ 1,077,234,867	83.00	\$ 963,997,152	82.75
Asia	99,346,340	7.65	93,989,797	8.07
North America	81,882,170	6.31	70,570,703	6.06
Others	39,454,426	3.04	36,321,956	3.12
Total	\$ 1,297,917,803	100.00	\$ 1,164,879,608	100.00

c) By collateral

Collaterals	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
Credit	\$ 423,021,977	32.59	\$ 343,484,189	29.49
Secured				
Stocks	3,337,185	0.26	5,357,079	0.46
Bonds	10,871,060	0.84	15,402,440	1.32
Real estate	794,591,473	61.22	736,771,440	63.25
Movable collaterals	54,794,521	4.22	51,539,989	4.43
Guarantees	2,255,940	0.17	3,435,235	0.29
Others	9,045,647	0.70	8,889,236	0.76
Total	\$ 1,297,917,803	100.00	\$ 1,164,879,608	100.00

d) Credit risk exposure rating

December 31, 2022	Principal				Allowance				
	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Discounts and loans									
Corporate banking	\$ 661,868,965	\$ 257,327	\$ 3,443,498	\$ 665,569,790	\$ 1,740,790	\$ 94,575	\$ 528,157	\$ 6,145,229	\$ 8,508,751
Consumer banking	627,429,256	3,789,809	1,128,948	632,348,013	137,496	188,342	190,131	7,999,996	8,515,965
Receivables									
Credit card receivable	19,955,115	251,091	671,864	20,878,070	4,145	5,890	23,401	133,083	166,519
Accounts receivable - factoring (Note 1)	12,007,078	-	-	12,007,078	270	-	-	201,182	201,452
Other receivable (Note 2)	13,694,680	32,521	304,360	14,031,561	10,948	1,725	229,645	59,686	302,004
Debt instruments at fair value through other comprehensive income	280,277,789	-	-	280,277,789	42,628	-	-	-	42,628
Investment in debt instruments at amortized cost	225,476,925	-	-	225,476,925	16,774	-	-	-	16,774

December 31, 2021	Principal				Allowance				
	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Discounts and loans									
Corporate banking	\$ 558,220,149	\$ 1,273,533	\$ 5,365,365	\$ 564,859,047	\$ 1,027,638	\$ 337,524	\$ 830,166	\$ 4,787,285	\$ 6,982,613
Consumer banking	594,790,808	4,056,995	1,172,758	600,020,561	246,812	224,353	197,957	7,418,770	8,087,892
Receivables									
Credit card receivable	19,517,643	211,180	743,238	20,472,061	9,112	8,463	24,993	158,942	201,510
Accounts receivable - factoring (Note 1)	10,780,700	-	-	10,780,700	1,455	-	-	169,288	170,743
Other receivable (Note 2)	19,519,559	21,937	256,332	19,797,828	5,815	1,955	204,577	149,929	362,276
Debt instruments at fair value through other comprehensive income	353,664,582	-	-	353,664,582	46,018	-	-	-	46,018
Investment in debt instruments at amortized cost	167,261,299	-	-	167,261,299	13,314	-	-	-	13,314

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 Bank

### Change in allowance for discounts and loans

For the Year Ended December 31, 2022	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-Impaired Financial Assets)	Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, January 1	\$ 1,274,450	\$ 561,877	\$ 1,028,123	\$ 2,864,450	\$ 12,206,055	\$ 15,070,505
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(11,607)	744,945	(30,705)	702,633	-	702,633
From conversion to credit-impaired financial assets	(1,226)	(345,240)	362,341	15,875	-	15,875
To 12-month ECL	5,615	(502,312)	(80,009)	(576,706)	-	(576,706)
Derecognizing financial assets during the current period	(1,751,881)	(177,825)	(400,242)	(2,329,948)	-	(2,329,948)
Purchased or originated new financial assets	2,333,636	7,744	127,921	2,469,301	-	2,469,301
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	2,131,355	2,131,355
Write-off	-	-	(851,193)	(851,193)	(371,579)	(1,222,772)
Changes in model/risk parameters	(26,662)	(5,642)	(25,028)	(57,332)	-	(57,332)
Effect of exchange rate changes and others	55,961	(630)	587,080	642,411	179,394	821,805
Balance, December 31	<u>\$ 1,878,286</u>	<u>\$ 282,917</u>	<u>\$ 718,288</u>	<u>\$ 2,879,491</u>	<u>\$ 14,145,225</u>	<u>\$ 17,024,716</u>

For the Year Ended December 31, 2021	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-Impaired Financial Assets)	Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, January 1	\$ 1,798,725	\$ 1,033,202	\$ 999,303	\$ 3,831,230	\$ 10,776,189	\$ 14,607,419
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(13,747)	1,127,465	(29,708)	1,084,010	-	1,084,010
From conversion to credit-impaired financial assets	(10,194)	(503,846)	1,375,652	861,612	-	861,612
To 12-month ECL	4,344	(775,981)	(9,571)	(781,208)	-	(781,208)
Derecognizing financial assets during the current period	(3,172,351)	(318,760)	(874,909)	(4,366,020)	-	(4,366,020)
Purchased or originated new financial assets	2,711,171	26,478	526,510	3,264,159	-	3,264,159
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	1,694,508	1,694,508
Write-off	-	-	(1,785,323)	(1,785,323)	(236,606)	(2,021,929)
Changes in model/risk parameters	(21,129)	(23,529)	(37,518)	(82,176)	-	(82,176)
Effect of exchange rate changes and others	(22,369)	(3,152)	863,687	838,166	(28,036)	810,130
Balance, December 31	<u>\$ 1,274,450</u>	<u>\$ 561,877</u>	<u>\$ 1,028,123</u>	<u>\$ 2,864,450</u>	<u>\$ 12,206,055</u>	<u>\$ 15,070,505</u>

## Changes in allowance for receivable

For the Year Ended December 31, 2022	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, January 1	\$ 16,382	\$ 10,418	\$ 229,570	\$ 256,370	\$ 478,159	\$ 734,529
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(251)	16,378	(4,236)	11,891	-	11,891
From conversion to credit-impaired financial assets	(10)	(11,354)	59,448	48,084	-	48,084
To 12-month ECL	82	(3,106)	(154)	(3,178)	-	(3,178)
Derecognizing financial assets during the current period	(19,954)	(4,995)	(29,359)	(54,308)	-	(54,308)
Purchased or originated new financial assets	19,010	20	45,551	64,581	-	64,581
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	(26,157)	(26,157)
Write-off	(1)	(228)	(53,152)	(53,381)	(76,465)	(129,846)
Changes in model/risk parameters	(213)	(253)	(1,000)	(1,466)	-	(1,466)
Effect of exchange rate changes and others	318	735	6,378	7,431	18,414	25,845
Balance, December 31	<u>\$ 15,363</u>	<u>\$ 7,615</u>	<u>\$ 253,046</u>	<u>\$ 276,024</u>	<u>\$ 393,951</u>	<u>\$ 669,975</u>

For the Year Ended December 31, 2021	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, January 1	\$ 26,301	\$ 13,591	\$ 269,688	\$ 309,580	\$ 398,229	\$ 707,809
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(241)	22,163	(5,083)	16,839	-	16,839
From conversion to credit-impaired financial assets	(25)	(20,068)	63,710	43,617	-	43,617
To 12-month ECL	62	(3,400)	(60)	(3,398)	-	(3,398)
Derecognizing financial assets during the current period	(47,504)	(2,191)	(18,635)	(68,330)	-	(68,330)
Purchased or originated new financial assets	35,473	14	2,321	37,808	-	37,808
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	158,819	158,819
Write-off	(2)	(633)	(86,702)	(87,337)	(74,485)	(161,822)
Changes in model/risk parameters	2,504	(502)	(2,496)	(494)	-	(494)
Effect of exchange rate changes and others	(186)	1,444	6,827	8,085	(4,404)	3,681
Balance, December 31	<u>\$ 16,382</u>	<u>\$ 10,418</u>	<u>\$ 229,570</u>	<u>\$ 256,370</u>	<u>\$ 478,159</u>	<u>\$ 734,529</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 Year Ended December 31, 2022	12-months ECL	Credit Rating		Total
		Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 46,018	\$ -	\$ -	\$ 46,018
Purchased new debt instrument	11,996	-	-	11,996
Derecognized	(12,134)	-	-	(12,134)
Model/risk parameters changes	(3,816)	-	-	(3,816)
Effect of exchange rate changes and others	<u>564</u>	<u>-</u>	<u>-</u>	<u>564</u>
Balance December 31	<u>\$ 42,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,628</u>

For the Year Ended December 31, 2021	12-months ECL	Credit Rating		Total
		Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 61,030	\$ -	\$ -	\$ 61,030
Purchased new debt instrument	15,362	-	-	15,362
Derecognized	(20,982)	-	-	(20,982)
Model/risk parameters changes	(6,147)	-	-	(6,147)
Effect of exchange rate changes and others	<u>(3,245)</u>	<u>-</u>	<u>-</u>	<u>(3,245)</u>
Balance December 31	<u>\$ 46,018</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,018</u>

Change in allowance for debt instrument at amortized cost

For the Year Ended December 31, 2022	12-months ECL	Credit Rating		Total
		Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 13,314	\$ -	\$ -	\$ 13,314
Purchased new debt instrument	3,568	-	-	3,568
Derecognized	(197)	-	-	(197)
Model/risk parameters changes	(1,048)	-	-	(1,048)
Effect of exchange rate changes and others	<u>1,137</u>	<u>-</u>	<u>-</u>	<u>1,137</u>
Balance December 31	<u>\$ 16,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,774</u>

For the Year Ended December 31, 2021	12-months ECL	Credit Rating		Total
		Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 11,891	\$ -	\$ -	\$ 11,891
Purchased new debt instrument	2,828	-	-	2,828
Derecognized	(186)	-	-	(186)
Model/risk parameters changes	(786)	-	-	(786)
Effect of exchange rate changes and others	(433)	-	-	(433)
Balance December 31	<u>\$ 13,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,314</u>

13) The financial impact of credit risk mitigation policies

a) Collateral and other credit enhancements

The Bank 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 Bank 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 Bank 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 Bank 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 Bank closely observes the value of the collateral of the financial instruments and considers adequacy of the allowance for the credit-impaired financial assets. On December 31, 2022 and 2021, the amount of discounts and loans were \$4,572,446 and \$6,538,123, with a provision for loss allowance of \$718,288 and \$1,028,123 under IFRS 9 Stage 3, and credit guarantees, real estate, movable assets or certificates of deposit, etc., which reduced the potential loss, amounted to \$3,010,962 and \$3,721,432.

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 \$48,781,006 and \$47,391,803 on December 31, 2022 and 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 Bank as of December 31, 2022 and 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			December 31, 2022				
Items			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 538,157	\$ 277,018,665	0.19%	\$ 3,624,654	673.53%
	Unsecured		390,080	388,551,125	0.10%	4,884,097	1,252.08%
Consumer loan	Mortgage (Note 4)		197,174	350,109,424	0.06%	5,309,215	2,692.65%
	Cash card		-	1,986	-	262	-
	Micro credit (Note 5)		91,927	32,040,000	0.29%	581,299	632.35%
	Others (Note 6)	Secured	237,400	248,337,134	0.10%	2,603,880	1,096.83%
		Unsecured	2,595	1,859,469	0.14%	21,309	821.16%
Total			1,457,333	1,297,917,803	0.11%	17,024,716	1,168.21%
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			24,302	20,878,070	0.12%	166,519	685.21%
Accounts receivable - factoring with no recourse (Notes 7 and 8)			-	15,882,597		201,452	-

Date			December 31, 2021				
Items			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 457,127	\$ 249,038,945	0.18%	\$ 3,170,840	693.65%
	Unsecured		468,192	315,820,102	0.15%	3,811,773	814.15%
Consumer loan	Mortgage (Note 4)		188,663	335,169,498	0.06%	5,101,122	2,703.83%
	Cash card		47	2,875	1.63%	428	910.64%
	Micro credit (Note 5)		77,572	27,091,433	0.29%	459,315	592.11%
	Others (Note 6)	Secured	296,818	235,582,147	0.13%	2,503,549	843.46%
		Unsecured	2,510	2,174,608	0.12%	23,478	935.38%
Total			1,490,929	1,164,879,608	0.13%	15,070,505	1,010.81%
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			22,743	20,472,061	0.11%	201,510	886.03%
Accounts receivable - factoring with no recourse (Notes 7 and 8)			-	13,588,340	-	170,743	-

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

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

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

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

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

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

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

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

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

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

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

b) Excluded NPLs and excluded overdue receivables

Date	December 31, 2022		December 31, 2021	
Items	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt negotiation and loan agreement (Note 1)	\$ 1,446	\$ 16,422	\$ 548	\$ 24,067
As a result of consumer debt clearance (Note 2)	17,755	565,939	17,595	619,322
Total	\$ 19,201	\$ 582,361	\$ 18,143	\$ 643,389

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	December 31, 2022		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	A Group (finance container leasing)	\$ 11,722,101	8.50
2	B Group (real estate development activities)	7,336,962	5.32
3	C Group (other holding companies)	6,571,801	4.77
4	D Group (metal casting)	6,351,463	4.61
5	E Group (real estate development activities)	5,457,000	3.96
6	F Group (manufacture of computers)	4,928,816	3.58
7	G Group (department store)	4,510,025	3.27
8	H Group (manufacture of computers)	4,375,837	3.17
9	I Group (manufacture of computer, peripheral equipment and software retail activities)	3,809,720	2.76
10	J Company (real estate development activities)	3,803,000	2.76

Year	December 31, 2021		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	A Group (packaging and testing of semi-conductors)	\$ 10,448,285	7.30
2	B Group (financial container leasing)	10,402,875	7.27
3	C Group (manufacture of computers)	10,073,706	7.04
4	D Group (metal casting)	5,796,567	4.05
5	E Group (real estate development activities)	5,595,128	3.91
6	F Group (other holding companies)	5,547,231	3.88
7	G Group (real estate development activities)	5,294,840	3.70
8	H Company (other metalworking activities)	5,000,000	3.49
9	I Group (real estate development activities)	3,748,000	2.62
10	J Group (manufacture of other computer peripheral equipment)	3,627,331	2.53

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 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 balance sheets.

December 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 21,703,286	\$ 20,963,842	\$ 21,470,995	\$ 7,138,907	\$ -	\$ 71,277,030
Financial liabilities at fair value through profit or loss	-	-	1,800,452	-	-	1,800,452
Securities sold under repurchase agreements	15,633,910	10,484,259	1,122,203	1,332,723	-	28,573,095
Payables	9,716,663	411,863	215,350	125,584	2,117,698	12,587,158
Deposits and remittances	1,179,854,056	327,968,285	212,491,297	220,775,521	27,205,557	1,968,294,716
Bank debentures	136,664	121,471	182,490	1,790,842	57,204,771	59,436,238

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	9,535,074	551,491	162,803	190,045	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

3) Maturity analysis of financial derivatives

a) Derivative liabilities settled on a net basis

Derivative liabilities of the Bank 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 uses 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.

December 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	\$ 7,523,169	\$ -	\$ -	\$ -	\$ -	\$ 7,523,169

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

b) Derivatives settled on a gross basis

Gross settled derivatives of the Bank 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 standalone balance sheet; the gross settled foreign exchange options, as a position reserved for the purpose of transaction, the Bank is 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.

December 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial instruments at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 696,859,064	\$ 578,720,103	\$ 195,520,578	\$ 129,143,577	\$ 5,999,633	\$ 1,606,242,955
Cash outflow	697,678,351	579,245,848	195,428,213	128,953,402	5,786,163	1,607,091,977

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

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 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 balance sheets.

December 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loan commitments	\$ 151,847	\$ 1,822,763	\$ 3,495,034	\$ 8,739,380	\$ 30,828,251	\$ 45,037,275
Guarantees	10,678,815	3,610,166	3,284,213	7,314,654	8,629,195	33,517,043
Standby letter of credit	2,240,878	2,121,931	1,378,641	1,986,715	-	7,728,165

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

5) Maturity analysis of lease commitments

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

Maturity analysis of lease commitments is summarized as follows:

<b>December 31, 2022</b>	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Lease agreement commitments				
Lease liabilities (lessee)	\$ 649,797	\$ 1,490,328	\$ 749,477	\$ 2,889,602
Operating lease income (lessor)	87,616	125,855	813	214,284

<b>December 31, 2021</b>	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Lease agreement commitments				
Lease liabilities (lessee)	\$ 615,692	\$ 1,436,815	\$ 790,577	\$ 2,843,084
Operating lease income (lessor)	91,135	190,031	-	281,166

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)

	<b>December 31, 2022</b>						
	<b>Total</b>	<b>0-10 Days</b>	<b>11-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days to 1 Year</b>	<b>Over 1 Year</b>
Main capital inflow on maturity	\$ 1,962,049,134	\$ 215,968,005	\$ 211,811,856	\$ 340,804,761	\$ 130,210,767	\$ 124,488,093	\$ 938,765,652
Main capital outflow on maturity	2,334,228,600	119,987,873	200,152,007	452,181,604	271,894,034	459,487,766	830,525,316
Gap	(372,179,466)	95,980,132	11,659,849	(111,376,843)	(141,683,267)	(334,999,673)	108,240,336

	<b>December 31, 2021</b>						
	<b>Total</b>	<b>0-10 Days</b>	<b>11-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days to 1 Year</b>	<b>Over 1 Year</b>
Main capital inflow on maturity	\$ 1,933,219,606	\$ 184,276,228	\$ 274,260,895	\$ 254,035,019	\$ 132,791,095	\$ 222,048,780	\$ 865,807,589
Main capital outflow on maturity	2,280,604,954	89,948,618	165,576,939	300,886,292	330,779,897	513,614,739	879,798,469
Gap	(347,385,348)	94,327,610	108,683,956	(46,851,273)	(197,988,802)	(291,565,959)	(13,990,880)

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)

	<b>December 31, 2022</b>					
	<b>Total</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days to 1 Year</b>	<b>Over 1 Year</b>
Main capital inflow on maturity	\$ 48,267,319	\$ 16,947,913	\$ 14,853,061	\$ 4,267,290	\$ 3,094,700	\$ 9,104,355
Main capital outflow on maturity	49,386,396	15,548,360	16,816,058	8,268,149	4,487,089	4,266,740
Gap	(1,119,077)	1,399,553	(1,962,997)	(4,000,859)	(1,392,389)	4,837,615



(In Thousands of U.S. Dollars)

	December 31, 2021					
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 39,592,919	\$ 10,210,865	\$ 9,481,713	\$ 5,942,587	\$ 5,224,573	\$ 8,733,181
Main capital outflow on maturity	40,658,571	10,248,432	9,712,505	7,399,590	6,819,375	6,478,669
Gap	(1,065,652)	(37,567)	(230,792)	(1,457,003)	(1,594,802)	2,254,512

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 impact of the banking book due to adverse interest rate changes, and causes the current or potential risks to the Bank's economic value (the present value of future cash flows from assets, liabilities and off-balance sheet) and earnings.

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 unfavorable 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 banking book 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 the impact of net interest revenue and economic value.

##### 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 banking book 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 December 31, 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 December 31, 2022, the financial instruments of the Bank 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	\$ 99,454,905	\$ -
EUR LIBOR	-	-
GBP LIBOR	-	-
JPY LIBOR	-	-
CHF LIBOR	-	-
Total	\$ 99,454,905	\$ -

Note: EUR/GBP LIBOR financial assets have been fully placed in the conversion clause.

Derivatives	Notional Amount
USD LIBOR	\$ 28,053,153
EUR LIBOR	-
GBP LIBOR	-
JPY LIBOR	-
CHF LIBOR	-
Total	\$ 28,053,153

## 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.

	For the Year Ended December 31, 2022		
	Average	Maximum	Minimum
Exchange rate risk	25,101	56,748	8,748
Interest rate risk	56,053	186,224	30,050
Equity risk	3,644	10,552	290
Total VaR	61,581	188,654	33,149

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

Note 2: Historical data period: 2022.01.03-2022.12.30.

	For the Year Ended December 31, 2021		
	Average	Maximum	Minimum
Exchange rate risk	14,833	39,447	8,547
Interest rate risk	29,748	58,153	19,113
Equity risk	4,286	13,291	-
Total VaR	34,619	68,237	20,693

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

Note 2: Historical data period: 2021.01.04-2021.12.30.

### 13) Exchange rate risks

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

December 31, 2022			
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 18,482,897	30.72355	\$ 567,860,210
CNY	15,476,520	4.40954	68,244,334
Nonmonetary items			
USD	414,738	30.72355	12,742,224
<u>Financial liabilities</u>			
Monetary items			
USD	23,082,620	30.72355	709,180,030
CNY	15,316,877	4.40954	67,540,382
December 31, 2021			
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 16,229,987	27.68955	\$ 449,401,037
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	19,605,390	27.68955	542,864,427
CNY	13,232,475	4.34909	57,549,225

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

a) Interest rate sensitivity information (New Taiwan dollars)

December 31, 2022

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 1,212,633,457	\$ 45,024,272	\$ 76,136,267	\$ 118,128,023	\$ 1,451,922,019
Interest rate-sensitive liabilities	418,838,176	767,184,003	42,765,975	67,118,476	1,295,906,630
Interest rate-sensitive gap	793,795,281	(722,159,731)	33,370,292	51,009,547	156,015,389
Net worth					147,660,651
Ratio of interest rate-sensitive assets to liabilities (%)					112.04%
Ratio of interest rate-sensitive gap to net worth (%)					105.66%

December 31, 2021

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 1,186,591,425	\$ 32,466,879	\$ 69,354,870	\$ 115,782,219	\$ 1,404,195,393
Interest rate-sensitive liabilities	318,472,130	789,015,900	113,338,825	58,451,535	1,279,278,390
Interest rate-sensitive gap	868,119,295	(756,549,021)	(43,983,955)	57,330,684	124,917,003
Net worth					142,411,498
Ratio of interest rate-sensitive assets to liabilities (%)					109.76%
Ratio of interest rate-sensitive gap to net worth (%)					87.72%

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-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 New Taiwan dollars).

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

December 31, 2022

(In Thousands of U.S. Dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 13,471,296	\$ 312,485	\$ 331,336	\$ 3,802,954	\$ 17,918,071
Interest rate-sensitive liabilities	10,624,243	10,099,552	1,236,351	410,769	22,370,915
Interest rate-sensitive gap	2,847,053	(9,787,067)	(905,015)	3,392,185	(4,452,844)
Net worth					(228,746)
Ratio of interest rate-sensitive assets to liabilities (%)					80.10%
Ratio of interest rate-sensitive gap to net worth (%)					1,946.63%

December 31, 2021

(In Thousands of U.S. Dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 11,947,284	\$ 441,900	\$ 193,265	\$ 2,896,834	\$ 15,479,283
Interest rate-sensitive liabilities	7,121,417	10,649,769	892,412	88,512	18,752,110
Interest rate-sensitive gap	4,825,867	(10,207,869)	(699,147)	2,808,322	(3,272,827)
Net worth					9,476
Ratio of interest rate-sensitive assets to liabilities (%)					82.55%
Ratio of interest rate-sensitive gap to net worth (%)					(34,538.06%)



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 Bank 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 Bank retains the liabilities to repurchase the transferred financial assets at fixed price in the future period. The Bank cannot use, sell, or pledge such transferred financial assets at fair value through other comprehensive income and investments in debt instruments at amortized cost within the validity period of the transaction. However, the Bank still bear the interest rate risk and credit risk thus, the Bank 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	December 31, 2022				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Financial assets at fair value through other comprehensive income Transactions under repurchase agreements	\$ 8,012,819	\$ 7,604,860	\$ 8,012,819	\$ 7,604,860	\$ 407,959
Investments in debt instruments at amortized cost Transactions under repurchase agreements	1,261,905	1,173,179	1,234,563	1,173,179	61,384
Securities purchased under resell agreements Transactions under repurchase agreements	17,884,383	19,532,939	17,884,383	19,532,939	(1,648,556)

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

# 16) Offsetting of financial assets and financial liabilities

The Bank 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 Bank 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 Bank 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:

## December 31, 2022

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	\$ 26,890,919	\$ -	\$ 26,890,919	\$ 16,079,813	\$ 1,139,620	\$ 9,671,486
Securities purchased under resell agreements	60,264,108	-	60,264,108	60,260,606	-	3,502
	<u>\$ 87,155,027</u>	<u>\$ -</u>	<u>\$ 87,155,027</u>	<u>\$ 76,340,419</u>	<u>\$ 1,139,620</u>	<u>\$ 9,674,988</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	\$ 28,204,909	\$ -	\$ 28,204,909	\$ 16,079,813	\$ 6,073,295	\$ 6,051,801
Securities sold under repurchase agreements	28,310,978	-	28,310,978	28,152,607	128,849	29,522
	<u>\$ 56,515,887</u>	<u>\$ -</u>	<u>\$ 56,515,887</u>	<u>\$ 44,232,420</u>	<u>\$ 6,202,144</u>	<u>\$ 6,081,323</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	\$ 6,657,324	\$ -	\$ 6,657,324	\$ 3,069,231	\$ 752,824	\$ 2,835,269
Securities purchased under resell agreements	46,121,524	-	46,121,524	46,110,329	-	11,195
	<u>\$ 52,778,848</u>	<u>\$ -</u>	<u>\$ 52,778,848</u>	<u>\$ 49,179,560</u>	<u>\$ 752,824</u>	<u>\$ 2,846,464</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	\$ 7,007,795	\$ -	\$ 7,007,795	\$ 3,069,231	\$ 608,415	\$ 3,330,149
Securities sold under repurchase agreements	<u>9,737,736</u>	<u>-</u>	<u>9,737,736</u>	<u>9,728,623</u>	<u>-</u>	<u>9,113</u>
	<u>\$ 16,745,531</u>	<u>\$ -</u>	<u>\$ 16,745,531</u>	<u>\$ 12,797,854</u>	<u>\$ 608,415</u>	<u>\$ 3,339,262</u>

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

## 46. CAPITAL MANAGEMENT

### a. Overview

The Bank's capital management goals are as follows:

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

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

c. Statement of capital adequacy

Analysis Items			Year	December 31, 2022		December 31, 2021	
				Standalone	Consolidation	Standalone	Consolidation
Eligible capital	Common stock equity		\$ 131,763,470	\$ 131,649,588	\$ 132,290,534	\$ 134,619,600	
	Other Tier 1 capital		25,500,000	25,500,000	18,058,460	20,500,000	
	Tier 2 capital		36,593,521	37,257,388	32,523,527	38,218,773	
	Eligible capital		193,856,991	194,406,976	182,872,521	193,338,373	
Risk-weighted assets	Credit risk	Standardized approach	1,233,811,625	1,286,920,928	1,070,623,669	1,135,596,901	
		Internal rating - based approach	-	-	-	-	
		Securitization	-	-	-	-	
	Operational risk	Basic indicator approach	78,079,609	80,281,805	50,726,187	52,454,161	
		Standardized approach/ alternative standardized approach	-	-	-	-	
		Advanced measurement approach	-	-	-	-	
	Market risk	Standardized approach	40,190,797	41,473,770	35,846,921	36,848,684	
		Internal model approach	-	-	-	-	
	Total risk-weighted assets		1,352,082,031	1,408,676,503	1,157,196,777	1,224,899,746	
	Capital adequacy ratio			14.34%	13.80%	15.80%	15.78%
Common stock equity risk - based capital ratio			9.75%	9.35%	11.43%	10.99%	
Tier 1 risk - based capital ratio			11.63%	11.16%	12.99%	12.66%	
Leverage ratio			6.32%	6.14%	6.66%	6.83%	

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 years 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.

#### 47. CROSS-SELLING INFORMATION

The Bank charged SinoPac Securities for \$6,907 and \$12,113, respectively, for the years ended December 31, 2022 and 2021 for bonus as opening accounts as part of the cross-selling agreement.

The Bank paid to SinoPac Securities \$5,059 and \$5,155, respectively, for the years ended December 31, 2022 and 2021 for bonus as part of the cross-selling agreement.

The Bank charged SinoPac Leasing for \$31 and \$304, respectively, for the years ended December 31, 2022 and 2021 for bonus as part of the cross-selling agreement.

The Bank paid to SinoPac Leasing \$14 and \$38, respectively, for the years ended December 31, 2022 and 2021 for bonus as part of the cross-selling agreement.

The Bank paid to SinoPac Venture Capital \$14 for the year ended December 31, 2021 for bonus as part of the cross-selling agreement.

For other transactions between SPH and its subsidiaries, please refer to Note 41.

#### 48. PROFITABILITY

Items		December 31, 2022	December 31, 2021
Return on total assets	Before income tax	0.78%	0.64%
	After income tax	0.66%	0.56%
Return on net worth	Before income tax	12.30%	9.25%
	After income tax	10.47%	8.07%
Profit margin		41.12%	38.31%

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 years ended December 31, 2022 and 2021.

#### 49. 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 December 31, 2022 and 2021

	December 31			
	2022	%	2021	%
<u>Trust assets</u>				
Bank deposits	\$ 9,283,663	1	\$ 7,043,443	1
Bonds	20,643,263	3	12,995,616	2
Stocks	27,245,074	4	28,902,543	4
Funds	120,215,420	17	108,012,869	17
Securities lent	445,872	-	631,974	-
Receivables	210,197	-	120,980	-
Prepayments	27,674	-	8,255	-
Real estate				
Land	24,894,415	3	17,365,819	3
Buildings	131,549	-	148,593	-
Construction in progress	10,768,398	1	3,988,057	1
Securities under custody	<u>512,289,584</u>	<u>71</u>	<u>452,237,693</u>	<u>72</u>
Total trust assets	<u>\$ 726,155,109</u>	<u>100</u>	<u>\$ 631,455,842</u>	<u>100</u>
<u>Trust liabilities</u>				
Payables	\$ 1,967	-	\$ 1,906	-
Payable on securities under custody	512,289,584	71	452,237,693	72
Trust capital	211,248,349	29	173,502,392	27
Reserves and cumulative earnings				
Net income	(1,164,016)	-	3,676,892	1
Cumulative earnings	5,713,852	-	2,551,788	-
Deferred amount	<u>(1,934,627)</u>	<u>-</u>	<u>(514,829)</u>	<u>-</u>
Total trust liabilities	<u>\$ 726,155,109</u>	<u>100</u>	<u>\$ 631,455,842</u>	<u>100</u>

Note: As of December 31, 2022 and 2021, the Bank's Offshore Banking Unit invested in foreign securities under specific purpose trust accounts amounting to \$5,465,287 and \$3,581,926, respectively. As of December 31, 2022 and 2021, the Bank's Offshore Banking Unit invested in domestic securities under specific purpose trust accounts amounting to \$1,018,525 and \$891,638, respectively.

**Income Statements of Trust Account**  
**Years Ended December 31, 2022 and 2021**

	<b>Years Ended December 31</b>			
	<b>2022</b>	<b>%</b>	<b>2021</b>	<b>%</b>
Trust income				
Interest income	\$ 28,190	1	\$ 12,057	-
Borrowed Securities income	23,747	1	17,016	1
Cash dividends	2,092,906	89	688,614	18
Gains from beneficial certificates	45,491	2	38,830	1
Realized investment income	116,675	5	207,647	6
Unrealized investment income	21,954	1	2,810,873	74
Donation revenue - charitable trust	13,225	1	8,435	-
Total trust income	<u>2,342,188</u>	<u>100</u>	<u>3,783,472</u>	<u>100</u>
Trust expense				
Trust administrative expenses	11,037	-	8,694	-
Tax expenses	53	-	34	-
Donation expense - charitable trust	6,570	-	9,389	1
Realized investment loss	6,850	-	1,469	-
Unrealized investment loss	3,480,961	149	86,322	2
Other expense	733	-	672	-
Total trust expense	<u>3,506,204</u>	<u>149</u>	<u>106,580</u>	<u>3</u>
(Loss) income before income tax	(1,164,016)	(49)	3,676,892	97
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Loss) income after income tax	<u>\$ (1,164,016)</u>	<u>(49)</u>	<u>\$ 3,676,892</u>	<u>97</u>

**Trust Properties of Trust Accounts**  
**December 31, 2022 and 2021**

	<b>December 31</b>	
<b>Investment Portfolio</b>	<b>2022</b>	<b>2021</b>
Bank deposits	\$ 9,283,663	\$ 7,043,443
Bonds	20,643,263	12,995,616
Stocks	27,245,074	28,902,543
Funds	120,215,420	108,012,869
Securities lent	445,872	631,974
Real estate		
Land	24,894,415	17,365,819
Buildings	131,549	148,593
Construction in progress	10,768,398	3,988,057
Securities under custody	<u>512,289,584</u>	<u>452,237,693</u>
Total	<u>\$ 725,917,238</u>	<u>\$ 631,326,607</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.

## 50. 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	Other significant transactions which may affect the decisions of financial report users	None

b. Information related to subsidiary:

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

Note: 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 2.

d. Information on incorporate branches and investment in Mainland China: Table 3.

e. Information of major shareholders: Due to the Bank is not-listed on the Exchange and OTC Banking, not required for disclosure.



**TABLE 1**

**BANK SINOPAC**

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Bank SinoPac	SinoPac Financial Holdings Company Limited	The parent company of the Bank	\$ 1,055,024 (Note)	-	\$ -	-	\$ -	\$ -

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

**TABLE 2****BANK SINOPAC**
**INFORMATION ON INVESTED ENTERPRISES  
FOR THE YEAR ENDED DECEMBER 31, 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> Bank SinoPac (China) Ltd.	China	Commercial Bank	100.00	\$ 10,014,775	\$ 285,976	-	-	-	100.00	Subsidiary and Note 1
SinoPac Insurance Brokers Ltd.	Hong Kong	Insurance brokerage business	100.00	71,504	(1,916)	100	-	100	100.00	Subsidiary and Note 1
Global Securities Finance Corporation	Taiwan	Investment management	2.64	5,292	-	535	-	535	2.88	Note 2
Taipei Foreign Exchange Inc.	Taiwan	Foreign exchange market maker	3.43	23,032	4,760	680	-	680	3.43	
Taiwan Futures Exchange	Taiwan	Futures exchange and settlement	1.07	333,886	14,211	9,977	-	9,977	2.08	
Fuh Hwa Securities Investment Trust Co., Ltd.	Taiwan	Securities investment trust and consultant	4.63	128,687	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	476,472	35,548	12,927	-	12,927	2.48	Note 2
Taiwan Asset Management Corporation	Taiwan	Evaluating, auctioning, and managing for financial institutions' loan	0.28	13,980	1,950	3,000	-	3,000	0.28	Note 2
Taiwan Financial Asset Service Co.	Taiwan	Auction	5.88	93,000	1,100	10,000	-	10,000	5.88	Note 2
Sunny Asset Management Corp.	Taiwan	Purchasing for financial institutions' loan assets	1.42	402	130	85	-	85	1.42	Note 2
Taiwan Depository and Clearing Co.	Taiwan	Computerizing book-entry operation for securities	0.08	33,822	1,519	5,373	-	5,373	0.92	Note 2
Taiwan Mobile Payment Corporation	Taiwan	Promoting E-commerce and developing E-billing	1.00	1,386	-	600	-	600	1.00	
<u>Nonfinancial related enterprise</u>										
Taiwan Television Enterprise, Ltd.	Taiwan	Wireless television company	4.84	76,116	-	13,805	-	13,805	4.92	Note 2
Victor Taichung Machinery Works Co., Ltd.	Taiwan	Manufacturer and seller of tool machine, plastic machine and other precise equipment	0.08	1,498	47	0.16	-	0.16	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 year ended December 31, 2022.

Note 2: Investment gains are dividend income.

Note 3: Above shares are in thousands of shares.

**TABLE 3**

**BANK SINOPAC**

**INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Earnings (Losses) of Investee (Notes 2 and 3)	Percentage of Ownership (%)	Equity in the Earnings (Losses) (Notes 2 and 3)	Carrying Value (Notes 2 and 3)	Accumulated Inward Remittance of Earnings
					Outflow	Inflow						
Bank SinoPac (China) Ltd.	Commercial Bank	\$ 9,950,464	Investment in Mainland China directly	\$ 9,950,464	\$ -	\$ -	\$ 9,950,464	\$ 287,940	100	\$ 285,976	\$ 10,014,775	\$ -

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$9,950,464	\$9,950,464	\$82,716,360

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

Note 2: Earnings of investee, equity in the earnings and carrying value for the year ended December 31, 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.