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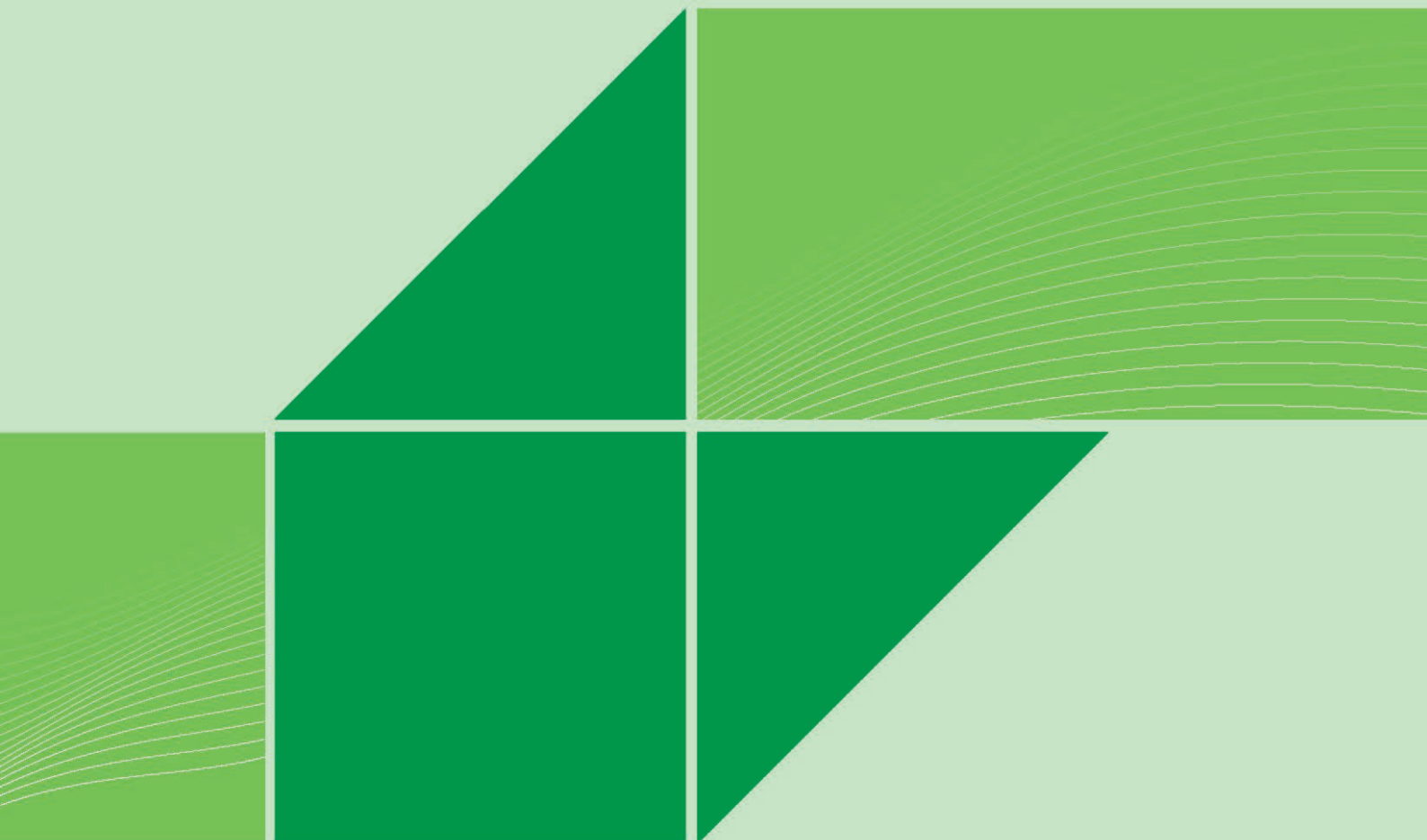
MOPS website : <http://mops.twse.com.tw>

Bank website : <http://www.sunnybank.com.tw>



陽信銀行  
SUNNY BANK

# 2022 ANNUAL REPORT



#### Spokesperson

Name: Ho, Kuen-Tang

Position: Senior Executive Vice President

TEL: (02) 6618-8166 Ext. 5858

E-mail: [splan@sunnybank.com.tw](mailto:splan@sunnybank.com.tw)

#### The Deputy Spokesperson

Name: Kuo, Cheng-Hung

Position: Senior Vice President & Division Chief

TEL: (02) 6618-8166 Ext. 4988

E-mail: [splan@sunnybank.com.tw](mailto:splan@sunnybank.com.tw)

#### Addresses and telephone numbers of Head Office and Branch Offices

For details on "Service Network" Unit

#### Stock Transfer Agency

Name: Stock Affairs Section, Administrative Management Office of the Bank

Address: 4th Floor, No. 88, Section 1, Shipai Road, Beitou District, Taipei City

Website: <http://www.sunnybank.com.tw>

TEL: (02) 6618-8166 Ext 4160

#### Credit Rating Institution

Titles: Fitch Ratings Co., Ltd

Address: Rm. A2, 23F No.68, Sec.5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)

Website: <http://www.fitchratings.com>

TEL: (02) 8175-7600

#### Names of CPAs certifying financial statements of the most recent year

Name : Hsieh, Tung-Ju 、 Guo, Yu-Hong

Business Office: Deloitte & Touche

Address: 20F. No. 100, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)

Website: <http://www.deloitte.com.tw>

TEL: (02) 2725-9988

Names of stock exchanges where foreign securities are listed and enquiry on the information of foreign securities: None

#### Bank Website:

<http://www.sunnybank.com.tw>

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# 1

## Chapter

### **I. Letter to Shareholders**

1. 2022 Operating Performance
2. Overview of the 2023 Business Plan
3. Future Development Strategies
4. Impact of External Competitive Environment, Regulatory Environment, and overall business Environment
5. Credit Rating

Dear Shareholders,

According to the domestic and overseas economic analysis report of the Ministry of Economic Affairs and the current economic situation briefing of the National Development Committee, last year, the global economy experienced the Russo-Ukrainian war and inflation pressures, coupled with contractionary monetary policies implemented by major economies. Economic growth declined each quarter. According to the international forecasting agency S&P Global on January 17th, the estimated global economic growth rate for last year (2022) was 3.0%. Looking ahead to this year, with inflation gradually easing, the global economy is showing signs of recovery. Although recent growth has been sluggish, it is expected to regain momentum each quarter. The projected annual growth rate for the year is 1.9%, an upward revision of 0.3 percentage points from the previous month's estimate.

Advanced economies have benefited from fiscal policy support and a recovery in the services sector, with domestic demand performing better than expected. The United States recorded a fourth-quarter GDP growth rate of 2.9% (SAAR) in 2022, while the Eurozone's growth rate was 0.1% (QoQ). In February of this year, the IMF raised its economic growth forecast for 2023 for advanced economies and reduced the risk of a recession in the United States and Europe.

In the domestic sector, as major economies gradually implement monetary tightening policies to curb inflation, and with the ongoing stalemate in the Russo-Ukrainian war, the momentum of global economic growth is expected to significantly slow down. In addition, the risk of a US-China technology war still lingers, which is likely to heavily constrain our country's export performance. Although there are positive effects from emerging technology applications and increased chip content in end products, it is still challenging to offset the negative impacts. The Executive Yuan's Directorate General of Budget, Accounting and Statistics approximately estimates economic growth to reach 2.43% and expects economic growth to reach 2.75% in 2023.

Looking ahead, emerging technology applications such as 5G, high-performance computing, and automotive electronics, as well as the ongoing demand for digital transformation, are expected to continue to expand and boost the manufacturing capacity of our country. However, global economic and trade conditions are still affected by uncertainties such as inflation, interest rate hikes, the Russo-Ukrainian war, and the US-China technology war, all of which impact international economic prospects. Currently, competition in the domestic banking industry remains intense. In this challenging environment, our bank relies on the support of the entire board of directors and the efforts of our colleagues to continue strictly managing credit quality and actively expanding various business scales in order to stabilize and increase profitability. In 2022, the Bank's net profit after tax was NT\$4,117,361,000 with an EPS of NT\$1.29.

In order to improve the financial structure of the Bank and enrich the capital adequacy ratio, a cash capital increase of NT\$1.5 billion was launched and the third subordinated financial bond was issued in 2022 for a total of NT\$2.1 billion. At the end of 2022, the Bank's capital exceeded NT\$33.007 billion, the first-class capital ratio is 11.28%, and the capital adequacy ratio is 12.97%. In the future, the Bank will continue to be committed to ensuring stable operations and seek the best interests for all shareholders. The 2022 annual business results and the 2023 business plan are summarized as follow:

## 1. 2022 Operating Performance

### (1) Optimizing Operating Channels to Create Maximum Synergy

#### A. Branch Relocations and Distribution Adjustments

(A) On January 10th of 2022, the Nan Taoyuan Branch was relocated to "No. 341, 341 Basement, 341-1, 343, 343-1, Zhongshan Road, Taoyuan District, Taoyuan City." Additionally, on September 5th of the same year, the Nantou Branch was relocated to "No. 118, Section 2, Taiping Road, Caotun Township, Nantou County" to expand branch space and improve service quality.

(B) In 2023, there are plans to relocate branches in remote areas. The Yilan Branch relocation was carried out on February 20th, and the Taitung Branch relocation was conducted on March 6th.

B. The bank applied to the Financial Supervisory Commission (FSC) to establish one branch each in Taipei city, Hsinchu City, and Taichung City. On January 11th of 2022, the bank received approval from the supervisory authority. The Hsinchu Science Park Branch was established on October 17th of the same year, and the remaining two branch establishments are expected to be completed in 2023. At that time, the total number of domestic branches will reach 108, contributing to the enhancement of overall branch network value and operational efficiency.

## (2) Changes in Bank Organization

The Bank has invested NT\$7.8 billion to acquire property for its new headquarters located on Minquan West Road and Zhongshan North Road, Zhongshan District, Taipei City. Currently, it is under construction, but after the completion and opening in the fourth quarter of 2023, the synergy effect of business group integration can be brought into play, providing a new corporate image and business style for the Bank with its comprehensive service and operations.

## (3) Business Plan and Strategy Implementation Results

In 2022, the Bank continued to control the quality of its assets and achieved remarkable results. At the end of 2022, the Bank's non-performing loan ratio was 0.15%, and its NPL coverage ratio was 876.73%, maintaining a sound level of operational quality. In terms of the development of various businesses, the total deposit balance at the end of 2022 was NT\$604,837,010 thousand, an increase of NT\$30,549,994 thousand from NT\$574,287,016 thousand at the end of 2021; the total loan balance was NT\$451,559,381 thousand, an increase of NT\$37,401,462 thousand from NT\$414,157,919 thousand at the end of the 2021. The overall operations performed quite well.

Unit: NT\$1,000 ; USD1,000

Main Business Items	2022	2021	Growth Rate Compared to Last Year (%)
Deposit ( Year End Balance )	604,837,010	574,287,016	5.32
Loan ( Year End Balance )	451,559,381	414,157,919	9.03
Wealth Management Business	10,812,859	15,292,759	(29.29)
Import / Export and Foreign Exchange Businesses ( thousand in USD )	5,800,619	5,823,136	(0.39)
Trust Property Scale	76,447,473	73,034,754	4.67
Investments in Equity Method ( Year End )	2,885,962	2,670,209	8.08

## (4) Budget Execution

The Bank's scale of deposits and loans and its benefit has increased steadily in 2022, which keeps its operational constitution at a steady level. The balance of deposits (NT\$ and foreign currency) was NT\$604.8 billion, reaching 104.8% of the budget target. The balance of loans (NT\$ and foreign currency) was NT\$451.6 billion, reaching 107.4% of the budget target. The net profit after tax of 2022 was NT\$4.117 billion, reaching 119.6% of the budget target.

## (5) Financial Income / Expenditure and Profitability Analysis

The main financial incomes and expenditure, as well as the profitability items of the Bank are analyzed as below:

Unit: NT\$1,000 ; EPS in NT\$1

Main Business Item	2022	2021	Compared to Last Year (%)
Net Interest Income	7,861,349	6,633,894	18.5
Net Non-Interest Income	965,483	1,662,557	(41.93)
Net Income	8,826,832	8,296,451	6.39
Bad Debt Expense & Guarantee Liability Provisions	494,624	(1,304,096)	(137.93)
Operating Expenses	4,173,805	3,956,990	5.48
Net Profit Before Tax	5,147,651	3,035,365	69.59
Net Profit After Tax	4,117,361	2,566,705	60.41
EPS After Tax	1.29	0.84	53.57

## (6) Research and Development

The Bank's various divisions compile analyses of financial trends and research reports on bank operations and industry trends on both a regular and ad hoc basis in order to keep abreast of changes in the domestic and international economic situation and to facilitate the Bank growth. These reports are made available to all our staff as a reference source when forecasting market trends.

## 2. Overview of the 2023 Business Plan

The Bank works hard to provide customers with outstanding financial services that remain true to its corporate motto of "steadiness, proactiveness, professionalism, and enthusiasm". In the coming year, we will focus on the following tasks:

### (1) Expanding The Business Scale

To enhance the bank's Liquidity Coverage Ratio (LCR), in 2023, the bank will continue to expand its deposit business with a target annual growth of NTD 30 billion. At the same time, efforts will be made to strengthen the acquisition of deposits from retail customers and individuals, in order to continuously expand the source of deposit funds and stabilize loan growth.

### (2) Adjusting Loan Structures

Whereas the competition of lending rates with peer banks and consideration of the credit ratio, 72-2, of the Banking Law, in 2023, the loaning strategy continues with small and medium enterprise in terms of quality, profit and quantity, reinforcing promotion of consumer banking including but not limited to secondary mortgage and car loans with guarantees and high interests to raise interest income for profitability base.

### (3) Continuing To Boost Income

In 2023, given the subsequent pandemic-related developments in which it is not easy to expand the network, the market competition is fierce, and the Company continued to strengthen financial operations, auto loans and sub-prime mortgages, and other products with higher interest spreads in order to obtain higher returns. The 2023 pre-tax profit target is set at NT\$5 billion.

### (4) Increase the income of financial management and trust

#### 1、Financial management:

Extensive marketing and advertising campaigns will be utilized to recruit wealth management personnel and leverage the assistance of bank executives to comprehensively recruit new wealth management specialists. The frequency of usage for online banking and foreign currency accounts will be increased, and digital transactions will be conducted through wealth management digital platforms. Efforts will be made to enhance the penetration rate of assets under management (AUM) at branch level and conduct in-depth adjustments and planning for overall AUM.

#### 2、Trust:

Core business projects related to real estate trusts with high returns will continue to be promoted, along with the expansion of other business projects beyond real estate trust products. In addition, in alignment with the Financial Supervisory Commission's Trust 2.0 "Comprehensive Trust" plan, the bank will plan the development of retirement trusts combined with real estate leasing and other Trust 2.0 related concept products.

### (5) Expand the scale of financial operations and trading tools

Expand the investment layout of overseas markets and foreign currency assets, continue to build overseas bond investment positions, and seek new investment commodity targets.

### (6) Maintain Good Property Quality

Continue to reduce the over-discharge ratio and improve the coverage ratio to maintain the asset quality at the industry average level.

### (7) Improve BIS Ratio

The Bank will continue to focus on the proportion of loan products to achieve optimal (risky) asset allocation. It will also increase its own capital through common stock dividends, increase cash capital, issue subordinated debentures, issue subordinated financial bonds and cash capital increase, with the goal of maintaining the BIS at the statutory ratio plus 2%

level to meet the standards of the competent authority for the establishment of new branches and overseas branches, in order to facilitate the expansion of the Bank's business and scale growth.

#### **(8) Expand nationwide financial service network**

- A. Implementation of ATM cardless withdrawal services.
- B. Planning to add reservation transaction services to the "Appointment Counter".
- C. Building connectivity between the "Online Credit Loan Application Service" and "Online Credit Card Application Service" with the MyData platform.
- D. Establishing an "Online Credit Card Review System".
- E. Implementing the "Payment Link to Bank Account via StreetPay" service.

#### **(9) Promote new product business**

- A. Introduce "Next Generation Personal Internet Banking" services.
- B. Strengthen "Corporate Internet Banking" and "Mobile Internet Banking" services.
- C. Assist various units in integrating with the "MyData Digital Gateway Platform" to shorten customer application processes through quick authentication.
- D. Implement the use of "Open Banking (Open API)" and the Central Depository & Clearing Corporation's e-Statement.
- E. Integrate the payment platform with deposit accounts.
- F. Continuously develop the "Digital Financial Seed Bankers" program, establish groups for digital financial business classification, provide colleagues with relevant digital financial business resources, strengthen interaction with business units, and provide channels for solving customer issues.
- G. Promote cross-selling and cooperative sales through electronic channels.

#### **(10) Continue to develop electronic business**

- A. Replacement and upgrade of core host and expansion of information room.
- B. Set up corporate Internet banking services.
- C. Build MyData digital gateway platform service.
- D. Introduction of Open Banking (Open API) and the application of Jibao e-passbook.

#### **(11) Fair Treatment of Customers Principle**

In 2023, plans include holding meetings and conducting evaluations related to the "Fair Treatment of Customers Principle" and reporting to the Board of Directors. Efforts will continue to strengthen the three lines of defense and division of labor in complaint handling, promote the implementation of financial consumer protection and the fair treatment of customers principle. Additionally, a "Customer Complaint Management System" will be established to avoid risks associated with manual operations and improve the operational efficiency of branches, ensuring the principles of fair treatment and complaint protection.

#### **(12) Establish the Bank's ESG organization and system**

- A. Prepare an ESG report by the end of June in 2023, followed by annual preparation of sustainability reports for the previous year, which will be publicly disclosed on the company's website after verification by a third party.
- B. By the end of June in 2023, complete the disclosure of climate risk finance in 2023 (TCFD), followed by regular disclosure of relevant information for the previous year by the end of June each year.
- C. In 2023, conduct a greenhouse gas inventory of 2022 in accordance with the roadmap and complete external verification in 2024.

### **3. Future Development Strategies**

- (1) Maintaining sound operations and improving the Bank's financial structure.
- (2) Maintaining a good loan-to-deposit ratio and balanced development of deposit and lending business.
- (3) Ensuring risk management by strengthening risk control and credit approval criteria in order to improve the quality of loan assets.
- (4) Continuing to integrate and set up branches to enhance channel efficiency.

- (5) Implementing International Accounting Standards (IFRS) in accordance with regulatory policy and continuing to enhance the efficiency of financial management in order to improve operational performance.
- (6) Enhance on-the-job training for the staff and drawing up training programs to raise manpower quality.
- (7) Further developing core businesses to deepen relationships with customers, expand the customer base, and enhance customer contribution.
- (8) Continuing to expand overseas businesses to diversify income sources and enhance corporate competitiveness.
- (9) Strengthen ESG organization, operation, and implementation to promote sustainable environment and financial development.

## 4. Impact of External Competitive Environment, Regulatory Environment, and overall business Environment

In recent times, factors such as the COVID-19 pandemic, the Russo-Ukrainian war, high inflation, and climate change have affected global economic performance in 2022, which has not been ideal. Many countries have implemented monetary policy tightening measures to control inflation. The negative impact of rising inflation, policy tightening, and financial pressure has led to a gloomy outlook for the global economy, and the slowdown is expected to continue into 2023. The economic performance of the United States and Europe may face zero growth, while the Chinese economy is expected to rebound due to relaxation of control measures. However, the magnitude of the rebound remains to be closely observed as the impact on the economy after significant easing of epidemic prevention policies depends on the timing. Therefore, major international forecasting agencies believe that the pace of global economic and trade growth will slow down in 2023 compared to 2022. In terms of the current domestic financial environment, there is still too high bank penetration and fierce competition for a long time, which makes it difficult for domestic interest rate spreads to widen. We will keep expanding consumer banking service scale, businesses with larger spread like OBU and overseas loans, also will develop a variety of income structures with balance to drive overall revenue growth.

In line with the country's 2030 bilingual national policy, the Bank will add bilingual branches year by year in the future. Regarding banking services frequently used by foreign nationals, the bank strives to provide a bilingual and friendly financial environment, including personnel services, various forms, facilities, and automation equipment. Staff with foreign language communication abilities are also assigned to provide foreign language financial services. At the same time, in response to changes in various laws and regulations or business environment, the Bank will immediately formulate response measures and amend internal regulations or operating procedures to implement the principles of consumer protection and fair hospitality. The twelfth meeting of the ninth session of the board of directors of the Bank passed a resolution to formulate the "Code of Conduct for listed and OTC Companies" and establish a corporate culture of integrity through the "Principle of Integrity in Operations."

## 5. Credit Rating

Credit Rating Institution	Long-term rating	Short-term rating	Outlook	Date
Fitch Ratings LTD	A ( twn )	F1 ( twn )	Stable	May 10, 2022

**Chairman**

CHEN, SHENG-HUNG (with seal)



**President**

DING, WEI-HAO (with seal)



# 2

## Chapter

### **II. Bank Profile**

1. Date of Registration
2. Company History

## 1. Date of Registration

Date of Registration: September 1, 1997

Date of Commencement of Business: September 1, 1997

## 2. Company History

Previously known as “Yang Ming Shan Credit Cooperative”, the Bank was established on October 2, 1957 and reorganized as a bank on April 28, 1997, following approval by the Ministry of Finance. Later in the same year, Sunny Bank Ltd. officially started its operation on September 1, 1997. It was among the first group of credit cooperatives being reorganized into banks after the Ministry of Finance stipulated and issued “Standards and Regulations of Reorganizing Credit Cooperatives into Commercial Banks” on December 6, 1995 according to File No. Tai-Tsai-Jung No. 84784492.

On April 16, 1998, the Bank passed the ISO-9002 certification for its information and quality audit systems, and became the first certified bank in the nation. Before the annual meeting of shareholders held on June 4 of the same year, it announced this accreditation at a press conference and declared that it would uphold the quality policy of being “steadiness, proactiveness, professionalism, and enthusiasm” in order to have a sustainable business operation.

Also to cooperate with the government policy and to solve issues of distressed financial institutions, Sunny Bank Ltd. undertook the business of Yuanlin Credit Cooperative in Changhua and 2nd Credit Cooperative in Pingtung respectively on September 15, 2001. On August 24, 2002, it then took over the business of Tainan 5th Credit Cooperative and increased 21 branches in total. On July 20, 2004, it was approved to expand its business area and became a nationwide bank.

To have competitive advantages in hand and to enlarge the scale and scope of its operation, Sunny Bank Co., Ltd merged with Kao Shin Commercial Bank on November 26, 2005, and increased its Branch number from 62 to 96. Later in September of 2007, the Bank established the Luotong Branch, which successfully expanded its service area to Eastern Taiwan. Then the Chupei, Chungsing and Changhua branches were successfully opened as well as the Eastern Taoyuan and Nangang branches (2010), Beitun Branch (2011), Tucheng and Keelung branches (2012). To have its service area covered every administration district in Taipei City, the Bank established the Wanhua Branch in 2013.

To cooperate with FSC’s policy of balancing urban-rural development and improving the local financial services, the Bank has set up Hualien Branch, Miaoli Branch and Longjing Branch in 2014. To increase the distribution value of our branch offices and to cooperate with FSC policy mentioned above, the Bank has not only relocated Dali and Datong branches, but also set up Yunlin, Nantou, Taitung and Yilan branches in 2015. The Bank, which now has a network of 103 branch offices that covers principal administrative regions across the nation, has an even more complete financial service network.

To promote the overall and regional business growth and operating development, the Bank upgraded the Xinhua mini-branch to a full-function branch in 2016. In 2017, the South Taoyuan and the Xizhi Branch were established, and the four mini branches of “Daye, Xinde, Yongkang and Qishan” were upgraded to full-function branches. In 2018, the Bank had continued to transfer and establish the Heping Branch, and upgrade the two mini branches of Shetou and Dongning. In 2019, the Bank established Linkou Branch, Fengyuan Branch in 2020, and the number of branches has grown to 105; also, the Bank upgraded its Linyuan mini Branch and Likang mini Bank Branch into a full function all-in-one branch. In 2022, the establishment of the Hsinchu Science Park Branch increased the total number of branches nationwide to 106, allowing business locations to provide mutual support in terms of geographic environment. Through regional complementarity and channel integration, market competitiveness was strengthened. The bank has acquired a new headquarters building located in Zhongshan District, Taipei City, at the intersection of Zhongshan North Road and Minquan West Road. After completion and operation in the fourth quarter of 2023, it is expected to leverage the integrated synergies of business groups, showcasing a new corporate image and operating pattern.

To adapt to the rapidly changing financial market and to offer customers diversified financial services, the Bank not only increased the operating capital, but also actively integrated itself into other financial areas and reinvested in Sunny Securities Co., Ltd., Sunny Life Insurance Brokerage Co., Ltd., Sunny Property & Insurance Brokerage Co., Ltd., Sunny Assets Management Co., Ltd., Sunny International Leasing Co., Ltd. and Sunny E-Commerce Co., Ltd.. These companies engage in brokerage, trading and settlement of listed and over-the-counter stocks, offer customers a variety of insurance products, carry out the purchase, valuation and auctioning of financial claims of financial institutions, and provide leasing and e-Business services. We hope to build on our existing customer contacts and regional presence in order to expand our services. In 2016, the Bank was approved to operate the life and property insurance agency business by the competent authority, and acquired the

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Sunny Life Insurance Agency Ltd. and Sunny Property Insurance Agency Ltd. by merger. The Insurance Agency Department was set up on January 20, 2017. In 2018, the Bank set up a micro finance company in Cambodia for expanding the overseas market, which marks a new milestone in the development of the Bank's overseas businesses. In 2019, the Bank actively developed its own Fintech solutions by creating the smart unmanned store "Sunny Digital Life Experience Center" and won the "Best Service Innovation Award for E-commerce Cash Flow Business" from Financial Information Service Co., Ltd. In addition, the Bank has actively developed in-depth loan programs for SMEs to increase spread in accordance with government policies. It is consistent in providing the best service and has been given a Grade A rating in terms of the "National Bank's Enforcement of SMEs Loan Solutions" for 7 years (out of 9 years). In order to enhance the market competitiveness of the Bank, it has cooperated with Sunny Shopping Street in 2021 to establish the "Sunny Ecosystem". Customers can earn "Sunny Life Reward Points" through various business transactions with the Bank. They can use these points in exchange for food and beverage coupons, accommodation coupons, physical goods, and other gifts in the shopping street, or use them to redeem unlimited consumption in the shopping street, gradually shaping the ecosystem of Sunny financial services.

The Bank will continue to focus on business development, create a balance between quality and quantity of loans, clean up non-performing loans, and minimize costs by strictly monitoring expenses. We will raise capital adequacy ratio strengthen financial and operational structure, diversify our incomes, improve customer service quality, enhance organizational efficiency, build an effective result-oriented culture, and implement ESG to reach the goal of sustainable development.

# 3

## Chapter

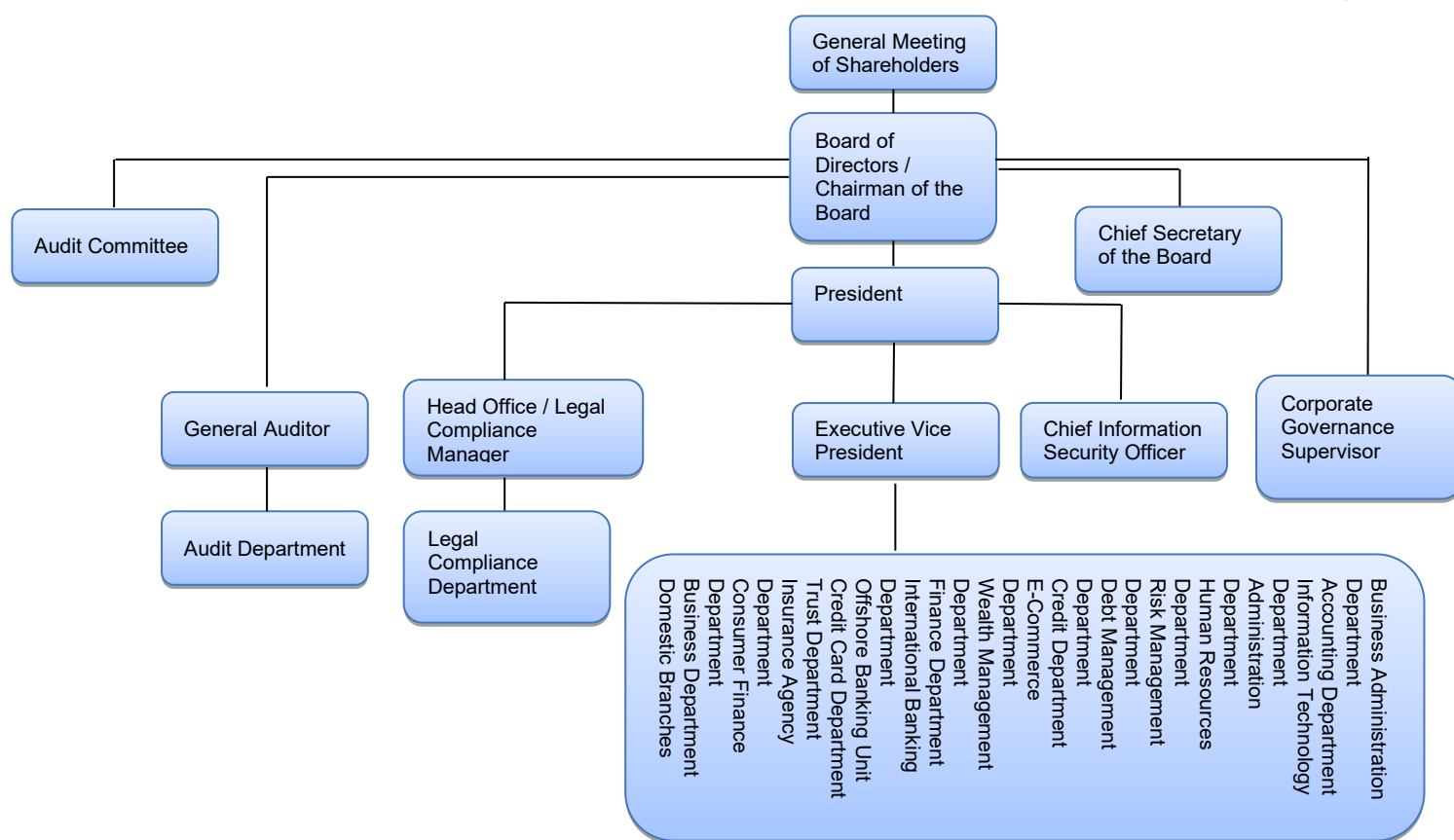
### **III. Corporate Governance Report**

1. Organization
2. Information on Directors and Supervisors
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4. Alternation of CPA
5. Information about the Bank's Top Ten Shareholders who are Related Parties, Spouses or Relatives within Second Degree of Kinship
6. Numbers of Shares in the Same Reinvested Enterprises Held by the Bank and its Directors, Supervisors, President, Vice Presidents, Deputy Executive Vice Presidents, the Heads of Departments and Branches, and Enterprises Controlled Directly or Indirectly by the Bank, and Percentage of Consolidated Shareholding

# 1. Organization

## (1) Organization Chart

Baseline date: March 31, 2023



## (2) Major Business of Each Department

The Bank's headquarters is composed of the Business Administration Department, Accounting Department, Information Technology Department, Administration Department, Human Resources Department, Risk Management Department, Debt Management Department, Credit Department, E-Commerce Department, Wealth Management Department, Finance Department, Offshore Banking Unit, International Banking Department, Credit Card Department, Trust Department, Insurance Agency Department, Consumer Finance Department and Business Department; their major responsibilities are as follows:

- A. Business Administration Department: Implementation of operational strategies, administrative policies, operations & development plans, overall development of marketing campaign plans and performance evaluation.
- B. Accounting Department: Operating budget compilation and review, approval and allocation, reconciliation and audit-related compilation, as well as other accounting management-related undertakings.
- C. Information Technology Department: Planning, drafting and management of information systems for business and operations.
- D. Administration Department: Word processing, file management, general management, capital expenditures, and renovations.
- E. Human Resources Department: Staffing allocation, bank employee recruitment, hiring, appointment/dismissal, promotions, bank employees' local and foreign training and advanced studies, budget and execution-related measures.
- F. Risk Management Department: Drafting, structuring, and execution of risk management policies, system, and mechanisms, as well as overall assessment, supervision, and control of operating risks.
- G. Debt Management Department: Loan review and follow-up, debt collection such as overdue loan repayment and recourse debts, as well as pre-planning, supervision, and management.
- H. Credit Department: Drafting (revision) of bank-wide lending policies and supervision / management of loan review system and operations.
- I. E-Commerce Department: Operating strategies for e-banking, product development, management of e-banking systems

and marketing.

- J. Wealth Management Department: Drafting (revision) of wealth-management business & operating policies, plans, and objectives; management-related undertakings, along with product research and development, marketing, promotion, and market research.
- K. Finance Department: NTD-denominated and foreign currency-denominated capital operations and management, as well as financial and investment management.
- L. International Banking Department: Foreign currency Deposit and remittance, import / export foreign currency credit, trade finance and international banking business.
- M. Offshore Banking Unit: Deposit and remittance of offshore companies, import, export and foreign currency credit and non-discretionary money trusts.
- N. Credit Card Department: Planning, promotion and management of credit card product-related business.
- O. Trust Department: Planning, promotion, and management of trust business.
- P. Insurance Agency Department: Insurance business and operations including life & property insurance products sales and promotion.
- Q. Consumer Finance Department: Planning, promotion and management of personal consumption / credit loan businesses such as subordinated loans, car loans, communication loans and small-amount credit contracts.
- R. Business Department: Facilitating deposit, exchange of payment (i.e., clearance), finances, representation, loan, foreign exchange, trust and money-management business.

The Bank also has an audit department, which is in charge of business audits, information, account administration, finance and safe keeping of inventory items. The audit division and auditors report to the Chief Auditor. The Legal Compliance Department, which is under the office of the President is in charge of ensuring legal compliance and is responsible for the planning, management and execution of the legal compliance system. The Legal Compliance Department Manager, designated by the President, is responsible for managing the Bank's compliance and regulatory affairs.

## 2. Information on Directors and Supervisors

### (1) Board and Supervisors

Baseline date: December 31, 2022

Position (Note 1)	Nationality or Place of Registration	Name	Gender /Age (Note 2)	Date Elected (Employed)	Term	Initial Elected Date (Note 3)	Holding at Election		Present Holding		Current Shares of Spouse and Minors Children		Holding Shares in Other Names		Education & Experience (Note 4)	Concurrent Positions at our Bank and Other Companies	Other Chief, Director or Supervisor as Spouse, Minors or any other Relatives within the second level relationships			Note 5
							Shares	Ratio %	Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relations hip	
Chairman	The Republic of China	Chen, Sheng-Hung	Male 71-80	July 1, 2021	3 years	June 15, 2015	10,197,192	0.34	10,605,079	0.35	4,774,799	0.16	-	-	Taipei City Councilor, Director of Yang Ming Shan Credit Union, The 1st - 4th Chairman and 5th and 6th Managing Director of Sunny Bank, Graduated from University.	Shareholder of Chuan Yam Construction Co., Ltd. Chairman of Sunny Culture and Education Foundation.	Director and Deputy General Manager	Ho, Li-Wei	Father & Son	-
																	Manager	Chen, Ya-I	Father & Son	-
Managing Director	The Republic of China	Liu, Chen-Sheng	Male 81-90	July 1, 2021	3 years	June 12, 2000	5,458,884	0.18	5,677,239	0.19	746,297	0.02	-	-	Supervisor of Yang Ming Shan Credit Union, The 1st Director and the 2nd - 6th Managing Director of Sunny Bank, Chairman of Shihpai Tzuchiang General Market Co., Ltd. Director of Sunny Foundation, Graduated from Vocational High School.	Director of Sunny Culture and Education Foundation.	Assistant Vice President	Liu, Ming-Chieh	Father & Son	-
																	Manager	Liu, Ming-Che	Father & Son	-

Position (Note 1)	Nationality or Place of Registration	Name	Gender /Age (Note 2)	Date Elected (Employed)	Term	Initial Elected Date (Note 3)	Holding at Election		Present Holding		Current Shares of Spouse and Minors Children		Holding Shares in Other Names		Education & Experience (Note 4)	Concurrent Positions at our Bank and Other Companies	Other Chief, Director or Supervisor as Spouse, Minors or any other Relatives within the second level relationships			Note 5
							Shares	Ratio %	Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relations hip	
Managing Director	The Republic of China	Chang, Shu-Min	Male 51-60	July 1, 2021	3 years	June 15, 2015	9,076	-	9,439	-	-	-	-	-	Chairman of Rising Sun Printing Co., Ltd., Chairman of Rising Sun Publishing Co., Ltd., Chairman of Ink Literary Monthly Co., Ltd., Chairman of Xinning Constructions Co., Ltd., Chairman of Gold Sunny Assets Management Co., Ltd.; Director of Hai Wang Printing Co., Ltd., Director of Technology Books Co., Ltd., Director of Forward Graphic Enterprise Co., Ltd., Director of Hai Wang Development and Constructions Co., Ltd., Director of Wisest Cultural Co., Ltd., Director of Xinning Constructions Co., Ltd., Director of Wisest Cultural Co., Ltd., Director of Jin Chen Investment Co., Ltd., Person in Charge of Poet Tribe Magazine ("Shi Ren Bu Luo"), Person in Charge of Chen Yang Publishing, Person in Charge of Taiwan People ("Tai Wan Ren Min"), Supervisor of King Polytechnic Engineering Co., Ltd. Publishing, Shareholder of Lichen Investment Co., Ltd., Shareholder of Seald Investment Ltd., Person in charge of Poet Blog Magazine Publisher, Person in charge of Chengyang Publisher, Person in charge of Taiwan People's Publishing House	Chairman of Rising Sun Printing Co., Ltd., Chairman of Rising Sun Publishing Co., Ltd., Director of Ink Literary Monthly Co., Ltd., Director of Hai Wang Printing Co., Ltd., Director of Technology Books Co., Ltd., Director of Forward Graphic Enterprise Co., Ltd., Director of Jin Chen Investment Co., Ltd., Person in Charge of Poet Tribe Magazine ("Shi Ren Bu Luo"), Person in Charge of Chen Yang Publishing, Person in Charge of Taiwan People ("Tai Wan Ren Min"), Supervisor of King Polytechnic Engineering Co., Ltd. Publishing, Shareholder of Lichen Investment Co., Ltd., Shareholder of Seald Investment Ltd., Person in charge of Poet Blog Magazine Publisher, Person in charge of Chengyang Publisher, Person in charge of Taiwan People's Publishing House	Director	Chang, Shu-Hua	Brother	-
Independent Managing Director	The Republic of China	Ji, Yan-Ping	Male 61-70	July 1, 2021	3 years	July 1, 2021	-	-	-	-	-	-	-	-	Head of the Department of Information Management, Central University, Associate Professor of the Department of Information Management, National Chengchi University, Ph.D	Chairman of KIWI-SMART Corp., Director of Happy Life Insurance Co., Ltd., Director of Doing Good Co., Ltd., Supervisor of Hopewell International Co., Ltd., Supervisor of Liwei Certification Co., Ltd.	-	-	-	-

Position (Note 1)	Nationality or Place of Registration	Name	Gender /Age (Note 2)	Date Elected (Employed)	Term	Initial Elected Date (Note 3)	Holding at Election		Present Holding		Current Shares of Spouse and Minors Children		Holding Shares in Other Names		Education & Experience (Note 4)	Concurrent Positions at our Bank and Other Companies	Other Chief, Director or Supervisor as Spouse, Minors or any other Relatives within the second level relationships			Note 5
							Shares	Ratio %	Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relations hip	
Director	The Republic of China	Ho, Li-Wei	Male 41-50	July 1, 2021	3 years	June 4, 2018	3,659,541	0.12	3,805,922	0.13	-	-	-	-	Manager and Associate Vice President of Sunny Bank, Director of Sunny International Leasing Co., Ltd., Director of Sunny Foundation, Graduated from University.	Chairman of Ho Li Wei Enterprise Co. Director of Fu Li Yang Investment Co., Ltd. Director of Sunny International Leasing Co., Ltd. Director of Sunny Culture and Education Foundation. Supervisor of Chuan Yam Construction Co., Ltd.	Director	Chen, Sheng-Hung	Father & Son	-
Director	The Republic of China	Chang, Shu-Hua	Male 51-60	July 1, 2021	3 years	June 15, 2015	1,857	-	1,931	-	-	-	-	-	Chairman of Wisest Cultural Co., Ltd. and Jin Chen Investment Co., Ltd. Director of Yu Cheng Art Binding Co., Ltd., Director of Hai Wang Printing Co., Ltd., Director of Hai Wang Development and Constructions Co., Ltd., Director of Rising Sun Publishing Co., Ltd., Shareholder of Xinming Constructions Co., Ltd., Director of Sunny Bank. Graduated from college.	Chairman of Wisest Cultural Co., Ltd., Chairman of Jin Chen Investment Co., Ltd., Director of Yu Cheng Art Binding Co., Ltd., Director of Hai Wong Printing Co., Ltd., Director of Technology Books Co., Ltd., Director of Hai Wang Development and Constructions Co., Ltd., Director of King Polytechnic Engineering Co., Ltd. Shareholder of Xinming Constructions Co., Ltd., King Polytechnic Engineering Co., Ltd. Shareholder of Sunny Bank Investment Co., Ltd., Shareholder of Wisest Cultural Co., Ltd., Shareholder of Likun Investment Ltd.	Managing Director	Chang, Shu-Min	Brother	-
Director	The Republic of China	Fu Li Yang Investment Co., Ltd.	Male 71-80	July 1, 2021	3 years	June 15, 2015	291,224,593	9.61	332,387,534	10.97	-	-	-	-	Manager, Associate and Deputy General Manager of Sunny Commercial Bank Director of Sunny International Leasing Co., Ltd., Director of Sunny Cultural and Educational Foundation, Graduated from Research Institute.	Director of Consortium Sunny Culture and Education Foundation, Supervisor of Quanyang Construction Co., Ltd.	-	-	-	-
		Representative: Ho, Shun-Cheng					-	-	7,187,952	0.24	7,720,183	0.25	-	-						

Position (Note1)	Nationality or Place of Registration	Name	Gender /Age (Note2)	Date Elected (Employed)	Term	Initial Elected Date (Note 3)	Holding at Election		Present Holding		Current Shares of Spouse and Minors Children		Holding Shares in Other Names		Education & Experience (Note 4)	Concurrent Positions at our Bank and Other Companies	Other Chief, Director or Supervisor as Spouse, Minors or any other Relatives within the second level relationships			Note 5
							Shares	Ratio %	Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relations hip	
Director	The Republic of China	Chen, Chin-Yi	Male 61-70	July 1, 2021	3 years	June 4, 2018	4,067,105	0.13	4,229,789	0.14	-	-	-	-	Director of Yang Ming Shan Credit Union, Director and Consultant of Sunny Bank, Chairman of Sunny Life Insurance Brokerage Co., Ltd., Director of Sunny Property & Insurance Brokerage Co. Ltd., Supervisor of Jin Jia Technology Co., Ltd., Director of Yu Shun Investment Co., Ltd., Director of Sunny Foundation, Graduated from University.	Supervisor of Jin Jia Technology Co., Ltd., Director of Yu Shun Investment Co., Ltd.,	-	-	-	-
Director	The Republic of China	Chen, Yi-Chen	Male 21-30	July 1, 2021	3 years	June 4, 2018	-	-	-	-	-	-	-	-	Deputy General Manager of Po Yun Enterprise Co., Ltd., Deputy General Manager of Lichen Investment Co., Ltd., Director of Empire Voice Int’c INC Graduated from Burchgate Middle School, Pennsylvania, USA.	Director of LICHENG Investment Co., Ltd, Supervisor of BOYUN Enterprise Co., Ltd.	-	-	-	-
Director	The Republic of China	Hsieh, Yi-Tung	Male 71-80	July 1, 2021	3 years	June 22, 2009	838,922	0.03	897,792	0.03	1,881,946	0.06	-	-	Manager of The First Cooperative Association of Kaohsiung City. Assistant Manager of Business Department of Kao Shin Bank. Branch Assistant Manager of Sunny Bank. the 5th and 6th Director of Sunny Bank. Director and Associate Vice President of Sunny Bank. Graduated from College.	-	-	-	-	-
Director	The Republic of China	Lin, Zheng-Yu	Male 61-70	July 1, 2021	3 years	July 1, 2021	2,789,032	0.09	2,984,753	0.10	705,622	0.02	-	-	Chairman of Guozhi Construction Co., Ltd., Director of Guozhi Industrial Co., Ltd., Director of Yuzhen Industrial Co., Ltd., Director of Sunny Cultural and Educational Foundation, Graduate of university.	Chairman of Guozhi Construction Co., Ltd., Director of Guozhi Industrial Co., Ltd., Director of Yuzhen Industrial Co., Ltd., Manager of Yuzhen Industrial Co., Ltd., Director of Jinjing Chemical Industry Co., Ltd., Director of Sunny Culture and Education Foundation	-	-	-	-

Position (Note1)	Nationality or Place of Registration	Name	Gender /Age (Note2)	Date Elected (Employed)	Term	Initial Elected Date (Note 3)	Holding at Election		Present Holding		Current Shares of Spouse and Minors Children		Holding Shares in Other Names		Education & Experience (Note 4)	Concurrent Positions at our Bank and Other Companies	Other Chief, Director or Supervisor as Spouse, Minors or any other Relatives within the second level relationships			Note 5
							Shares	Ratio %	Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relations hip	
Independent Director	The Republic of China	Wu, Fu-Kuei	Male 61-70	July 1, 2021	3 years	June 15, 2015	-	-	-	-	-	-	-	-	Delegate of National Assembly, Legislator, Lecturer of Department of Technology Management of Chung Hua University, Independent Director of Sunny Bank, Graduated from graduate school.	Director of Shine-On BioMedical Co Ltd-	-	-	-	-
Independent Director	The Republic of China	Wu, Ying-Shi,	Male 61-70	July 1, 2021	3 years	July 1, 2021	-	-	-	-	-	-	-	-	Director of National Taxation Bureau of Kaohsiung, Ministry of Finance, Director of National Taxation Bureau of the Northern Area, Ministry of Finance, Taiwan Director of Financial Asset Service Corporation, Graduated from graduate school.	-	-	-	-	-

Note 1: The institutional shareholder's representative should indicate the name of the institutional shareholder as well as "Major Institutional Shareholders".

Note 2: Please list the actual age and express it in interval, such as 41-50 years old or 51-60 years old.

Note 3: The start date of the term of office of a Bank Director or Supervisor should be specified. Any interruption should be noted under Remarks.

Note 4: Those who have experience related to their current position, or have worked in an auditing firm or affiliated business should specify their position and duties.

Note 5: If the chairman and general manager or similar position (top manager) are the same person, a spouse or relative within the first degree of kinship, please explain the reason, rationality, necessity and countermeasures (such as increasing the number of seats for independent directors, and having more than half of directors who do not work concurrently as employees or managers).

## (2) Major Institutional Shareholders

Baseline date: December 31, 2022

Name of Institutional Shareholder (Note 1)	Major Institutional Shareholders (Note 2)	Shareholding %
Fu Li Yang Investment Co., Ltd.	Hsueh Ling	99.73

Note 1: Directors and supervisors representing institutional shareholders should specify the names of these institutional shareholders.

Note 2: Names and shareholding percentages of major shareholders (top 10 largest shareholders) should be listed. Major shareholders who are institutional shareholders should be specified as "Major Institutional Shareholders".

Note 3: If institutional shareholders are not a company organization, the name of the shareholder and shareholding thereof shall be disclosed above as well as the name of the funder or donor and its funding or donation percentage.

## (3) Major Institutional Shareholders who are major shareholders: None

## (4) Information of directors and supervisors

### Disclosure of Professional Qualifications and Independence of Independent Directors

Baseline date: December 31, 2022

Name	Condition	Independence	Number of other public companies where the independence directors connected
	Professional qualifications and experience (Note 1)		
Chen, Sheng-Hung	<ul style="list-style-type: none"> <li>Work experience in business and banking.</li> <li>Served as Chairman and Executive Director of Sunny Bank.</li> <li>There are no matters related to Article 30 of the Company Act.</li> </ul>	non-independent director	0
Liu, Chen-Sheng	<ul style="list-style-type: none"> <li>Work experience in business and banking.</li> <li>Served as Managing Director of Sunny Bank.</li> <li>There are no matters related to Article 30 of the Company Act.</li> </ul>	non-independent director	0

Condition Name	Professional qualifications and experience (Note 1)	Independence	Number of other public companies where the independence directors connected
Chang, Shu-Min	<ul style="list-style-type: none"> <li>➤ Work experience in business and banking.</li> <li>➤ Served as Director of Sunny Bank.</li> <li>➤ There are no matters related to Article 30 of the Company Act.</li> </ul>	non-independent director	0
Ji, Yan-Ping	<ul style="list-style-type: none"> <li>➤ Possesses business, technology, operational judgment and work experience required in banking.</li> <li>➤ Head of the Department of Information Management, National Central University, Associate Professor of the Department of Information Management, National Chengchi University, Executive Director of the Master of Business Administration Program, National Chengchi University.</li> <li>➤ There are no matters related to Article 30 of the Company Act.</li> </ul>	Note2	0
Ho, Li-Wei	<ul style="list-style-type: none"> <li>➤ Work experience in business and banking.</li> <li>➤ Served as manager, senior manager and Vice President of Sunny Bank.</li> <li>➤ There are no matters related to Article 30 of the Company Act.</li> </ul>	non-independent director	0
Chang, Shu-Hua	<ul style="list-style-type: none"> <li>➤ Work experience in business and banking.</li> <li>➤ Served as Director of Sunny Bank.</li> <li>➤ There are no matters related to Article 30 of the Company Act.</li> </ul>	non-independent director	0
Ho, Shun-Cheng (Note3)	<ul style="list-style-type: none"> <li>➤ Work experience in business and banking.</li> <li>➤ Served as Director and Managing Director of Sunny Bank.</li> <li>➤ There are no matters related to Article 30 of the Company Act.</li> </ul>	non-independent director	0
Chen, Chin-Yi	<ul style="list-style-type: none"> <li>➤ Work experience in business and banking.</li> <li>➤ Served as Director and Adviser of Sunny Bank.</li> <li>➤ There are no matters related to Article 30 of the Company Act.</li> </ul>	non-independent director	0
Chen, Yi-Chen	<ul style="list-style-type: none"> <li>➤ Work experience in business and banking.</li> <li>➤ Served as Director of Sunny Bank.</li> <li>➤ There are no matters related to Article 30 of the Company Act.</li> </ul>	non-independent director	0
Hsieh, Yi-Tung	<ul style="list-style-type: none"> <li>➤ Work experience in business and banking.</li> <li>➤ Served as Director and Branch manager of Sunny Bank.</li> <li>➤ There are no matters related to Article 30 of the Company Act.</li> </ul>	non-independent director	0
Lin, Zheng-Yu	<ul style="list-style-type: none"> <li>➤ Work experience in business and banking.</li> <li>➤ Served as Director and Adviser of Sunny Bank.</li> <li>➤ There are no matters related to Article 30 of the Company Act.</li> </ul>	non-independent director	0
Wu, Fu-Kuei	<ul style="list-style-type: none"> <li>➤ Working experience and crisis management skills required for banking business.</li> <li>➤ Served as Legislator, Delegate of National Assembly, Department of Technology Management of Chung Hua University, Independent Director of Sunny Bank.</li> <li>➤ There are no matters related to Article 30 of the Company Act.</li> </ul>	Note2	0

Condition Name	Professional qualifications and experience (Note 1)	Independence	Number of other public companies where the independence directors connected
Wu, Ying-Shi	<ul style="list-style-type: none"> <li>➤ Possesses business, technology, finance, operational judgment and work experience required in banking.</li> <li>➤ Served as Director of the Kaohsiung National Taxation Bureau of the Ministry of Finance, Director of the National Taxation Bureau of the Northern District of the Ministry of Finance, Chairman of Taiwan Financial Assets Service Co., Ltd.</li> <li>➤ There are no matters related to Article 30 of the Company Act.</li> </ul>	Note2	0

Note1: Please state the professional qualifications and experience of individual directors and supervisors. If they are members of the audit committee and have accounting or financial expertise, they should state their accounting or financial background and work experience. In addition, please also indicate whether there is any circumstance in Article 30 of the Company Law.

Note2: Independence situation as follows:

- (1) Including but not limited to the person, spouse, relatives within the second degree who do not serve as directors, supervisors or employees of the Bank or its affiliated companies.
- (2) Do not hold the number of shares in the company.
- (3) Not serving as a director, supervisor or employee of a company that has a specific relationship with the bank.
- (4) The amount of remuneration obtained from providing business, legal, financial, accounting, and other services to the Bank or its affiliated companies for the last 2 years.

Note3: Represented legal person: Fu Li Yang Investment Co., Ltd.

### Board Diversity and Independence

Since June 2018, all directors of the Bank have adopted a nomination system for candidates. In accordance with the Bank's "Corporate Governance Best Practice Principles", the Board of Directors shall be responsible for the Bank's overall business strategy and major policies, effectively supervise the management level, and monitor that all Shareholders are responsible. All operations and arrangements of the Bank's corporate governance system shall ensure that the Board of Directors exercises its functions and powers in accordance with laws and regulations, the Articles of Association or the resolutions of the shareholders' meeting. In order to achieve the ideal goals of corporate governance, the overall capabilities of the Board of Directors are as follows:

- A. Operational Judgment
- B. Accounting and financial analysis skills
- C. Management ability
- D. Risk management capability
- E. Crisis management ability
- F. Industry knowledge
- G. International market view
- H. Leadership
- I. Decision-making capacity

The current Board of Directors of the Bank consists of 13 directors, including 3 independent directors. The board members generally possess the necessary knowledge, skills, and literacy to perform their duties, and meet the requirements of the qualifications required by the person in charge of the bank.

The diversity of board members is as follows:

Director's Name	Gender	Nationality	Education	Age								Length of tenure of independent directors			Professional background			Education & Experience								
				21-30	31-40	41-50	51-60	61-70	71-80	81-90	Below 3 years	3-9 years	Above 9 years	Finance	Legal	Business/Technology	A. Operational Judgment	B. Accounting and financial analysis skills	C. Management ability	D. Risk management capability	E. Crisis Management ability	F. Industry knowledge	G. International market view	H. Leadership	I. Decision-making capacity	
				1	1	1	1	1	1	1																
				3	4	5	6	7	8	9																
				0	0	0	0	0	0	0																
Chen, Sheng-Hung	Male	TW	Graduated from the Department of International Trade, Feng Chia University						✓					✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			

Director's Name	Gender	Nationality	Education	Age						Length of tenure of independent directors			Professional background			Education & Experience									
				21-30	31-40	41-50	51-60	61-70	71-80	81-90	Below 3 years	3-9 years	Above 9 years	Finance	Legal	Business/Technology	A. Operational Judgment	B. Accounting and financial analysis skills	C. Management ability	D. Risk management capability	E. Crisis Management ability	F. Industry knowledge	G. International market view	H. Leadership	I. Decision-making capacity
Liu, Chen-Sheng	Male	TW	Graduated from Taipei Kainan High School							✓							✓	✓	✓	✓	✓	✓	✓	✓	✓
Chang, Shu-Min	Male	TW	Department of Electrical Engineering, Hwa Hsia University of Technology				✓										✓	✓	✓	✓	✓	✓	✓	✓	✓
Ji, Yan-Ping	Male	TW	Graduated from the University of Maryland with a Ph.D. in Management					✓			✓						✓	✓	✓	✓	✓	✓	✓	✓	✓
Ho, Li-Wei	Male	TW	MBA, La Sierra University, California			✓											✓	✓	✓	✓	✓	✓	✓	✓	✓
Chang, Shu-Hua	Male	TW	Department of Mechanical Engineering, St. John's University				✓										✓	✓	✓	✓	✓	✓	✓	✓	✓
Ho, Shun-Cheng (Note3)	Male	TW	Yu-Ying Junior High School						✓								✓	✓	✓	✓	✓	✓	✓	✓	✓
Chen, Chin-Yi	Male	TW	Department of Sociology, Tunghai University					✓									✓	✓	✓	✓	✓	✓	✓	✓	✓
Chen, Yi-Chen	Male	TW	Birchgate Middle School, Pennsylvania	✓													✓	✓	✓	✓	✓	✓	✓	✓	✓
Hsieh, Yi-Tung	Male	TW	National Cheng Kung University, Affiliated to the Air Business Specialist Advanced Study School Accounting and Statistics Division						✓								✓	✓	✓	✓	✓	✓	✓	✓	✓
Lin, Zheng-Yu	Male	TW	Department of Management and Administration, Nihon University					✓									✓	✓	✓	✓	✓	✓	✓	✓	✓
Wu, Fu-Kuei	Male	TW	Master of Industrial Engineering and Management, Chung Hua University				✓				✓				✓		✓	✓	✓	✓	✓	✓	✓	✓	✓

Director's Name	Gender	Nationality	Education	Age						Length of tenure of independent directors			Professional background			Education & Experience									
				21-30	31-40	41-50	51-60	61-70	71-80	81-90	Below 3 years	3-9 years	Above 9 years	Finance	Legal	Business/Technology	A. Operational Judgment	B. Accounting and financial analysis skills	C. Management ability	D. Risk management capability	E. Crisis Management ability	F. Industry knowledge	G. International market view	H. Leadership	I. Decision-making capacity
Wu, Ying-Shi	Male	TW	Master of Economics, National Taiwan University																						

### 3. Corporate Governance Operations

#### (1) Implementation Status of the Internal Control System

#### Statement for the Internal Control System of Sunny Bank Co., Ltd.

We hereby makes the following Statement on behalf of Sunny Bank Co., Ltd.:

The internal control systems of Sunny Bank Co., Ltd. from January 1st of 2022 to December 31st of 2022 was established in compliance with the "Implementation Rules of Internal Audit and Internal Control Systems of Financial Holding Companies and Banking Industries" and made effective in terms of risk management. It was audited by an independent auditing department which reports to the Board of Directors and the Audit Committee regularly. The regulations of Article 38(5) and Article 38(1) of the previous regulations were strictly followed, as well as the information security self-discipline standards set by the industry association. For securities business, the Bank has assessed whether the design and implementation of the internal control systems of the Bank is effective in accordance with the criteria stipulated in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets". For insurance agent business, it was also determined whether the design and implementation of the internal control system was effective in accordance with the items for judging the effectiveness of the internal control system stipulated in the "Insurance Agency Company, Insurance Broker Company, Internal Control Audit System, and the Implementation Measures for the Solicitation Handling System". After careful evaluation, it was confirmed that the Bank's internal control systems and compliance with applicable laws and regulations except for issues listed in the following annex have been effective for the year stated.

This Statement will become a major part of the annual report and prospectus of the Bank and shall be made public. Any misrepresentation or omission in this Statement shall be subject to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities & Exchange Act.

This Statement has passed in the Bank's board meeting held on March 15, 2021.

Sincerely yours,  
Financial Supervisory Commission

Declarers

Chairman:  
Chen, Sheng-Hung (with seal & signature)



President:  
Ding, Wei-Hao (with seal & signature)



General Auditor:  
Chen, Cheng-Feng (with seal & signature)



Compliance Officer of the Head Office:  
Le, Wen-Kuang (with seal & signature)



March 15th, 2022

**Matters Requiring Further Improvement and Improvement Plan the Internal Control Systems of Sunny Bank Co., Ltd.**  
( As of December 31st , 2022 )

Matters Requiring Further Improvement	Improvement Measures	Estimated Improvement Completion Date
<p>Regarding the deficiencies in conducting real estate development trust business for presale properties:</p> <ol style="list-style-type: none"> <li>1. Failure to accurately verify detailed information such as the breakdown of funds transferred into the trust account, contract numbers, and amounts.</li> <li>2. During the existence of the trust, there was a lack of implementation in requesting the settlor to provide third-party audit reports in accordance with the trust agreement.</li> </ol>	<p>Efforts have been made to strengthen the following areas:</p> <ol style="list-style-type: none"> <li>1. Know Your Customer (KYC) for developers.</li> <li>2. Control and audit of presale property accounts.</li> <li>3. Measures to prevent fraudulent transactions in presale property transactions.</li> <li>4. Operational procedures for payment and collection in real estate trust transactions.</li> <li>5. Compliance with regulations and employee education and training.</li> </ol>	<p>All of the above have been completed.</p>

## (2) CPA Audit Report



Deloitte &amp; Touche

20F, Taipei Nan Shan Plaza

No.100, Songren Rd.,

Xinyi Dist., Taipei 11073, Taiwan

Tel: +886(2) 2725-9988

Fax: +886(2) 4051-6888

[www.deloitte.com.tw](http://www.deloitte.com.tw)**Implementation report on agreement procedure**

Dear Sunny Bank Co., Ltd.,

In accordance with the agreement procedure regarding correctness of information reported to the competent authority as well as appropriateness of the internal control and legal compliance systems' implementation status and the proposed policy regarding Sunny Bank Co., Ltd.'s allowance for bad debt in 2022, the accountant has completed all necessary audit work. The Company shall make a final decision with regard to such procedure. Hence, the accountant does not express any opinion regarding sufficiency of procedure. The audit was conducted in accordance with the Statements on Auditing Standards No. 34 "Implementation of Financial Information Agreement Procedure" and performed to assist the Company in assessing compliance with "Implementation Rules for the Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" issued by the Financial Supervisory Commission. Compliance with the aforementioned regulation is the responsibility of the Company's management. The procedures conducted by the accountant and findings are specified in the Appendix.

The accountant does not provide any confirmation regarding the correctness of the information reported to the competent authority as well as the appropriateness of the internal control and legal compliance systems' implementation status and the proposed policy regarding the Company's allowance for bad debt since the audit work was not conducted in accordance with generally accepted accounting principles or Auditing Standards. Other facts to be reported could be determined if the accountant conducts additional procedures or audits in accordance with generally accepted accounting principles.

The report is provided solely to the Company for the purpose described in Paragraph 1 and shall not be used for other purposes or distributed to other entities.

Deloitte Touche Tohmatsu Limited

Accountant Hsieh, Tung-Ju

March 7th, 2023



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### (3) Illegality and punishment during the past two years, major drawbacks and the correction:

- A. The Bank's responsible person or any of its employees who is prosecuted for illegal conducts related to the Bank's businesses: None
- B. Fines imposed by the Executive Yuan's Financial Supervisory Committee as a punishment for violating laws and regulations, or disposition imposed by the Financial Supervisory Commission in accordance with the provisions of Article 61-1 of the Banking Act of the Republic of China, or punishment imposed by the Bank upon internal personnel due to violations of internal control system regulations; wherein the results of punishments have a significant influence on the rights and interests of stockholders or the price of securities, or they comply with the provisions of Article 2 of the regulations regarding major penalties in violation of financial laws and regulations. The content of the punishment, main deficiencies and improvements shall be listed and described:
- A) Main deficiencies:
- In the case of deficiencies in conducting real estate development trust business for presale properties, the Financial Supervisory Commission has imposed corrective measures in accordance with Article 44 of the Trust Business Act:
- Failure to accurately verify detailed information such as the breakdown of funds transferred into the trust account, contract numbers, and amounts.
  - Failure to implement the requirement for the settlor to provide a third-party audit report in accordance with the trust agreement during the existence of the trust.
- B) Improvements: For the above-mentioned missing items, the relevant system programs and internal operation specifications have been revised to improve the internal control system.
- Developer KYC.
  - Control and audit of presale property accounts.
  - Measures to prevent fraudulent transactions in developer presale property transactions.
  - Operational procedures for payment and collection in real estate trust transactions.
  - Compliance with regulations and employee education and training.
- C. Necessary disclosure of nature and amount of loss as a result of fraud, major random incidents (major incidents including fraud, theft, appropriation and theft of assets, falsified transactions, document and security forgery, taking kickbacks, natural disaster loss, loss caused by external forces, hacker attacks, theft of information, and disclosure of business secrets and client information), or failure to comply with the instructions for the Maintenance of Safety by Financial Institutions, as a result of which individual or accumulated losses for the year amounted to NT\$50 million or more: None.
- D. Other items to be disclosed under the instructions of the Financial Supervisory Commission, Executive Yuan: None.

**(4) Important Resolutions of the General Meeting of Shareholders and the Board of Directors Meeting during 2022 and the period up to the annual report publication date:**

Shareholder's Meeting/Board Meeting	Date	Important Resolutions
Shareholders' Meeting	July 13, 2022	<ol style="list-style-type: none"> <li>1. Approval of the issuance of new shares through the company's earnings increase capitalization plan.</li> <li>2. Approval of partial amendments to the procedures for acquiring or disposing of assets in the company.</li> </ol>
9TH BOARD OF DIRECTORS, 6TH MEETING	January 18, 2022	<ol style="list-style-type: none"> <li>1. Adoption of the practice guidelines for Environmental, Social, and Governance (ESG) practices.</li> <li>2. Adoption of the regulations for establishing an ESG committee.</li> <li>3. Approval of the plan to acquire real estate.</li> <li>4. Authorization and risk management assessment of foreign exchange and stock fund trading quotas for the 2022 fiscal year.</li> <li>5. Partial amendments to the operational procedures for real estate loans in the bank.</li> <li>6. Approval of the plan to acquire information systems.</li> <li>7. Partial amendments to the preventive measures against money laundering and terrorism financing and their appendices in the bank.</li> <li>8. Amendments to Article 6 of the Personal Data File Security Maintenance Regulations in the bank.</li> <li>9. Matters related to the convening and proposals for the 2022 shareholder meeting.</li> <li>10. Partial amendments to the working assessment and rewards and penalties regulations in the bank.</li> </ol>
9TH BOARD OF DIRECTORS, 7TH MEETING	March 15, 2022	<ol style="list-style-type: none"> <li>1. Approval of loans to related parties.</li> <li>2. Partial amendments to the operational procedures for real estate loans in the bank.</li> <li>3. Approval of leases with related parties.</li> <li>4. Application for the establishment of an overseas branch in Vietnam.</li> <li>5. Partial amendments to the regulations for the bank's investment in overseas securities.</li> <li>6. Appointment of auditors for the 2022 fiscal year.</li> <li>7. Distribution of employee remuneration and director's compensation for the 2021 fiscal year.</li> <li>8. Approval of the annual business report, individual financial statements, and consolidated financial statements of the company and its subsidiaries for the 2021 fiscal year.</li> <li>9. Distribution of earnings for the 2021 fiscal year.</li> <li>10. Issuance of new shares through earnings increase capitalization for the 2021 fiscal year.</li> <li>11. Cash capital increase plan for the 2022 fiscal year.</li> <li>12. Issuance of perpetual non-cumulative subordinated bonds.</li> <li>13. Issuance of long-term subordinated bonds.</li> <li>14. Determination of the opening date for the Nantou Branch.</li> <li>15. Approval of the plan to acquire real estate.</li> <li>16. Increase in capital for Sunny Microfinance PLC.</li> </ol>

Shareholder's Meeting/Board Meeting	Date	Important Resolutions
		17. Amendments to the regulations on the use of the bank's corporate identity standards. 18. Renewal of the engagement of Huang Jie-Lin Law Firm as the bank's perennial legal counsel. 19. Amendments to certain provisions of the bank's work rules. 20. Renewal of the engagement of the resident consultant.
9TH BOARD OF DIRECTORS, 8TH MEETING	April 19, 2022	1. Passed the loan for interested parties. 2. Approval of control measures for China region by the bank. 3. Approval of the plan to acquire information systems. 4. Partial amendments to the procedures for acquiring or disposing of assets in the bank. 5. Partial amendments to the operational control measures for credit information inquiries in the bank.
9TH BOARD OF DIRECTORS, 9TH MEETING	June 13, 2022	1. Adoption of the draft for the establishment of regulations for the management of personnel in the Bank's financial service stations. 2. Adoption of the amendment to certain provisions of the Bank's property management regulations. 3. Adoption of the amendment to certain provisions of the Bank's general rules for credit operations. 4. Adoption of the review case for the Bank's compliance with the regulatory examination principles and submission of required information for the 2022 fiscal year.
9TH BOARD OF DIRECTORS, 10TH MEETING	July 12, 2022	1. Approval of loans to related parties. 2. Adoption of the case regarding matters related to the issuance of new shares through surplus capital increase in the Bank's operations for the 2021 fiscal year. 3. Adoption of the establishment of the base date and payment date for cash dividends for the 2021 fiscal year. 4. Adoption of the amendment to certain provisions of the Bank's internal control system standards for stock-related units. 5. Adoption of the establishment of regulations for fair treatment of elderly customers in the Bank's operations. 6. Adoption of the amendment to certain provisions of the Bank's policy and strategy regarding the principle of fair treatment of customers. 7. Adoption of the amendment to certain provisions of the Bank's regulations for matters and operational guidelines related to investment transfers. 8. Adoption of the amendment to certain provisions of the Bank's work rules.
9TH BOARD OF DIRECTORS, 11TH MEETING	August 16, 2022	1. Adoption of the donation case for the 2022 fiscal year to the Foundation for Small and Medium Enterprise Credit Guarantee. 2. Adoption of the planning case for the acquisition of real estate. 3. Adoption of the financial reports for the second quarter of the 2022 fiscal year, including the individual financial report of the Company and the consolidated financial report of the Company

Shareholder's Meeting/Board Meeting	Date	Important Resolutions
		<p>and its subsidiaries.</p> <ol style="list-style-type: none"> <li>4. Adoption of the amendment to certain provisions of the Bank's rules and procedures for conducting insurance agency business.</li> <li>5. Adoption of the amendment to certain provisions of the Bank's internal control system and operational procedures for bond proprietary trading.</li> <li>6. Adoption of the amendment to certain provisions of the Bank's internal control system and operational procedures for bond underwriting business.</li> <li>7. Adoption of the amendment to certain provisions of the Bank's internal audit implementation rules for conducting both banking and bond business.</li> <li>8. Adoption of the amendment to Article 9 of the Bank's rules for handling whistleblower cases.</li> <li>9. Adoption of the compilation of the comprehensive Anti-Money Laundering and Counter-Terrorist Financing Risk Assessment Report and Risk Prevention Plan for the 2022 fiscal year.</li> <li>10. Adoption of the amendment to the Bank's credit authorization limit table.</li> <li>11. Adoption of the amendment to certain provisions of the Bank's work rules.</li> </ol>
9TH BOARD OF DIRECTORS, 12TH MEETING	November 08, 2022	<ol style="list-style-type: none"> <li>1. Approval of loans to related parties.</li> <li>2. Adoption of the amendment to the Bank's credit authorization limit table.</li> <li>3. Adoption of the amendment to certain provisions of the Bank's internal audit regulations.</li> <li>4. Adoption of the proposed audit plan for the Financial Department to conduct bond proprietary trading and underwriting operations for the 2023 fiscal year.</li> <li>5. Adoption of the application form for the 2023 fiscal year audit plan.</li> <li>6. Adoption of the planning case for the renovation of the new headquarters building.</li> <li>7. Adoption of the amendment to certain provisions of the Company's Board of Directors Meeting Rules.</li> <li>8. Adoption of the amendment to certain provisions of the Bank's corporate governance practices.</li> <li>9. Adoption of the case for changing auditors in accordance with the rotation mechanism for accountants.</li> <li>10. Adoption of the establishment of the budget and operational plan for the 2023 fiscal year.</li> <li>11. Adoption of the issuance of long-term subordinate bonds.</li> <li>12. Adoption of the planning case for the acquisition of real estate.</li> <li>13. Adoption of the establishment of the Bank's code of conduct.</li> <li>14. Adoption of the procurement case for the continued purchase of reward points from Sunshine Telecom E-commerce Co., Ltd.</li> </ol>

Shareholder's Meeting/Board Meeting	Date	Important Resolutions
		<p>15. Adoption of the application to the regulatory authority for an extension of the opening period for a new branch.</p> <p>16. Adoption of the planning case for branch relocation.</p> <p>17. Adoption of the amendment to the Bank's performance bonus regulations for wealth management and the establishment of regulations for individual performance bonuses in wealth management.</p> <p>18. Adoption of the establishment of the Bank's human rights policy.</p>
9TH BOARD OF DIRECTORS, 13TH MEETING	January 10, 2023	<p>1. Passed the loan case of the interested parties.</p> <p>2. Adoption of matters related to the convening and proposals of the 2023 General shareholders' meeting.</p> <p>3. Adoption of the amendment to certain provisions of the Bank's guidelines for interest rate risk management.</p> <p>4. Adoption of the amendment to certain provisions of the Bank's information security policy and the evaluation method for computer system information security.</p> <p>5. Adoption of the planning case for the acquisition of real estate for the establishment of a new branch.</p> <p>6. Adoption of the amendment to certain provisions of the Bank's guidelines for reporting significant incidental events, declaration procedures, and other compliance guidelines.</p> <p>7. Adoption of the establishment of the Bank's financial-friendly service guidelines.</p> <p>8. Adoption of the amendment to certain provisions of the Bank's regulations for matters and operational guidelines related to investment transfers.</p> <p>9. Adoption of the amendment to certain provisions of the Bank's organizational regulations.</p> <p>10. Adoption of the appointment of auditors for the 2023 fiscal year.</p> <p>11. Adoption of the establishment of the Bank's regulations for director remuneration.</p> <p>12. Adoption of the establishment of the Bank's code of conduct for employees.</p>
9TH BOARD OF DIRECTORS, 14TH MEETING	March 07, 2023	<p>1. Adoption of the renewal case for related party leases.</p> <p>2. Passed the loan case of the interested parties.</p> <p>3. Adoption of the amendment to certain provisions of the Bank's general rules for credit operations, credit information operation procedures, and credit monitoring operation procedures.</p> <p>4. Adoption of the amendment to certain provisions of the Bank's internal control system standards for stock-related units.</p> <p>5. Adoption of the establishment of the Bank's climate risk management policy.</p> <p>6. Adoption of the issuance of the Bank's internal control system statement.</p> <p>7. Adoption of the issuance of the Bank's internal control system statement on anti-money laundering and counter-terrorism</p>

Shareholder's Meeting/Board Meeting	Date	Important Resolutions
		<p>financing mechanisms, the statement of engagement with Ernst &amp; Young Certified Public Accountants on the design and implementation of the internal control system, and the statement of subsequent matters and submission of the special audit report.</p> <p>8. Adoption of the issuance of the Bank's internal control system statement on anti-money laundering and counter-terrorism financing.</p> <p>9. Adoption of the establishment of the Bank's pre-approval procedure for non-assurance services.</p> <p>10. Adoption of the distribution of employee compensation and director remuneration for the 2022 fiscal year.</p> <p>11. Adoption of the business report and individual financial report for the 2022 fiscal year, including the consolidated financial report of the Company and its subsidiaries.</p> <p>12. Adoption of the distribution of profits for the 2022 fiscal year.</p> <p>13. Adoption of the planning case for the acquisition of real estate and branch relocation.</p> <p>14. Adoption of the issuance of long-term subordinate bonds.</p> <p>15. Adoption of the issuance of new shares through cash capital increase for the 2023 fiscal year.</p>

**(5) The major content of record of written statements for any dissenting opinions from directors or supervisors regarding important resolutions of the Board in the most recent fiscal year before publishing the annual report: None**

**(6) The summary of resignation and discharging of people related to the Financial Report (including Chairman, President, Accounting Supervisors and Auditing Supervisors) in the most recent fiscal year before publishing the annual report: None**

Baseline date: March 31, 2022

Position	Name	Start date	Dismissed date	Reasons for resignation or dismissal
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Note: The bank-related persons mentioned refer to the chairman, general manager, chief financial officer, chief accounting officer, internal audit officer and corporate governance officer.

## 4. Alternation of CPA

### (1) Information about previous CPA: None.

Date of change	September 2022		
Reason for change and description	Due to the internal job assignment and arraignment of Deloitte & Touche, the CPAs changed from Shao, Zhi-Ming and Hsieh, Tung-Ju to Hsieh, Tung-Ju and Guo, Yu-Hong.		
Specify whether the appointer or the CPA terminated or refused to accept the appointment	Involvement party	CPA	Appointer
	Situation		
	Voluntary termination of appointment	Inapplicable	Inapplicable
	No further acceptance (continuation) of appointment	Inapplicable	Inapplicable
Opinion and reason for the audit report other than unqualified opinion issued within the latest two years	None		
Different opinion with the issuer	Yes	-	Accounting principles or practice
		-	Disclosure of financial statement
		-	Inspection scope or steps
		-	Others
	No	✓	
	Remarks		None
Other disclosure items (that should be disclosed according to Items 1-4, Subparagraph 6, Article 10 of this Guidelines)	None		

### (2) Information about the succeeding:

Name of Accounting Firm	Deloitte & Touche
Name of CPA	CPA Guo, Yu-Hong
Appointment Date	September 2022
Consultation items and results of the accounting method or accounting principle of specific transactions or the opinion that might be possibly issued for the financial statement before appointment	Inapplicable
Written opinion of the succeeding CPA for the items that the former CPA holds a different opinion	Inapplicable

### (3) Feedback of the former CPA in regard to matters regulated in Subparagraph 1 and 2-3 of Paragraph 6 of Article 10 of Criteria Governing Information to be Published in Annual Reports of Banks: None.

## 5. Information about the Bank's Top Ten Shareholders who are Related Parties, Spouses or Relatives within Second Degree of Kinship

Record date: December 31, 2022

Unit: Share, %

Name (Note 1)	Shareholding		Shareholding of Spouse and Minors		Shareholding entitled to other name		If a stakeholder or spouse or relative within second degree of kinship of the Bank's top ten shareholders, the shareholder's name and relationship (Note 3)		Remark
	Share	% (Note 2)	Share	% (Note 2)	Share	% (Note 2)	Title or Name	Relationship (Note 2)	
Fu Li Yang Investment Co., Ltd	431,903,860	13.09	0	0.00	0	0.00	Chuan Yang Construction Co., Ltd.	The same person	None
Fu Li Yang Investment Co., Ltd. Representative of legal-person director: Ho, Shun-Cheng	7,675,470	0.23	8,028,990	0.24	0	0.00	None	None	None
The First Insurance Co., Ltd.	107,027,624	3.24	0	0.00	0	0.00	None	None	None
Chuan Yang Construction Co., Ltd.	106,983,023	3.24	0	0.00	0	0.00	Fu Li Yang Investment Co., Ltd	The same person	None
Hai Wong Printing Co., Ltd.	93,630,720	2.84	0	0.00	0	0.00	Jin Chen Investment Co., Ltd., Li Kun Investment Co., Ltd., Hai Wang Investment Co., Ltd.	The same person	None
Farglory Life Insurance Co., Ltd.	77,541,475	2.35	0	0.00	0	0.00	None	None	None
Sheng Yang Construction Co., Ltd.	64,398,609	1.95	0	0.00	0	0.00	None	None	None
Jin Chen Investment Co., Ltd.	46,849,836	1.42	0	0.00	0	0.00	Hai Wong Printing Co., Ltd., Li Kun Investment Co., Ltd., Hai Wang Investment Co., Ltd.	The same person	None
Hai Wang Investment Co., Ltd.	46,647,993	1.41	0	0.00	0	0.00	Jin Chen Investment Co., Ltd., Li Kun Investment Co., Ltd., Hai Wang Printing Co., Ltd.,	The same person	None
Li Kung Investment Co., Ltd.	46,294,470	1.40	0	0.00	0	0.00	Hai Wong Printing Co., Ltd., Jin Chen Investment Co., Ltd., Hai Wang Investment Co., Ltd.	The same person	None
Chiou Da Property Development co.	31,106,221	0.94	0	0.00	0	0.00	None	None	None

Note 1: Top 10 Shareholders shall be listed and institutional shareholders shall have their names and representative listed separately.

Note 2: The shareholding percentage is the percentage of shares under the name of a shareholder, his/her spouse, minors children or other name(s).

Note 3: Regarding shareholders disclosed in the list (including natural and judicial persons), their relationship between one another shall be disclosed according to the Regulations Governing the Preparation of Financial Reports by Public Banks.

## 6. Numbers of Shares in the Same Reinvested Enterprises Held by the Bank and its Directors, Supervisors, President, Vice Presidents, Deputy Executive Vice Presidents, the Heads of Departments and Branches, and Enterprises Controlled Directly or Indirectly by the Bank, and Percentage of Consolidated Shareholding

Record date: December 31, 2022

Unit: Share, %

Reinvested Enterprises (Note)	The Bank's Investment		The Investment Affiliate Directly or Indirectly Controlled and by the Bank, its Directors, Supervisors, President, Vice Presidents, Executive Vice Presidents, the Heads of Departments and Branches		Omnibus Investment	
	Share	%	Share	%	Share	%
Sunny Securities Co., Ltd.	50,200,000	100.00	0	0.00	50,200,000	100.00
Gold Sunny Assets Management Co., Ltd.	15,000,000	100.00	0	0.00	15,000,000	100.00
Sunny International Leasing Co., Ltd.	152,500,000	100.00	0	0.00	152,500,000	100.00
Sunny E-commercial Co., Ltd.	5,000,000	100.00	0	0.00	5,000,000	100.00
Sunny Microfinance PLC.	1,480,000	100.00	0	0.00	1,480,000	100.00
Financial Information Service Co., Ltd.	13,758,080	2.64	0	0.00	13,758,080	2.64
Taiwan Financial Asset Service Corp	5,000,000	2.94	0	0.00	5,000,000	2.94
Taiwan Central Depository and Clearing Corp.	1,695,952	0.29	0	0.00	1,695,952	0.29
Sunlight Asset Management Ltd.	66,587	1.11	0	0.00	66,587	1.11
Taiwan Mobile Payment Co., Ltd.	600,000	1.00	0	0.00	600,000	1.00

Note: Investment pursuant to Article 74 of The Banking Act.

# 4

## Chapter

### **IV. Capital Raising**

1. Capital and Share
2. Implementation status of fund application plan

# 1. Capital and Share

## (1) Source of Capital

Record date: December 31, 2022

Unit: 1,000 shares, NT\$1,000

Year/month	Par value	Approved Capital		Paid-up Capital		Remarks	
		Shares	Amount	Shares	Amount	Source of Capital Stock	Others
July 2022	NT\$10	4,000,000	40,000,000	3,150,706	31,507,060	Capital increase from earnings NT\$1,211,810,000	According to the approval announced on the website of the Securities and Futures Bureau, FSC on July 28, 2021
July 2023	NT\$10	4,000,000	40,000,000	3,300,706	33,007,060	Capital increase by cash NT\$1,500,000,000	According to FSC approval letter: Jin-Guan-Zheng-Fa No.1100349832 issued on July 28, 2021

Note 1: Shall list data of the year until the date of publishing the annual report.

Note 2: Regarding the part of capital increase, it is a must to mark the effective (approval) date and document number.

Note 3: Those who issue stocks with the amount lower than par value shall be marked in noticeable way.

Note 4: If monetary claims against the company or technology needed by the company are offset against share payments, such information shall be specified, the type and amount of such offset shall also be noted.

Note 5: Prominently indicate any instance of private placement.

Unit: shares

Stock Type	Approved Capital			Remarks
	Outstanding stock (Note)	Un-issued shares	Total	
Common Stock	3,300,705,984	699,294,016	4,000,000,000	Bank stock not listed on TWSE or OTC

## (2) Structure of Shareholders

Record date: December 31, 2022

Shareholder Structure Quantity	Government Institutions	Financial Institutions	Other Corporations	Individuals	Foreign institutions and Foreigners	Total
No. of persons	2	1	292	121,315	5	121,615
Shareholding	122,679	657	1,650,857,002	1,649,720,619	5,027	3,300,705,984
Shareholding (%)	0.00	0.00	50.02	49.98	0.00	100.00

## (3) Equity Distribution

A. Common Stock : Face value of NT\$10 per share

Record date: December 31, 2022

Shareholding Level	No. of Shareholders	Shareholdings	Shareholding (%)
1 to 999	66,560	25,486,678	0.77%
1,000 to 5,000	38,369	104,107,935	3.15%
5,001 to 10,000	6,821	45,659,150	1.38%
10,001 to 15,000	1,744	21,933,479	0.66%
15,001 to 20,000	827	14,118,281	0.43%
20,001 to 30,000	1,128	28,261,768	0.86%
30,001 To 40,000	672	23,538,510	0.71%

Shareholding Level	No. of Shareholders	Shareholdings	Shareholding (%)
40,001 to 50,000	636	28,592,140	0.87%
50,001 to 100,000	1,745	124,434,591	3.77%
100,001 to 200,000	1,393	198,909,509	6.03%
200,001 to 400,000	885	243,438,862	7.38%
400,001 to 600,000	319	154,219,114	4.67%
600,001 to 800,000	148	101,919,997	3.09%
800,001 to 1,000,000	74	66,467,089	2.01%
1,000,001 to 999,999,999	294	2,119,618,881	64.22%
Total	121,615	3,300,705,984	100%

B. Preferred shares: None.

#### (4) List of Major Shareholders

Record date: December 31, 2022

Shares	Shareholding	Shareholding (%)
Major Shareholders		
Fu Li Yang Investment Co., Ltd.	431,903,860	13.09%
The First Insurance Co., Ltd.	107,027,624	3.24%
Chuan Yang Construction Co., Ltd.	106,983,023	3.24%
Hai Wong Printing Co., Ltd.	93,630,720	2.84%
Farglory Life Insurance Co., Ltd.	77,541,475	2.35%
Sheng Yang Construction Co., Ltd.	64,398,609	1.95%
Jin Chen Investment Co., Ltd.	46,849,836	1.42%
Hai Wang Investment Co., Ltd.	46,647,993	1.41%
Li Kun Investment Co., Ltd.	46,294,470	1.40%
Chiou Da property Development Co	31,106,221	0.94%

Note: Shareholders who hold 1% or more of shares, or top ten shareholders.

#### (5) Market price, net worth, earnings, and dividend data for the last 2 years

Unit: NT\$, 1,000 shares

Year		2022	2021	As of March 31 of the year (Note 2)
Item				
Price per Share	Highest	Note 1	Note 1	Note 1
	Lowest	Note 1	Note 1	Note 1
	Average	Note 1	Note 1	Note 1
Net Worth per Share	Before Distribution	12.37	12.70	12.90
	After Distribution	Note 3	12.02	0
Earnings per Share	Weighted Average No. of Shares	3,193,035	3,068,931	3,300,706
	Earnings per share	Before Adjustment (Note 4)	1.29	0.87
		After Adjustment (Note 4)	0	0.84
Earnings per Share	Cash Dividend		Note 3	0.2
	Free Distribution	Earnings Distribution	Note 3	0.4
		Capital surplus distribution	Note 3	0
	Cumulative unpaid dividend		Note 3	0
Analysis on Investment Return	Price/Earnings Ratio		Note 1	Note 1
	Price/Dividend Ratio		Note 1	Note 1
	Cash dividend yield		Note 1	Note 1

Note 1: Not applicable because the Bank is not a listed company.

Note 2: The financial data for March 31, 2023 have not been audited and certified by accountants.

Note 3: Distribution of earnings in 2022 will be decided at the 2023 annual general meeting of shareholders.

Note 4: Where stock distribution shall be retroactively adjusted, it is a must to list earnings per share before and after the adjustment.

## **(6) Equity Policy and Distribution**

### **A. Dividend Policy**

In the event of earnings made at the end of the fiscal year, said earnings shall be used to pay taxes and cover losses from previous years, and 30% of after-tax earnings shall be set aside as legal reserve, unless and until the accumulated legal reserve equals the Bank's paid-in capital; then special surplus reserve shall be set aside or reversed according to relevant regulations. Where there is any surplus, the Board of Directors shall combine it with non-distributed surplus of previous year and submit the bonus distribution proposal to General Meeting of Shareholders for distribution. The surplus shall be distributed in stock or cash dividends. Unless and until the accumulated legal reserve equals the Bank's paid-in capital, maximum cash payouts shall not exceed 15% of the Bank's paid-in capital.

In order to maintain a sound financial structure and capital adequacy, the Bank will distribute dividends according to its capital budgeting. The Bank follows the principle of retaining capital to distribute stock dividends; however, in the event of a capital budget surplus and a capital adequacy ratio higher than is required by the regulator, cash dividends may be distributed, which cannot be less than 10% of total dividends. Stock dividends may be distributed instead of cash dividends if the latter are no more than NT\$0.1 per share.

### **B. Proposed dividend distribution at the annual general meeting of shareholders**

A cash dividend of NT\$0.20 per share are planned to be distributed according to the Bank's 2022 earnings.

## **(7) Effect of Free Distribution Proposed at this General Meeting of Shareholders to the Bank's Operation Performance and EPS**

No announcement on the 2022 Financial Forecast is yet made by the Bank. According to Tai-Cai-Zheng-Yi-Zhi Letter No. 00371 issued by Securities and Futures Commission of the Ministry of Finance on February 1, 2000, those who do not announce their financial statements do not need to disclose this information.

## **(8) Remunerations Paid to Employees, Directors and Supervisors**

A. Percentage or range of employee bonuses and compensation for Directors and supervisors as stipulated in the Bank's Articles of Incorporation.

Where there is any profit of the year, the Bank shall, depending on the status of profitability, allocate 2% to its employees and less than 1% to Directors and Supervisors as remunerations. However, if there is any cumulative deficiency, the Bank shall reserve a certain amount to make up the deficiency.

Employees' remunerations shall be distributed in stock or cash and the distributed targets shall be the Bank's employees who comply with certain qualifications. Remunerations to Directors and Supervisors shall be distributed mainly in Cash.

The distribution ratio of remunerations to employees, Directors and Supervisors as well as the distribution methods and targets shall be finalized at Board of Directors meeting, which shall be participated by more than two third of Directors and agreed by more than participant Directors, and reported to General Meeting of Shareholders.

B. The basis for estimating the amount of remunerations to employees, Directors and supervisors, for calculating the number of shares to be distributed as bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

Total employee bonuses and compensation for Directors and supervisors in 2022 are estimated at NT\$159,206,000. This estimate is based on the probable amount of distribution, based on past experience. If a different amount is decided at the annual general meeting of shareholders, this will be treated as a change in accounting estimates and the amount will be paid within the same fiscal year.

C. Employee bonuses proposed by the Board of Directors

(A) Employees' remuneration distributed in cash or stock and directors' and supervisors' remuneration: Distributed NT\$106,137,000 to employees as cash bonuses and NT\$53,068,000 to Directors as compensations.

(B) The value of proposed distribution of bonus shares to employees in stock and the size of such an amount as a percentage of the after-tax net income presented in the parent company only financial reports or individual financial reports for the current period and total employee bonuses: No information is to be disclosed as the Bank does not have plans to distribute bonus shares to its employees.

D. Actual distribution of remunerations to employees, Directors and supervisors in the previous fiscal year (including the number of shares distributed, value, and share prices). In the event of any discrepancy between the actual distribution

and the recognized remunerations to employees, Directors and supervisors, describe the discrepancy, its cause, and how it will be resolved.

The annual general meeting of shareholders passed a resolution on June 13, 2022, to distribute NT\$62,585,000 to employees and NT\$31,292,000 to Directors and supervisors. There is no discrepancy with employee bonuses and board director / supervisor compensations as stated in 2021 Financial Statements.

#### **(9) Shares Purchased Back by the Bank: None**

## **2. Implementation status of fund application plan**

### **(1) Content of the plan**

The Bank issued financial bonds to raise mid- and long-term funds in order to increase the amount of loans. The raised funds will be applied to loans with higher revenue in order to increase loan spreads on earning contribution. In addition, the Bank enhanced its fund operation effectiveness and intends to repay due financial bonds through its cumulative earnings each year. When confronted with a decline in global prosperity, as well as huge reduction in the domestic stock market and low long-term interest rate, the Bank will issue financial bonds to repay old financial bonds with higher interest rates.

### **(2) Status of implementation**

To enhance capital adequacy ratio, the Bank issued subordinated financial bonds in 2002, 2006, 2007, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022. Most of them are included in the Tier-2 capital through 7-year subordinated financial bonds. The Bank also issued Tier-1 bonds in 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023. There is a total of NT\$9.36 billion of non-cumulative subordinated financial bonds with no expiration date to supplement a stable long-term capital for the Bank and enhance risk burden capability.

# 5

## Chapter

### **V.Operations Overview**

1. Business Scope
2. Employee Profile
3. Corporate Social Responsibility and Ethical Behavior
4. Number of Non-Supervisory Employees, Average Annual Employee Benefits Expenses and Difference Compared with Last Year

## 1. Business Scope

### (1) Main Business

#### A. Deposits and Loans Business

As of the end of 2022, the bank reports a total deposit balance at NT\$604,837,010,000, up by NT\$30,549,994,000 compared with NT\$574,287,016,000 reported at the end of 2021, of which the balance of demand deposits accounts for 33.32% of the total deposit balance, and the balance of time deposits accounts for 66.68% of the total deposit balance.

The total balance of loans issued accumulates to NT\$451,559,381,000 as of the end of 2022, increased by NT\$37,401,462,000 compared with NT\$414,157,919,000 reported at the end of 2021.

As for Loan Asset Quality, the overdue loan ratio was 0.15% at the end of 2022, the coverage ratio of Allowance for bad debts was 876.73%. The Bank has assets with stable quality.

Unit: NT\$1,000

Item \ Year	Balance at the end of 2022	Balance at the end of 2021	Annual Growth Rate (%)
Deposits	604,837,010	574,287,016	5.32
Loans	451,559,381	414,157,919	9.03

#### Deposit Balance Comparison

Unit: NT\$1,000

Loans \ Year	2022		2021	
	Balance at the end of year	Percentage (%)	Balance at the end of year	Percentage (%)
Checking deposits	4,129,697	0.68	5,197,074	0.91
Demand deposits	77,695,417	12.85	79,668,882	13.87
Foreign exchange demand deposits	13,782,107	2.28	15,865,502	2.76
Demand savings deposit	104,873,745	17.34	104,870,384	18.26
Employee saving deposits	1,045,251	0.17	992,072	0.17
Time deposits	163,913,013	27.10	162,842,046	28.36
Foreign currency time deposits	52,746,639	8.72	42,529,979	7.41
Negotiable certificates of deposit	25,529,500	4.22	21,150,400	3.68
Time savings deposits	161,121,641	26.64	141,170,677	24.58
Total	604,837,010	100.00	574,287,016	100.00

#### Loan Balance Comparison

Unit: NT\$1,000

Loans \ Year	2022		2021	
	Balance at the end of year	Percentage (%)	Balance at the end of year	Percentage (%)
Short-term loans	15,545,320	3.44	13,790,007	3.33
Short-term secured loans	99,113,788	21.95	93,297,419	22.53
Medium-term loans	62,062,198	13.74	49,798,138	12.02
Medium-term secured loans	201,477,405	44.62	182,373,794	44.03
Long-term loans	3,645,295	0.81	2,974,708	0.72
Long-term secured loans	69,039,934	15.29	71,241,647	17.20
Non-performing loans	654,646	0.14	657,290	0.16
Export negotiation	20,795	0.01	24,916	0.01
Total	451,559,381	100.00	414,157,919	100.00

## **a. Consumer Banking Loans**

According to the ratio set by the regulatory authority for home mortgage loans, in addition to carefully selecting high-quality customers to undertake the loans, we also do not accept loan increases (including restored credit limits) and interest rate reductions for existing customers with poor performance in deposit transactions. Priority is given to customers with clear repayment sources and good collateral locations (such as metropolitan areas, prime locations, suitable land area, favorable fee income, etc.) to provide working capital loans or subordinated loans. As of the end of 2022 fiscal year, the balance of individual loans (consumer loans, credit loans) amounted to NTD 191.872 billion, compared to NTD 173.76 billion at the end of 2021 fiscal year, showing a growth of NTD 18.112 billion or a growth rate of 10.42%.

## **b. Loans to Businesses**

The bank adheres to the government's policy of supporting small and medium-sized enterprises (SMEs) and focuses on SME customers while deepening relationships with local customer groups. At the same time, risk and asset security are prioritized. By meeting the funding needs of SMEs, the bank aims to increase liquidity from current deposits and profitability from loans. The SME loan portfolio grew by NTD 15.487 billion in 2022 compared to 2021, accounting for 48.4% of the bank's total loans. On the other hand, loans to large enterprises grew by only NTD 2.478 billion in 2022 compared to 2021 due to lower interest rates offered by large financial conglomerates or public banks and intense competition in this segment. Overall, the corporate and commercial lending portfolio increased from NTD 215.721 billion at the end of 2021 to NTD 233.686 billion at the end of 2022, representing a growth of NTD 17.965 billion.

## **c. Car Loan, Credit Loan and Subordinated Loan Businesses**

### **(a) Car Loan Businesses**

(I) Leveraging the concentrated advantages of the vehicle loan business to streamline the loan process and reduce operational costs, while ensuring overall asset quality, loan amounts, interest rates, and fee income are balanced. Additionally, continuously seeking new partnership opportunities to increase the bank's revenue and cross-selling related services such as wealth management, insurance, mortgage loans, and corporate banking to high-quality vehicle loan customers.

(II) Developing and utilizing non-physical channels to expand the customer base of existing vehicle loan customers, such as advertising through ATMs and external websites

(III) Set up business team leaders in various regions, responsible for recruiting, managing and training on-site car loan business personnel.

### **(b) Subordinated Loan Businesses**

(I) Due to the secured and profitable nature of subordinated loans, subordinated loans are still a key focus area for promotion, under the premise of controllable risks, in order to increase the bank's revenue.

(II) In order to continue expanding the customer base, in addition to planning the expansion of a comprehensive consumer finance team and cross-selling to the existing customer list, adapting to market changes and future trends, collaborating with academic institutions are done to improve the processes of subordinated mortgage loan businesses and drive process development and innovation.

(III) Planning existing products as diversified products suitable for different customer segments, promoting them together with the existing bank's communication loans, increasing product competitiveness, and coordinating with streamlined operational processes to improve case efficiency. In addition, implementing a cross-marketing strategy by the comprehensive business personnel, strengthening the promotion of high-interest rate differential products, which can significantly increase fee and interest income.

### **(c) Credit Loan Businesses**

Developing exclusive programs tailored to different customer segments for targeted marketing, such as professionals, elites, general office workers, and business owners who have existing relationships with the bank. Increasing product exposure through collaborations with different industries, advertising through bank ATMs and official website, and utilizing the "credit loan online application system" to improve conversion rates. In addition to increasing conversion rates, reducing labor costs, and meeting customer expectations for funding needs, this approach also promotes energy saving and carbon reduction, aligning with the bank's ESG social responsibility.

Unit: NT\$1,000

Item	Year	Amount		Growth Rate (%)
		2022 Fiscal year	2021 Fiscal year	
Car Loan Businesses		7,042,200	6,335,350	11.16
Credit Loan Businesses		3,799,906	2,419,117	57.08
Subordinated Loan Businesses (Note)		459,930	408,190	12.68

Note1 : The amount of credit loan appropriation in 2021 excluded the policy-based labor relief loan worth NTD 111,800,000.

### B. Foreign Exchange Business

For the foreign exchange business, the balance of foreign exchange deposits (including OBU) at the end of 2022 was US\$2,166,495,000 or an increase of US\$57,614,000 from US\$2,108,881,000 at the end of 2021 with a growth of 2.73%. The balance of foreign exchange loans (including OBU) at the end of 2022 was US\$433,773,000 or a decrease of US\$46,918,000 from US\$480,691,000 at the end of 2021, the appropriation reduced by 9.76%. This was mainly due to the impact of the US Federal Reserve's interest rate hikes, the interest rates on US dollar loans have increased, leading some customers to repay their US dollar loans or switch to New Taiwan Dollar loans. In 2022 the amounts of import/export and exchange service were US\$349,451,000 and US\$5,451,168,000 respectively, totaling US\$5,800,619,000, a decrease of US\$22,517,000 from US\$5,823,136,000 at the end of 2021.

Unit: USD1,000

Item	Year	2022	2021	Growth Rate (%)
		Balance at the end of year / Amount	Balance at the end of year / Amount	
Foreign currency deposits (including OBU)		2,166,495	2,108,881	2.73
Foreign currency loans (including OBU)		433,773	480,691	(9.76)
Import and export business		349,451	434,864	(19.64)
Remittance Services (including simplified currency exchange services)		5,451,168	5,388,272	1.17

Note : For the foreign currency deposits and loans, the amount stated was the balance at the end of the year, Import and export and remittance services business indicated was the annual amount.

### C. Credit Card

In the fiscal year 2022, as the COVID-19 pandemic gradually eased, consumer spending rebounded, and the amount of credit card transactions by Taiwanese people grew significantly compared to that of 2021. By November of the fiscal year 2022, the amount of credit card transactions reached NTD 3,156.5 billion, an increase of NTD 48.8 billion compared to that of the full year of 2021, and it has returned to the pre-pandemic consumption level of NTD 3,223 billion in 2019, indicating that it is no longer affected by the COVID-19 pandemic. The number of credit cards issued by the bank in the fiscal year 2022 was comparable to that of 2021, and the amount of credit card transactions increased by NTD 180 million. However, the revolving credit balance continued to decrease slightly.

In terms of income, the bank focuses on promoting credit card spending to increase fee income, with revolving credit interest income as secondary. In addition to increasing the number of circulating cards/active cards and improving credit card transaction amounts, the bank will strengthen the promotion of installment payment products. In addition to the existing single-purchase installment products, a bill installment business is planned to be launched in the fiscal year 2023 to meet the different needs of various customer types and increase another source of income.

With the advent of the mobile payment era, the government is actively promoting non-cash transactions and encouraging the development of various electronic payment/mobile payment services. In the future, cash payments such as paper money and coins will gradually diminish, and the payment business will mainly focus on mobile payments. The two main sources of funds for the payment business, deposit accounts (especially digital deposit accounts) and credit card/signature card accounts, will be fiercely contested. In addition to vigorously promoting the number of credit cards issued and transaction amounts, the bank also needs to continuously improve the electronic and mobile services of credit cards. In the fiscal year 2023, it is planned to enhance digitization processes, including the addition of online credit evaluation functions that connect to the existing online application system, allowing customers to submit applications and complete credit evaluations consistently through electronic online operations, saving paper, being environmentally friendly, and accelerating overall operational efficiency. Additionally, the bank will develop mobile (SMS) billing services to provide comprehensive mobile services for credit card payment business.

Unit: cards, NT\$1,000

Item \ Year	2022	2021	Growth Rate (%)
Total number of card issued in the year	55,704	54,771	1.70
Total cumulative number of valid cards in circulation	114,459	117,276	(2.40)
Total credit card consumption amount	4,254,689	4,075,358	4.40
Revolving Credit Balance	167,142	174,643	(4.30)
Number of acquiring contracted merchants	2,521	2,096	20.28
Transaction amount of contracted merchants	6,217,062	4,699,261	32.30

The acquiring business continues to use modern card payment terminals, which, in addition to the existing electronic ticketing and QR code scanning payment functions, also have app development capabilities. These apps can be used for marketing activities, account inquiries, and other applications. In line with the annual policy goals and strategies of the Financial Supervisory Commission, various mobile payment services are being developed, such as mobile credit cards, mobile banking cards, Quick Response (QR) code payments, mobile electronic tickets, electronic payment institution physical channel payment services, mobile acquiring (mPOS), and application services. These initiatives align with the Financial Supervisory Commission's policy plan for the fiscal year 2022, which encourages financial institutions to promote non-cash payment transactions and develop various mobile payment services.

#### D. Wealth Management Business

- a. In terms of fund and overseas bond business, the fee income for the fiscal year 2022 was NTD 214,256 thousand, a decrease of 17.84% compared to that of 2021. Emphasizing the selection of appropriate investment targets and risk reduction as the primary goal, the bank continues to expand its digital wealth management transaction capabilities and broaden its digital wealth management customer base. The focus is on long-term investments through regular and systematic investment plans to diversify market risks and pursue stable long-term returns, effectively implementing asset allocation.
- b. In the insurance business, the fee income for the fiscal year 2022 was NTD 377,337 thousand, a decrease of 3.24% compared to that of 2021. In response to an aging society, products have shifted towards high-security products, emphasizing reserve tax sources and asset inheritance concepts. The focus is on high-multiple insurance policies to meet the insurance needs of aging customers.
- c. The total fee income for the fiscal year 2022 was NTD 592 million, a decrease of NTD 59 million compared to that of year 2021, representing a decline of 9.09%. Amid significant market corrections due to global market volatility, the bank strives for stable long-term returns and effective asset allocation, resulting in relatively minor impact.

Unit: NT\$1,000

Item \ Year	2022		2021		% of Fee Income	% of Fee Income
	Sales Volume	Fee Income	Sales Volume	Fee Income		
Mutual funds and overseas bonds (excluding domestic bond funds)	7,107,099	214,256	9,810,356	260,772	(27.56)	(17.84)
Insurance products	3,705,760	377,337	5,482,403	389,971	(32.41)	(3.24)
Total	10,812,859	591,593	15,292,759	650,743	(29.29)	(9.09)

#### E. E-Banking Business

In response to the rise of the digital era and the integration of internet technology into daily life, which has driven the transformation and reform of financial services, our bank actively invests in digital resources to integrate across all channels and provide customers with diversified digital financial services. This allows customers to conveniently and unrestrictedly access banking services. Our electronic financial services include internet banking, mobile internet banking apps, corporate internet banking, and online account opening for digital deposits. Starting from the fiscal year 2022, we have gradually introduced new features such as mobile number transfers (one number to multiple accounts) and cross-border payment deductions (adding QR code payment), significantly enhancing the convenience and user

experience of accessing financial services for customers.

In 2022, the cumulative number of online banking account openings reached 211,000, an increase of 12% compared with that in 2021, and the cumulative number of mobile Internet banking accounts opened by users was 122,000, a 21% increase compared with that in 2021. The overall automated channel transaction volume (including personal Internet Banking and Mobile Internet Banking APP) increased by 12% over 2021. In addition to the continuous and steady growth of the Bank's digital financial services, various "digital gold business services" have been launched in a timely manner to provide a variety of online application services and strengthen the application of the Bank's mobile online banking APP payment.

Type of business	Year	2022	2021	Growth Rate (%)
Number of cumulative account opening for personal online banking		211,071	188,047	12.24
Number of cumulative account opening for mobile online banking		122,629	101,661	20.63
Amount of Automatic Transaction Access		1,821,783	1,622,183	12.30

Note : The Amount of Automatic Transaction Access consists of the transaction amount in Personal Internet Banking and Mobile Internet Banking APP.

## F. Trust Business

As of the end of 2022, the total property trust balance consigned by the Bank reached NT\$76,447,473,000, which is an increase of NT\$3,412,719 compared with NT\$73,034,754,000 in 2021, in particular, the money trust business reached NTD 43,176,183 thousand in the fiscal year 2021. This growth was mainly driven by a significant increase in specific money trust investments in domestic and foreign securities and custodial services for securities investment trust funds. Although other money trust businesses decreased by 8.34% (including a decrease of NTD 1,384,573 thousand in real estate purchase price trust), an overall growth trend was still observed. The securities trust business amounted to NTD 409,764 thousand in the fiscal year 2022, an increase of NTD 77,419 thousand or 23.29% compared to that of 2021, primarily due to the higher initial capital of newly acquired trust cases. In terms of subsidiary businesses, the visa business amounted to NTD 7,745,607 thousand at the end of the fiscal year 2022, a decrease of NTD 3,883,193 thousand or -33.39% compared to that of 2021, mainly due to large-scale visa cases undertaken in 2022. The fully entrusted custody business amounted to NTD 122,864 thousand in the fiscal year 2022, a decrease of NTD 6,558 thousand compared to that of 2021, primarily due to the withdrawal of account balances by investors, leading to a decrease in the size of the accounts.

Unit: NT\$1,000

Item	Year		2022		2021		Amount of increase or decrease	Rate of increase or decrease(%)
			Amount	%	Amount	%		
Trust business			76,447,473	100.00	73,034,754	100.00	3,412,719	4.67
Monetary trusts			43,176,183	56.48	39,822,212	54.52	3,353,971	8.42
Specific-purpose monetary trusts investing in domestic and foreign securities			26,039,880	34.07	22,541,583	30.86	3,498,297	15.52
Other monetary trusts			11,766,945	15.39	12,837,777	17.58	(1,070,832)	(8.34)
Custody of securities investment trust funds			5,369,358	7.02	4,442,852	6.08	926,506	20.85
Real estate trust			32,753,103	42.84	32,771,774	44.87	(18,671)	(0.06)
Securities trust			409,764	0.54	332,345	0.46	77,419	23.29
Monetary-claim and security-interest trusts			108,423	0.14	108,423	0.15	0	0.00
Other affiliated businesses								
Custody of operations guarantee funds			510,000		500,000		10,000	2.00
Custody of discretionary investment services (accrued for the year)			122,864		129,422		(6,558)	(5.07)
Certification business			7,745,607		11,628,800		(3,883,193)	(33.39)

## G. Investment Business

Income percentage of each various transaction and its growth and changes:

Unit: NT\$1,000

Item \ Year	2022	2021	Increase / decrease
Bonds	414,360	903,564	(489,204)
Stocks	(8,673)	191,071	(199,744)
Beneficiary certificates	(13,818)	19,591	(33,409)
Short-term bills	203,046	107,818	95,228
Unrealized gain or loss	(15,795)	(25,082)	9,287
Stock dividend	90,616	61,271	29,345
Total	669,736	1,258,233	(588,497)

According to the above table, the Bank has made a profit of NT\$ 1,258,233,000 in 2021 and NT\$669,736,000 in 2022 in securities trading. The details are described below:

**a. Gain (loss) on bonds:**

This is the interest income and disposal gain (loss) and fee income from underwriting corporate bonds from the trading of bonds of domestic and overseas governments at all levels, currency corporate bonds and financial debentures. In the fiscal year 2022, profits decreased by NTD 489,204 thousand compared to that of 2021, reaching NTD 414,360 thousand. The main reason for this decline was the impact of interest rate hikes in 2022, which led to realized losses from opportunistically disposing of bonds. As the interest rate hikes approach their end, we plan to selectively acquire bond positions during interest rate rebounds to increase bond income and yield spreads. The investment targets will mainly focus on large enterprises or government bonds with good credit and stable profitability.

**b. Gain (loss) on stocks:**

In terms of gains and losses from trading listed and OTC stocks, the weighted index rose by 23.66% throughout 2021, indicating a strong trend in Taiwan stock market. Taiwanese companies demonstrated promising medium to long-term competitiveness and profit growth prospects, creating a favorable bullish environment for the stock market and resulting in profits of NTD 191,071 thousand for the full year. However, in the fiscal year 2022, the weighted index declined by 22.40%, mainly due to various negative factors such as the Russo-Ukrainian war, the lockdowns in China, and persistent high inflation. Additionally, major central banks implemented aggressive monetary tightening policies, leading to significant market volatility and causing losses of NTD 8,673 thousand for the full year.

**c. Gain (loss) on beneficiary certificates:**

Regarding gains and losses from fund trading, the investment environment for funds in 2021 was not as favorable as the stock market, which limited profit potential. Furthermore, the impact of increased regulatory oversight on the technology and other industries by China suppressed the performance of Asian markets, resulting in gains and losses of NTD 19,591 thousand for the full year. In 2022, negative news such as high inflation, the Russo-Ukrainian war, and central bank interest rate hikes simultaneously affected the market, leading to losses of NTD 13,818 thousand. It is expected that the market investment atmosphere will not significantly improve in the short term, so a more flexible balanced allocation strategy will be adopted for fund investments to mitigate potential volatility.

**d. Gain (loss) on short-term bills:**

For interest income from trading short-term bills, gains and losses from disposals, and fee income, profits in 2021 amounted to NTD 107,818 thousand, while in 2022, profits reached NTD 203,046 thousand. With the Taiwan central bank raising interest rates by 2.5 basis points in 2022, interest income from bills increased under the rising interest rate environment, resulting in an increase of NTD 95,228 thousand in bill income for 2022 compared to that of 2021. In the future, there will be continuous efforts to expand the customer base, increase holdings of short-term bills, and underwriting balances to enhance yield spreads and underwriting income, thus boosting bill income.

**e. Gain (loss) on valuation:**

In 2021, valuation losses of NTD 25,082 thousand were recognized. The fund market environment was not as favorable as the stock market, and the intensified regulatory efforts on industries by China resulted in the underperformance of investments in Asian regional products, leading to reduced valuation gains on beneficial certificates. In 2022, valuation losses amounted to NTD 15,795 thousand, primarily due to the maturing of short-term bills held, resulting in a reversal of valuation losses on short-term bills. Subsequently, the held bills showed an upward trend as market interest rates gradually responded to expectations of interest rate hikes in the primary market.

**f. Stock dividends:**

This is the cash dividends distributed by listed and OTC companies, where the cash dividend distributed in 2021 was NT\$61,271,000 and NT\$90,616,000 in 2022.

To sum up, in regard to the Bank's performance on securities trading. The stock index in 2021 rose by 23.66%, and the Bank had stock gains of NT\$191,071,000. Beneficiary certificates showed a gain of NT\$19,591,000, in that fiscal year, valuation losses of NTD 25,082 thousand were recognized. The main component affecting the valuation was the beneficial certificate items, with a total net income of NTD 1,258,233 thousand for all business segments throughout the year. In the fiscal year 2022, the weighted index declined by 22.40%, resulting in stock losses of NTD 8,673 thousand and beneficial certificate losses of NTD 13,818 thousand. Valuation losses of NTD 15,795 thousand were recognized, primarily impacting the valuation of short-term bills. The total net income for all business segments amounted to NTD 669,736 thousand.

**(2) Percentage of the asset of each business and its growth and changes**

Unit: NT\$1,000

Business Items	2022		2021	
	Amount	Asset %	Amount	Asset %
Total Assets	675,307,340	100.00	654,541,098	100.00
Discounts and loans – net amount	445,649,819	65.99	408,002,626	62.33
Financial assets measured at fair value through other comprehensive income	92,711,076	13.73	109,663,903	16.75
Debt Instrument Investments Measured at Amortized Co	36,724,967	5.44	29,287,997	4.47
Financial assets measured at fair value through profit or loss	11,794,427	1.75	23,886,732	3.65
Total Liabilities	634,487,841	93.96	616,056,042	94.12
Deposits and remittances	604,884,498	89.57	574,328,801	87.75
Financial debentures payable	15,060,000	2.23	13,860,000	2.12
Due from CBC and Banks	5,874,606	0.87	8,834,606	1.35

**(3) Percentage of the net income of each business and its growth and changes**

Unit: NT\$1,000

Business Items	2022		2021	
	Amount	Asset %	Amount	Asset %
Net interest income	7,861,349	89.06	6,633,894	79.96
Net income other than interest	965,483	10.94	1,662,557	20.04
Net fee income	1,156,216	13.10	1,160,306	13.99
Net gain on financial assets and liabilities	96,386	1.09	69,883	0.84

Business Items	2022		2021	
	Amount	Asset %	Amount	Asset %
measured at fair value through profit or loss				
Gains (loss) from sale of fair value through other comprehensive income financial assets	(645,729)	(7.32)	105,310	1.27
Gains from Current financial assets measured at amortized cost	106	0.00	0	0.00
Exchange gain (loss)	143,542	1.63	71,208	0.86
Reversal of Impairment Loss on Assets	(3,887)	(0.04)	4,195	0.05
Share of subsidiaries' gains recognized by equity method	144,142	1.63	172,298	2.08
Rental income	66,919	0.76	63,903	0.77
Net income other than interest	7,788	0.09	15,454	0.19
Total net income	8,826,832	100.00	8,296,451	100.00

Note: The data in this table is form individual financial statements.

#### (4) Business Plan of the Year

##### A. Deposit Business

- (A) Optimizing the structure of demand deposits and time deposits to increase the profit of total deposits. Planning encourages and assists business units to strengthen their solicitation of deposits by means of performance appraisal and project concessions.
- (B) Considering credit clients and clients nearby branch offices as the main client basis, while increasing NTD and USD deposits.
- (C) In line with the country's 2030 bilingual national policy, the Bank has gradually set up bilingual demonstration branches. For the deposit and exchange business that foreigners often handle, from personnel services, every forms to environmental facilities and automation equipment, it presents a friendly bilingual financial environment, and arranges deposit and exchange tellers with the ability to communicate in foreign language to provide financial services in foreign tongue.
- (D) Streamline operational processes, enhance service efficiency, and improve customer experience by deepening customer relationships. To meet customers' daily financial transaction needs and provide convenience, we offer more thoughtful, convenient, and diversified ATM services. By leveraging the integrated features of ATMs, we aim to increase customer penetration and loyalty, improve ATM utilization, and therefore plan to establish "ATM cardless withdrawal services."
- (E) In response to the digital financial trend, we plan to introduce reservation-based transaction services, such as deposits, withdrawals, transfers, remittances, and applications, through the "reservation counter." Customers can pre-fill transaction information online using the "reservation counter" to reduce transaction processing time at the branch, as well as save waiting time for customers at the branch. This helps alleviate crowds and enhances customer satisfaction.

## B. Loan Business

(A) The bank aims to improve the ratio specified in Article 72-2 of the Banking Act. In recent years, the focus of business expansion has been on loans that do not fall under the limit of Article 72-2 of the Banking Act. Real estate revolving loans with both collateral and profitability (including short- and medium-term secured loans, working capital loans for businesses, and subordinated mortgage loans) have been the annual key focus. However, even after improvement, there is still a limitation of 30% imposed by the statutory limit ratio. Therefore, the future direction of business expansion will continue to prioritize loans that do not fall within the scope of the statutory limit under Article 72-2 of the Banking Act.

The direction for the promotion of New Taiwan Dollar (NTD) business is as follows:

### a. Large and Small and Medium-sized Enterprises

- (a) Emphasis is placed on loans secured by real estate (or movable assets). Cases guaranteed by the Export-Import Bank of the Republic of China (Taiwan) should also involve real estate as collateral or sub-collateral. Pure credit or cases solely guaranteed by the Export-Import Bank of the Republic of China (Taiwan) should not be accepted to ensure creditor rights.
- (b) Strengthen the financing of construction or acquisition of factories (obtain factory registration).
- (c) Select target customers based on the "Principles for Handling Applications from Small and Medium-sized Enterprises" and focus on local customer groups, avoiding cross-regional transactions as much as possible to control risks.

### b. Mortgage Loan

- (a) The main focus is on short- and medium-term secured revolving capital loans, excluding items regulated by Sections 1101-1107, 1201-1205, 1400, and 4302 of the Banking Act. This is to comply with the regulations set by the supervisory authority.
- (b) For home purchase loans, in addition to prudently selecting high-quality customers within the proportion set by the supervisory authority, customers with poor performance in areas such as deposits will not be considered for loan increases (including reinstatement of credit lines) or interest rate reductions. The authority to grant preferential interest rates to branch managers and managers of the Credit Approval Division has also been revoked. The loan-to-valuation ratio for housing loans is controlled by adopting a price-based approach.

(B) The Bank-processed and self-processed bailout packages as of the end of December 2022 are as follows:

Unit: NT\$, 10,000

Diversified Bailout Projects	Number of cases handling	Amount accepted	Number of cases approved	Amount approved
Ministry of Economic Affairs	467	12,441.01	440	9,549.48
Tourism Bureau, Ministry of Transportation	44	552.83	42	522.33
Ministry of Health and Welfare	1	2	0	0
Ministry of Education	3	5.4	3	5.4
Agricultural Committee, the Executive Yuan	0	0	0	0
Cultural Department	0	0	0	0
Labor Department	1,528	152.8	1,118	111.8
Central Bank	2,653	5,587.83	2,591	5,335.68
Company applying itself	59	9,422.55	59	9,422.55
Individual applying himself	1,049	4,845.43	900	3,038.05
Total	5,804	33,009.85	5,153	27,985.29

## C. Car Loan, Credit Loan and Subordinated Loan Businesses

(A) Vehicle Loan Businesses:

Under the premise that the car loan business continues to grow steadily, the Bank will strengthen the execution of the

business units that undertake the car loan business.

**(B) Credit Loan and Subordinated Loan Businesses:**

- a.** The profitability of credit loans is better than other lending businesses. However, in order to reduce the risk of default, we usually recommend products to the Bank's existing customers (such as communication loan).
- b.** Because the subordinated loan has the advantages of both collateral (the risk is lower than that of a credit loan) and profitability (interest rates are higher than mortgages), and the domestic mortgage market has been adversely affected, financial institutions have implemented competitive measures by taking reduced interest. Hence, the Bank continued to include subordinated loans as part of its key promotion projects in 2022 to increase bank revenue.

**D. Foreign Exchange Business**

**(A) Launched foreign currency deposit project**

Through the foreign exchange deposit project activities, the Bank will continue to explore new sources of customer, encourage business departments to strengthen the foreign currency deposit business, increase the attraction momentum, and expand the scale of foreign exchange deposit business. With the effect of the Federal Reserve (Fed) raising interest rates, it will help increase the interest rate spread of the Bank, while taking into account asset quality and income, thereby increasing foreign exchange net profit.

**(B) Counseling branches to develop SME import and export business**

Through the visits of the foreign exchange business promotion team members in the north, central, and south of Taiwan, business units were assisted in expanding their foreign exchange business and in strengthening the solicitation of SMEs for import and export business. Through the implementation of various business projects, the Bank will activate the all-round development of the foreign exchange business of the Bank and continue to increase the revenue of foreign exchange business.

**(C) Strengthening online banking function of foreign exchange**

The COVID-19 has caused people to change their consumption and payment habits and the financial technology level that people exposed to become more extensive. The foreign exchange business of the Bank has launched the enterprise online banking and mobile APP functions, and added the corporate online banking the foreign exchange function for transactions with an equivalent of NT\$500,000, and functions such as online foreign currency designated transfer accounts and pre-authorized currency exchange authorization deductions. In the future, the online banking function of foreign exchange business will continue to be strengthened to achieve business promotion and transaction convenience, reduce the Bank's operating costs and increase foreign exchange earnings as well.

**E. Credit Card Business**

**(A) Card issuance operations**

The direction of the overall operation of the Bank's credit card products is based on the principle of prudence. At present, in addition to the Bank's current customers, the main target of card issuance is to offer high-quality rewards for general consumption and specific cooperative channels to increase market exposure and increase the rate of incoming new customers. In addition to encouraging the Bank's current customers to apply for cards, the card issuance strategy will increase the ratio of the Bank's customers to the Bank's credit cards, and focus on increasing the amount of credit card consumption and strengthening the bond between customers and the bank, as well as increase plans to match specific offers and benefits. Cards with specific features attract new customers to apply through their exposure to electronic and online media advertisements, hoping to increase the breadth and depth of current customers.

The marketing strategy focuses on increasing the number of cards in circulation, the overall consumption amount, the ratio of valid cards, fee income, and strengthening authorization risk control. In addition, it will also make good use of customer service manpower to assist in the promotion of card issuance and profitable marketing services, such as: swiping cards/billing installments, encouraging deposit accounts to apply for cards or credit, etc., to increase business cross-selling and higher sales. Income-based financial products.

With the developing trend of today's financial services and technology application, the proportion of online consumption relative to brick-and-mortar stores is becoming more and more important, and in terms of payment modes, card and contactless cardless transactions (such as mobile payment) have gradually replaced cash transactions. At present, the mainstream contactless transactions in the market are mainly inductive and QR code scanning. In recent years, the amount of mobile payment credit card transactions has hit new highs every year. In

addition to the continuous promotion of the existing Taiwan mobile payment NFC inductive mobile payment, the mobile online banking APP QR code scanning payment function has also been developed. As electronic payment institutions continue to enter the electronic payment market with electronic payment accounts, competition and rivalry will intensify further with the launch of a cross-institution shared platform for electronic payments in the future. Card issuance product strategies must also adapt to the situation, driving the growth of the e-payment market.

**(B) Acquiring business**

At the moment, there are 31 domestic acquirers. According to the credit card data published by FSC in November of 2022, Taishin International Bank has 165,864 appointed stores, which count the most. CTBC Bank is second with 122,522, followed by Cathay United Bank with 102,933, the Bank currently ranks 21st with 2,742 special stores. In 2022, the "Special Store Promotion Project" will be launched to increase the transaction volume of the existing stores and make a promotion among credit customers of the Bank, so as to facilitate the increase of deposit amount of the Bank, provide complete financial services, strengthen the partnership with corporate customers, and promote the growth of other businesses such as loans and wealth management.

**F. Wealth Management Business**

- (A) For its fund and foreign debt business, the Bank provides artificial intelligence and automated financial management services as ways to expand its digital financial management transactions and broaden its customer base. It focuses on regular and fixed long-term investment, diversifies market risks, pursues long-term stable returns, and truly implements asset allocation.
- (B) As for its insurance business, products have gradually shifted to high-protection products, and the concept of reserved tax sources and asset inheritance has been changed to focus on high-protection multiple insurance policies to meet the insurance needs of aging customers and address the needs of an aging society.

**G. Electronic Banking**

Affected by pandemic, the Bank has adopted an appropriate strategy for the development of financial technology. In 2022, a number of digital financial measures have been launched successively. The key points of development are as follows:

- (A) Digital financial services
  - a. Taiwan Pay online payment function: Launched in October of the 2022 fiscal year.
  - b. Taiwan Pay cross-border debit card payment service (added QR code payment): Launched in April of the 2022 fiscal year.
  - c. Mobile number transfer (one number to multiple accounts): Initiated in October of the 2022 fiscal year, scheduled to be launched in May of the 2023 fiscal year.
- (B) MyData digital gateway platform
  - a. Gateway has been built and accepted
  - b. Online loan application: Currently undergoing integration and testing with the MyData platform.
- (C) Next-generation corporate internet banking and mobile enterprise web app Supports cross-operating systems and multiple browsers, with customized authorization control, integrated account management, and mobile approval and disbursement mechanisms. It assists corporate clients in real-time and flexible fund management, enhances the operational performance of our corporate banking business, and was launched on July 18th of the 2022 fiscal year. Additionally, the mobile enterprise web app was also launched on November 21st of the 2022 fiscal year.

**H. Trust Business**

- (A) Real Estate Trust
  - a. Continue to promote the real estate development trust business and other related derivative businesses that are compatible with the Bank's land and buildings loan.
  - b. Coordinate with the contractor to handle the integrated trust that integrates the owner's willingness to build in the early stage, integrated trust, Zone purchase, urban land consolidation, with large numbers of owners and long waiting periods, such as section expropriation and rezoning. Assist the builder in isolating the integrated land trust through the trust mechanism, so as to avoid the collapse of the integration due to the purchase and sale of the landlord or debt problems.
  - c. Developed and established the cooperation model wherein the real estate company, as the builders, undertakes construction surveillance responsibility, and the Bank is responsible for the property and money management trust,

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as well as continues to develop external channels including leasing companies, farmers' associations, letter houses and bill companies.

- d.** Collocate with external financing institutions to handle the property rights division trust, the Bank: such as coordinated with Sunny Asset Management Co., Ltd. acting as a liquidation agency, disposing of trust assets when the conditions agreed in the trust deed are completed, to assist the financing institutions to quickly handle creditor's rights and increase the willingness of financing institutions for lending. In a response to the Dangerous Elderly Regulations, we plan to combine financing and trust management mechanisms to reconstruct financial services for the elderly in danger, provide landlords and management consulting companies with comprehensive financial services, and assist in the smooth progress of reconstruction projects.

#### **(B) Money Trust**

- a.** Real Estate Transaction, Security, & Trust: Collaborating with vendors such as real estate agents and external channels, in order to promote real-estate (purchase/sale) transactions, security, and trust as well as other securities and trust transactions, such as equity and liability trading.
- b.** Prepayment trust: Targeting the opportunities arising from the lifting of pandemic restrictions, we aim to consolidate our existing customer base and expand towards larger clients such as the retail industry. Additionally, we plan to increase collaboration with platform system providers to broaden our industry exposure and attract customer businesses.
- c.** General trust: Adding businesses like the Trust 2.0 concept product (including four major modules, Child Care Trust/Retirement Security Trust/Disability Support Trust/Insurance Trust Fund) and Housing Public Trust Fund. The Bank has plans to increase branch promotion incentives through developing innovative trust services that combine cross-industry alliances. A trust mechanism is also in place to help customers with asset protection and transfer, while providing complete control and customized service.
- d.** Specific trust: Continuously enhancing the Bank's fund system, service function, and user interface to achieve customer satisfaction in wealth management.

#### **I. Investment Business**

##### **(A) Expanding the investment position**

- a.** Actively expanding the counterparties, and developing the transaction's quota, to increase the trading volumes.
- b.** Expand the investment layout of overseas markets and foreign currency assets, and continue to build overseas bond investment positions.
- c.** Looking for new types of investment commodity.

##### **(B) Expanding the investment layout of overseas markets and foreign currency assets, and continue to build overseas bond investment positions.**

- a.** Invest in overseas stocks, mutual funds, public bonds, corporate bonds, financial bonds, and domestically issued international bonds denominated in foreign currencies.
- b.** Amidst the Fed's interest rate hikes and the exit from quantitative easing, it is looking for opportunities to strengthen the layout of overseas bonds with an advantage in interest spread, and continue to evaluate the purchase credit rating, good liquidity, and remuneration. High rate of overseas bonds return increase bond yields. In addition, the interest rate risk is also considered, and short- and medium-term bonds are mainly used for the duration of the period.

##### **(C) Plan for dispatching and application of short-term funds**

- a.** Continuing to participate in the bidding and purchase of the Central Bank's NCD, taking advantage of expectations for future interest rate movements, and adjusting the allocation of funds for long-term / short-term, to create the maximum revenue.
- b.** Actively participating in the bidding and purchase of the exemption guarantee bills with higher interest rate, and increase the secondary market transactions, to increase income.
- c.** Expanding the breadth of counterparties, to improve the efficiency of funds dispatching.
- d.** Flexible use of RS, fixed deposit or borrowing to engage in foreign currency fund scheduling operations.
- e.** Managing the securities business which has been included in the Bank's foreign exchange capital dispatching target, and actively expands foreign exchange business.

##### **(D) Coordinate with obtaining the qualification of bills houses and bond dealers which could engage in foreign currency business, to engage in foreign currency bills, NCD and bond investment.**

- (E) Coordinate with obtaining the qualification of bond underwriter, actively expanding the scope of bond business, and engage in bond underwriting business.
- (F) Coordinate with other business entities to carry out business development, such as the commercial paper self-guarantee and self-purchasing business of the Bank's clients, undertaking foreign currency SWAP transactions with clients, etc.

## (5) Market Analysis

### A. Analysis on Area of the Banking Service Operations

As of the end of 2022, a total of 106 domestic business bases were established, and the channel distribution became more complete. Diversified financial services were also developed, including leasing, securities, asset management, e-commerce, etc.; Shanghai Leasing Company and Cambodia Micro Finance Company were established overseas. The new headquarters that the Bank purchased, is located on the intersection of Minquan West Road and Zhongshan North Road in Zhongshan District, Taipei City, which is expected to be completed and operational in the fourth quarter of the 2023 fiscal year. By then, the new headquarters would help synergize business groups and promote a new corporate image and business structure. In addition to enhancing its market competitiveness, the Bank is evaluating opportunities for overseas expansion through regional complementation and channel integration with the prospect of developing a strong and complete financial services network.

### B. Future Market Supply and Demand and Potential Growth

Under the influence of factors such as the variant virus, the Russo-Ukrainian war, high inflation, and climate change, major economies have initiated interest rate hikes to combat inflation. High interest rates have impacted business investment sentiment, and manufacturing activities in various countries have significantly slowed down. This slowdown is expected to continue into 2023. The economies of the United States and Europe may experience zero growth or even recession. Although the Chinese economy is expected to rebound due to the relaxation of epidemic control measures, the magnitude of the rebound remains uncertain and depends on the impact of recent significant loosening of epidemic prevention policies on the economy. Therefore, major international forecasting institutions believe that global economic and trade growth in 2023 will be slower than in 2022. According to a survey by the Taiwan Institute of Economic Research, in the banking industry, although market investment volatility has had an impact and investment operations have become more challenging, transaction fee income is expected to increase due to the reopening of international borders and a significant increase in inbound and outbound tourism. In addition, wealth management has benefited from the increase in overseas bond product sales, leading to stable growth and an increase in fee income. Furthermore, the banking industry in Taiwan anticipates an expansion in the core interest rate spread of deposit and lending operations, contributing to an increase in net interest income. Therefore, the proportion of firms in the banking industry with a positive outlook for the next six months significantly outweighs those with a negative outlook.

Furthermore, to respond to the risks posed by climate change and their impact on the economy and finance, the Financial Supervisory Commission (FSC) released the "Corporate Governance 3.0 Sustainable Development Blueprint" in August 2020, outlining various measures to enhance ESG information disclosure. This encourages companies to prioritize ESG issues and strengthen their sustainable development capabilities. In the post-pandemic era, the severe lessons learned from COVID-19 have prompted the financial industry to rethink the cost of systemic risks. Therefore, how the financial industry learns from these experiences and strengthens its resilience to future climate crises will be a crucial factor in determining its success in addressing climate change.

### C. Competitive Niche, Future Outlook and Solutions

#### (A) Competitive Niches

- a. A network of a total 106 domestic branches, mainly located in metropolitan Taipei and Kaohsiung. Principal administration areas have established branches, the domestic financial services network is complete.
- b. Good locations, friendly and efficient services and smooth interaction with clients.
- c. Vying for a good reputation and stable operating foundation, the bank also actively seeks to promote services such as corporate banking, consumer banking, wealth management, foreign exchange, trust, credit card, E-Finance, continuously optimize the structure of finance, with which to continue improving its financial structure and excelling its service efficiency.
- d. Set up a Financial Consultant (FC) in the Northern, Central and Southern regions, with a professional, financial

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personnel in each branch, to provide the customer with adequate, comprehensive and diverse financial services, maximizing the cross-marketing synergy.

**e.** Creating the synergy of diversified operations by means of the channel of the subsidiary business.

**(B) Future Outlook And Solutions**

**a. Favorable Factors**

- (a) The overall financial environment has become sounder. The authorities have opened and encouraged research and development of new financial products.
- (b) The concept of investment has rooted in people's mind and the concept of trust has also formed gradually.
- (c) With gradually open cross-strait financial business and internationalization policy, the government continues loosening up limitations on business and regulations, which will help develop the overall structure of financial industry.
- (d) As the Bank's asset quality continues to improve, operational development will become even sounder.
- (e) The Bank will continue to plan the establishment and relocation of branch offices in order to expand its financial services and to promote the comprehensive channel value.
- (f) Consolidating the core credit business of loans to SMEs to continue profitability.

**b. Unfavorable Factors**

- (a) As the phenomenon of over-competition in domestic banking industry is less likely to be eliminated in a short time, the sales of all types of financial products have created a price war. Although the Bank has some advantages in traditional deposit and lending services, the bank, relying primarily on the conventional deposit and lending service, may be kept from expanding the interest rate spread to excel the operating revenue.
- (b) With resources and IT technology provided by the parent company, foreign banks are posing a threat to local banks' wealth management and SME banking services.
- (c) Confronted with financial holding companies' advantages in economies of scale and channels, the Bank not only forms strategic alliance with insurance and securities channels, but also focuses on cross-strait financial markets and global services for its development. With the diverse content of its products and resource sharing, it has managed to create enormous pressure to the promotion of SME banking business.
- (d) After the official operation of its pure online banking services, new challenges are expected in Taiwan's banking industry. Pure banking with operational advantages and a large customer base may impact the consumer financial business.

**c. Solutions**

- (a) Continuing to inject resources and stepping up new financial product research and development to offer the client with differentiated quality service in a bid to curtail negative pricing competition.
- (b) Actively optimizing digital services, developing digital payments, and combining channel cooperation and cross-sales marketing to provide customers with instant interaction and experience to help integrate financial services into their daily lifestyle.
- (c) Continuously adjusting the Bank's branch office allocation and improve the channel performance to maximize its channel advantages with 106 nationwide branch offices.
- (d) Utilizing the bank's existing operating foundation to actively excel the overall marketing functionalities to deep-root the business banking and foreign exchange service, and by fully expanding into the consumer banking services and wealth management domains.
- (e) To intensify employees' trainings, realize their passion towards the services, enhance the efficiency of the organization and bring the corporate culture into full play.
- (f) Improving security codes and system performance of online banking to ensure the transaction security of our clients; launching electronic banking services and relevant business to increase clients' satisfaction level and enhance the Bank's market competitiveness.
- (g) By expanding the scope of foreign exchange business and recruiting good hands specialized in international finance to grasp the opportunity of financial openness and stabilize the Bank's deployment of the Financial Market of Asia Pacific.

## (6) Research on Financial Products and Business Development

**A. Size and profit / loss of major financial products and business units added in the last two years and the period up to the annual report publication date.**

- (A) For the major financial products of the last two years, please refer to “1. 2022 Operating Performance” under “I. Letter to Shareholders”.
- (B) For the new business units set up in the last two years, please refer to “1. 2022 Operating Performance” under “I. Letter to Shareholders”.

**B. Research and development expenditure and future research development plan in the last two years**

**(A) Credit Card Business**

The bank has issued VISA DEBIT signature debit cards, allowing deposit customers to directly use their account deposits for card transactions. This enables deposit customers to generate card transaction fee income, fully maximizing customer value. The "Online Credit Card Application" service has also been launched to make the card application process more convenient. In recent years, the booming development of smartphones and mobile networks has provided everyone with instant and convenient mobile inquiry tools. Next year, the "Mobile Bill" service will be launched to provide customers with more convenient bill inquiry and payment services.

**(B) Foreign Exchange Business**

**a. Optimize the online banking function and the efficiency of the mobile banking APP.**

In order to comply with the trend of the times, it is imperative to develop digital financial products, and continue to strengthen the foreign exchange online banking function of the Bank to provide customers with more diversified and high-quality financial services. Introduce a new generation of corporate online banking, so that customers can have a smoother operating experience.

**b. Evaluate the introduction of the SWIFT GPI (Global Payment Innovation Service) system.**

Members who join SWIFT GPI can log in to the Tracker database to instantly check the status of remittances, pending payments and received payments, achieving the speed, transparency, and availability required by remittance terminal customers. Traceability requirements, to meet the growth of international business development, improve supply chain relations, promote the efficiency of financial scheduling, and optimize the use of funds.

**c. Optimization of the foreign exchange system to enhance operational quality and efficiency.**

In response to the Society for Worldwide Interbank Telecommunications (SWIFT) transposing cross-border payment messages to the ISO 20022 standard format, the original MT message format, which has been used for many years, is modified to an XML-based one. With ISO 20022 standard format, the Republic of China will completely cancel the use of existing MT payment messages from 2025, and upgrade and replace the foreign exchange system to strengthen the competitiveness of financial technology, speed up service efficiency, and improve service quality.

## (7) Long and Short Term Business Development Plans

**A. Short-term business development plans**

The Bank's primary goal is to strengthen its business physique and to improve its financial structure in order to maintain a good loan-to-deposit ratio and to have a balanced development of deposit and loan services. The Bank aims to, through deepening the client relation and promoting “service motivated business”, expand its client base and maximize their contribution.

The Bank plans to increase capital with cash or issue subordinated bonds to ensure its operating fund and to enhance its capital adequacy ratio; and continue to reduce the non-performing loans ratio and increase coverage rate, maintaining an edge in the industry.

**B. Mid- and long-term business development plan**

From the mid-term perspective, the Bank plans to launch branch relocation in order to enhance the overall channel value, operating performance and nationwide market shares in order to maximize benefits of economy of scale. In the meantime, it also continues to maintain its capital structure and cooperate with BASEL III schedule to gradually increase its capital adequacy ratio (BIS). In addition, the Bank will execute the medium-term business growth plan of the Bank, which

will move towards the goal of reaching the \$5 billion scale of deposit/loan business and pre-tax net profit.

In regard to its long-term perspective, the Bank aims to expand its international financial reach, improve the capital structure, strengthen the integration of financial services and develop new products, so as to realize diverse income and enhance the capital continuously. It will further enhance its competitiveness and profitability, ensuring a sustainable development and operation.

## 2. Employee Profile

### (1) Employee data in the last two years and up to the date the annual report is published:

Year		2022	2021	Current year up to March 31
Number of Employees	Assistant Vice President	128	125	131
	Heads	464	549	466
	Office Employees	1,697	1,569	1,680
	Total	2,289	2,243	2,277
Average Age		40.92	40.58	41.22
Average years of service		11.72	11.62	11.91
Education background	PhD	0.13%	0.13%	0.13%
	Master	8.91%	8.52%	8.96%
	College	84.58%	84.53%	84.41%
	Senior High School	6.20%	6.55%	6.32%
	Under Senior High School	0.17%	0.27%	0.18%
	Total	100.00%	100.00%	100.00%
Professional licenses held by employees	Basic Proficiency Test for Bank Internal Control	1,509	1,377	1,515
	Proficiency Test for Trust Operations Personnel	1,865	1,787	1,868
	Trust Operations Management Personnel	502	478	503
	Trust Operations Supervisor	8	9	7
	Proficiency Test for Life Insurance Specialist	1,963	1,892	1,961
	Proficiency Test for Investment-oriented Insurance Personnel	834	784	832
	Proficiency Test for Property Insurance Personnel	1,985	1,900	1,998
	Proficiency Test for Financial Planning Personnel	331	338	331
	Basic Proficiency Test for International Banking Personnel	436	421	434
	Basic Proficiency Test for Bank Lending Personnel	813	760	816
	Advanced Proficiency Test for Bank Lending Personnel	21	21	19
	Proficiency Test for Futures Specialist	256	254	262
	Proficiency Test for Securities Specialist	359	353	359
	Proficiency Test for Senior Securities Specialist	156	161	154
	Proficiency Test for Securities Investment Trust and Consulting Professionals (one subject)	131	134	130
	Proficiency Test for Bill Finance Specialist	68	74	67
	Proficiency Test for Financial Risk Management Personnel	3	3	3
	Proficiency Test for Bank Collateral	13	14	12

Year	2022	2021	Current year up to March 31
Appraisal Personnel			
Qualification of Investment Trust & Consulting Regulations Test	1,138	1,056	1,129
Consultant of Financial Planning (CFP)	4	5	4
Proficiency Test for Bond Specialist	15	17	15
Proficiency Test for Securities Investment Analyst	8	6	7
Proficiency Test for Life Insurance Representative to Sell Foreign Currency Receiving and Paying in Non-Investment Oriented Insurance Products	779	732	767
Certificate of Completion of Risk Management for Foreign Exchange Derivatives Course	134	140	133
Property Insurance Agent Qualification Test	6	2	6
Life Insurance Agent Qualification Test	5	2	5

Note: Fill in the data for the year up to the annual report publication date.

## (2) Status on Training and Development

- A.** The Bank knows that talents are the competitive advantage of a company which cannot be copied, and the decisive force to continuously achieve a company's peak. Therefore, the Bank attaches great importance to the cultivation of internal talents and provides rich learning resources, adopts a "business-oriented training strategy" based on the development of duties, business and career, and plans a diversified curriculum covering physical and digital training to enable employees to learn independently at their own paces and quickly absorb a wide range of financial knowledge, so as to respond to environment and business changes at any time, and enhance their professionalism and competitive advantage in providing quality financial services in a timely manner in order to support the Bank's progressive cultural development and sustainable management philosophy.
- B.** In 2022, the Bank's key cultivation projects were related to the training of professional credit, sales business of wealth management, Foreign exchange and remittance, E-finance, implementation of ESG sustainable development and prevention of money laundering and anti-terrorism, and actively trained employees of all levels and reserved middle and high rank supervisors. Other than sending employees to participate in training courses organized by professional institutions such as the "Taiwan Financial Research Institute", "Republic of China Securities and Futures Market Development Foundation" and related consultancies, the Bank also conducted various physical and online internal professional training courses. According to the statistics, in 2022 the number of participants in physical courses was 4,274 people-times and in online courses was 31,697 person-times, and the total number of participants was 35,971 person-times. The training results were in line with expectations.

## 3. Corporate Social Responsibility and Ethical Behavior

- (1) In the fiscal year 2023, plans are in place to establish a "Customer Complaint Case Management System" to not only mitigate risks arising from manual operations but also improve overall operational efficiency, thereby upholding the principle of fair treatment of customer complaints.**
- (2) Promoting sports activities, including the "Taitung Red Maple Little League Team," "Kaohsiung Yangxin Bank Women's Soccer Team," "Sanhe Junior High School Archery Team," "Shipai Elementary School Table Tennis Team," "Shipai Elementary School Basketball Team," "Yangming High School Baseball Team," "Fulin Elementary School Baseball Team," and more, in order to support the development of Taiwan sports activities and cultivate the local football talents.**
- (3) The Bank shows care for disadvantaged group and fulfills the corporate social responsibilities for a**

long time. The annual welfare scheme “Dream Come True for Children in Remote Areas” has been carried out since 2012, which has visited nearly 60 elementary schools in rural areas. It has provided physical materials for about 2,248 children, making them feel the warmth from the society. The children were inspired and encouraged to build dreams in the scheme with profound significance.

#### 4. Number of Non-Supervisory Full-Time Employees, Average and Median Salary of Non-Supervisory Full-Time Employees and Differences of the Three Compared with Last Year.

Category	2022	2021	Differences(%)
Number of non-supervisor employees	1,871	2,078	(9.96)
Average Salary	846,464	804,711	5.19
Median of salary	770,569	713,052	8.07

Note 1: The number of non-supervisory employees refer to the total number of employees hired in the current year rather than the number of actual employees at year-end, along with managers (managers disclosed in the annual report submitted during the shareholders' meeting and managers who resigned in the middle of the year) who have been employed for over 6 months.

Note 2: For the sake of data completeness and accuracy, starting from the fiscal year 2022, employees with less than one year of service are not included in the calculation of headcount and related salary amounts. The "median salary" is calculated by including all non-supervisory employees who were employed throughout the year and arranging their total annual salaries in ascending order to find the middle value.

# 6

## Chapter

### **VI. Special Remarks**

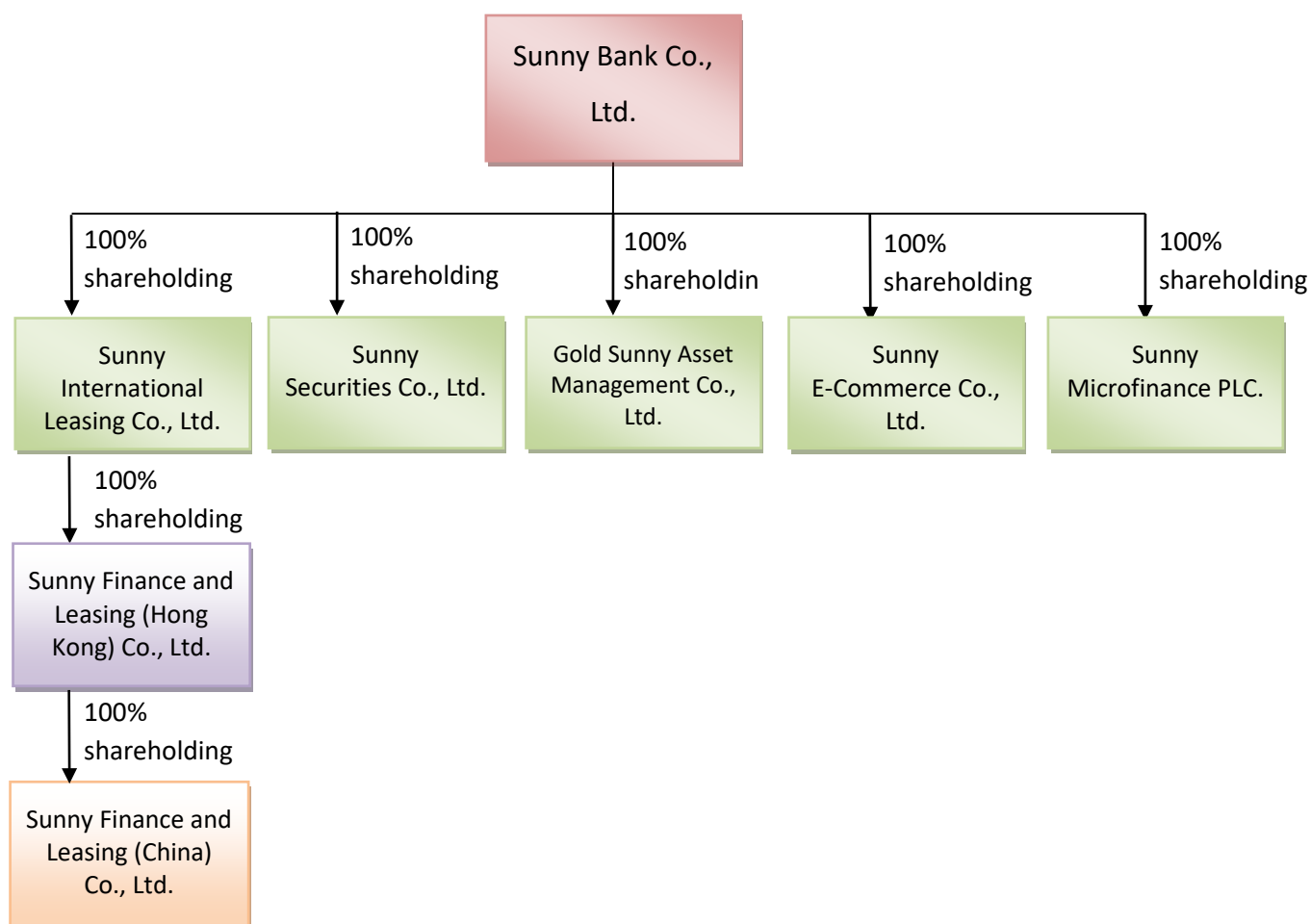
1. Information on Affiliates
2. Private Placement of Marketable Securities and Bank debentures during the Most Recent Fiscal Year before publishing the Annual Report
3. Holding or Disposal of the Bank Stocks by Affiliates during the Most Recent Fiscal Year before publishing the Annual Report
4. Additional Supplementary Remarks
5. Any circumstance as described in Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act which occurred during the past year and before publishing the Annual Report that could materially affect shareholders' equity or the prices of the company's securities

# 1. Information on Affiliates

## (1) Status of Affiliates

### A. Organization Chart of Affiliates

Record date: December 31, 2022



### B. Basic Information on Affiliates

Unit: NT\$ 1,000, unless otherwise specified

Company Name	Date of Establishment	Address	Paid-in Capital	Major Business
Sunny Securities Co., Ltd.	Feb 4, 1998	B2, No.165, Sec. 5, Minsheng E. Rd., Songshan Dist., Taipei City	502,000	Investment in security business
Gold Sunny Asset Management Co., Ltd.	Oct 23, 2006	5F, No.255, Zhongzheng Rd., Shilin Dist., Taipei City	150,000	Purchase of financial institutions' Creditor's Right (Money)
Sunny International Leasing Co., Ltd.	Nov 28, 2012	6F., No.88, Sec. 1, Shipai Rd., Beitou Dist., Taipei City	1,525,000	Leasing
Sunny Finance and Leasing (Hong Kong) Co., Ltd.	Jan 24, 2013	Room 2702-03, Integration Centre, 302-8 Hennessy Road, Wan Chai, Hong Kong	USD30,000,000	Financing, leasing and investment
Sunny Finance and Leasing (China) Co., Ltd.	May 20, 2013	Room D, 5F, No. 618, Yan'an E. Road, Huangpu District, Shanghai City	USD30,000,000	Financing and leasing
Sunny E-Commerce Co., Ltd.	Aug 1, 2014	6F, No. 88, Section 1, Shipai Road, Beitou District, Taipei City	50,000	E-commerce, mobile payment platform operations and management
Sunny Microfinance PLC.	Dec 20, 2018	6F, No.19 & 20, Street 106, Tajieshan, Longbian District, Phnom Penh City, Cambodia	USD14,800,000	Financing

C. For those which have the controller or subsidiary relationship, the information of the common shareholders: None.

## D. Directors, Supervisors and Presidents of Affiliates

Record date: December 31, 2022

Unit: 1,000 shares, %

Company Name	Title	Name	Shareholdings	
			Shares	%
Sunny Securities Co., Ltd.	Chairman	Li, Mu-Shan, Representative of Sunny Bank Co., Ltd.	50,200	100.00
	Director	Le, Wen-Kuang, Representative of Sunny Bank Co., Ltd.		
	Director	Kuo, Cheng-Hung, Representative of Sunny Bank Co., Ltd.		
	Supervisor	Wang, Chien-Yi, Representative of Sunny Bank Co., Ltd.		
	President	Zhang, Wen-Sheng		
Gold Sunny Asset Management Co., Ltd.	Chairman	Chen, Yu-Li, Representative of Sunny Bank Co., Ltd.	15,000	100.00
	Director	Li, Yu-Sheng, Representative of Sunny Bank Co., Ltd.		
	Director	Wang, Shun-Xiang, Representative of Sunny Bank Co., Ltd.		
	Supervisor	Chen, Hui-Ling, Representative of Sunny Bank Co., Ltd.		
Sunny International Leasing Co., Ltd.	Chairman	Chang, chi-ming, Representative of Sunny Bank Co., Ltd.	152,500	100.00
	Director	Gan, Wu-Cheng, Representative of Sunny Bank Co., Ltd.		
	Director	Chen, Yu-Li, Representative of Sunny Bank Co., Ltd.		
	Supervisor	Liu, Chong-Hsun, Representative of Sunny Bank Co., Ltd.		
	President	Liu, Jong-Sen	0	0.00
Sunny Finance and Leasing (Hong Kong) Co., Ltd.	Director	Chang, chi-ming, Representative of Sunny International Leasing Co., Ltd.	0	100.00
Sunny Finance and Leasing (China) Co., Ltd.	Executive	Liu, Jong-Sen, Representative of Sunny Finance and Leasing (Hong Kong) Co., Ltd.	0	100.00
	Director	Liu, Jong-Sen, Representative of Sunny Finance and Leasing (Hong Kong) Co., Ltd.		
	Supervisor	Gan, Wu-Cheng, Representative of Sunny Finance and Leasing (Hong Kong) Co., Ltd.		
Sunny E-Commercial Co., Ltd.	Chairman	Wen, Sheng-Cheng Representative of Sunny Bank Co., Ltd.	5,000	100.00
	Director	Song, Ping-Ping, Representative of Sunny Bank Co., Ltd.		
	Director	Cheng, Yan-Ching, Representative of Sunny Bank Co., Ltd.		
	Supervisor	Chen, Yu-Liang, Representative of Sunny Bank Co., Ltd.		
Sunny Microfinance PLC.	Chairman	Chen, Guo-Huei, Representative of Sunny Bank Co., Ltd.	1,480	100.00
	Director	Chen, Jin-Jia, Representative of Sunny Bank Co., Ltd.		
	Director	Jau, Huei-Jen, Representative of Sunny Bank Co., Ltd.		
	President	Yeh, Liang-Chih	0	0

## E. Operations of Affiliated Companies

Unit: NT\$ 1,000, unless otherwise specified, EPS in NTD

Company	Capital	Total Assets	Total Liabilities	Net Value	Operating Income	Operating Income	Current Profit /Loss (After Tax)	Earnings Per Share (After Tax)
Sunny Securities Co., Ltd.	502,000	1,243,164	598,078	645,086	153,556	30,193	24,922	0.50
Gold Sunny Assets Management Co., Ltd.	150,000	369,547	173,888	195,659	61,185	41,383	31,248	2.08
Sunny International Leasing Co., Ltd.	1,525,000	2,661,279	1,073,477	1,587,802	77,248	50,245	84,220	0.55

Company	Capital	Total Assets	Total Liabilities	Net Value	Operating Income	Operating Income	Current Profit /Loss (After Tax)	Earnings Per Share (After Tax)
Sunny Finance and Leasing (Hong Kong) Co., Ltd.	USD 30,000	USD 30,000	USD 2	USD 29,998	-	-	USD 1,297	-
Sunny Finance and Leasing (China) Co., Ltd.	USD 30,000	CNY226,087	CNY 1,869	CNY224,218	CNY 16,874	CNY 13,858	CNY 10,978	-
Sunny E-Commercial Co., Ltd.	50,000	49,437	20,147	29,290	44,602	101	264	0.05
Sunny Microfinance PLC.	USD 14,800	USD 27,577	USD 13,678	USD 13,899	USD 1,180	USD 173	USD 111	USD 0.08

## (2) Consolidated Financial Statements Covering Affiliated Enterprises

Please see “Annex I: Consolidated Financial Statements of the Bank certified by accountants”.

## (3) Reports on Affiliations: Not Applicable

- 2. Private Placement of Marketable Securities and Bank debentures during the Most Recent Fiscal Year before publishing the Annual Report: None**
- 3. Holding or Disposal of the Bank Stocks by Affiliates during the Most Recent Fiscal Year before publishing the Annual Report: None**
- 4. Additional Supplementary Remarks: None**
- 5. Any circumstance as described in Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act which occurred during the past year and before publishing the Annual Report that could materially affect shareholders' equity or the prices of the company's securities: None**

# 7

## Chapter

### **VII. Service Network**

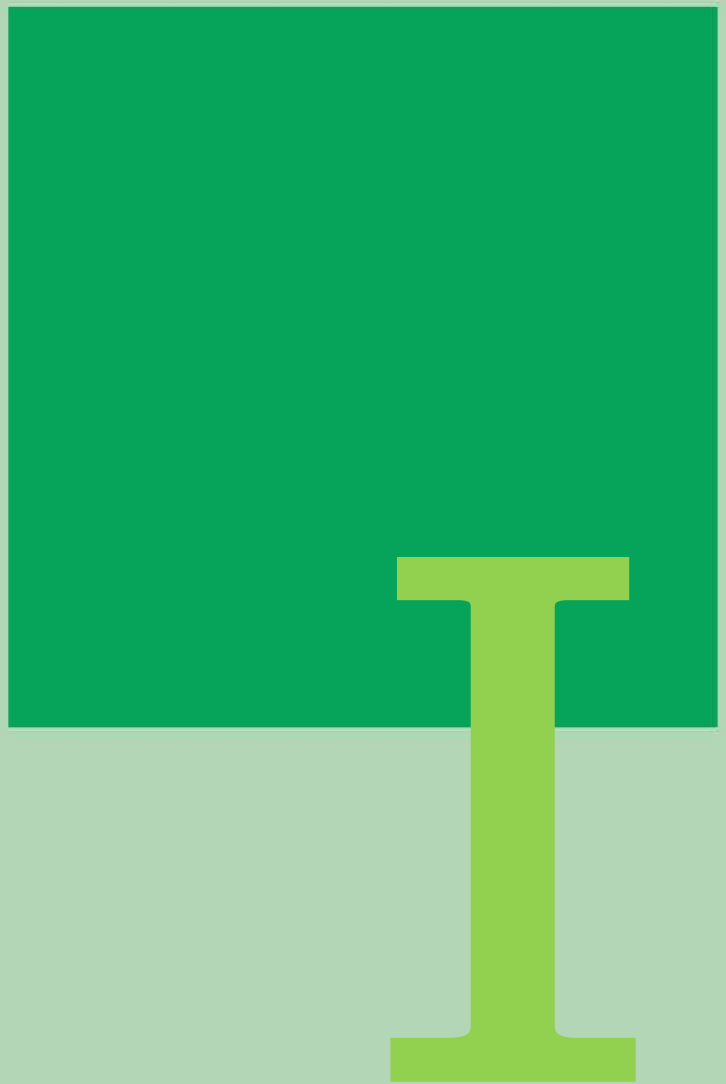


Unit Name	Address		Tel.	
ADMINISTRATION MANAGEMENT DEPARTMENT	11271	NO.90, SEC.1, SHIPAI RD., BEITOU DIST., TAIPEI CITY, TAIWAN.	(02)	2820-8166
BUSINESS DEPARTMENT	11163	NO.255, CHUNG CHENG RD, SHIH LIN DIST, TAIPEI CITY,TAIWAN.	(02)	2882-2330
SHIPAI BRANCH	11271	NO.90, SEC.1, SHIPAI RD., BEITOU DIST., TAIPEI CITY, TAIWAN.	(02)	2823-8480
BEITOU BRANCH	11246	NO.152, GUANGMING RD., BEITOU DIST., TAIPEI CITY, TAIWAN.	(02)	2891-7361
SHILIN BRANCH	11169	NO.82, DABEI RD., SHILIN DIST., TAIPEI CITY, TAIWAN.	(02)	2882-3660
DA TUN BRANCH	11252	NO.304, ZHONGHE ST., BEITOU DIST., TAIPEI CITY, TAIWAN.	(02)	2891-9196
CHIEN TAN BRANCH	11166	NO.131, TONGHE ST., SHILIN DIST., TAIPEI CITY, TAIWAN.	(02)	2885-4181
SHE TZU BRANCH	11173	NO.260, SEC. 5, YANPING N. RD., SHILIN DIST., TAIPEI CITY, TAIWAN.	(02)	2812-1112
LAN YA BRANCH	11155	NO.169, SEC. 6, ZHONGSHAN N. RD., SHILIN DIST., TAIPEI CITY, TAIWAN.	(02)	2836-2072
TIANMU BRANCH	11153	NO.15, TIANMU E. RD., SHILIN DIST., TAIPEI CITY, TAIWAN.	(02)	2873-2500
SHEZHONG BRANCH	11175	NO.220, SHEZHONG ST., SHILIN DIST., TAIPEI CITY, TAIWAN.	(02)	2815-1415
JILIN BRANCH	10459	NO.304, JILIN RD., ZHONGSHAN DIST., TAIPEI CITY, TAIWAN.	(02)	2561-1188
CHENGGONG BRANCH	11489	NO.70, SEC. 4, CHENGGONG RD., NEIHU DIST., TAIPEI CITY, TAIWAN.	(02)	2792-2433
MINSHENG BRANCH	10589	NO.167, SEC. 5, MINSHENG E. RD., SONGSHAN DIST., TAIPEI CITY 105, TAIWAN.	(02)	2760-6335
YANJI BRANCH	10558	NO.11, YANJI ST., SONGSHAN DIST., TAIPEI CITY, TAIWAN.	(02)	2578-6201
MUZHA BRANCH	11648	NO.96, SEC. 3, MUZHA RD., WENSHAN DIST., TAIPEI CITY1, TAIWAN.	(02)	2234-5890
LONGJIANG BRANCH	10475	NO.49, LN. 356, LONGJIANG RD., ZHONGSHAN DIST., TAIPEI CITY, TAIWAN.	(02)	2516-5945
NANJING BRANCH	10553	NO.132, SEC. 4, NANJING E. RD., SONGSHAN DIST., TAIPEI CITY, TAIWAN.	(02)	2579-0229
CHING MEI BRANCH	11669	NO.95-12, JINGHOU ST., WENSHAN DIST., TAIPEI CITY, TAIWAN.	(02)	2930-0202
CHUNG SHING BRANCH	10478	NO.36, SEC. 3, MINSHENG E. RD., ZHONGSHAN DIST., TAIPEI CITY, TAIWAN.	(02)	2516-5268
XINYI BRANCH	10681	NO.188, SEC. 4, XINYI RD., DA AN DIST., TAIPEI CITY, TAIWAN.	(02)	2706-8388
ZHONGHE BRANCH	23553	NO.245, JIAN 1ST RD., ZHONGHE DIST., NEW TAIPEI CITY, TAIWAN.	(02)	2222-5199
YONGHE BRANCH	23443	NO.188, SEC. 1, ZHONGSHAN RD., YONGHE DIST., NEW TAIPEI CITY, TAIWAN.	(02)	2626-5899
LUZHOU BRANCH	24747	NO.393, JIXIAN RD., LUZHOU DIST., NEW TAIPEI CITY, TAIWAN.	(02)	8282-2068
BANQIAO BRANCH	22063	NO.133, SEC. 1, SICHUAN RD., BANQIAO DIST., NEW TAIPEI CITY, TAIWAN.	(02)	2955-0008
TAISHAN BRANCH	24347	NO.110, SEC. 1, MINGZHI RD., TAISHAN DIST., NEW TAIPEI CITY, TAIWAN.	(02)	2297-9797
HSIN HO BRANCH	23570	NO.89, HUAXIN STREET, ZHONGHE DIST, NEW TAIPEI CITY,TAIWAN.	(02)	8941-9339
HSI CHOU BRANCH	22072	NO.89, SEC. 3, DUXING RD., BANQIAO DIST., NEW TAIPEI CITY, TAIWAN.	(02)	2681-9960
KU TING BRANCH	10080	NO.40, SEC. 2, TINGZHOU RD., ZHONGZHENG DIST., TAIPEI CITY, TAIWAN.	(02)	8269-2288

Unit Name	Address		Tel.	
HSIN CHUANG BRANCH	24260	NO.533, LONGAN RD., XINZHUANG DIST., NEW TAIPEI CITY, TAIWAN.	(02)	8201-9069
SAN CHONG BRANCH	24151	NO.108, SEC. 4, ZIQIANG RD., SANCHONG DIST., NEW TAIPEI CITY, TAIWAN.	(02)	8981-7171
SHUANG HO BRANCH	23566	NO.722, JINGPING RD., ZHONGHE DIST., NEW TAIPEI CITY, TAIWAN.	(02)	8242-3919
DAYE BRANCH	33049	NO.55, SEC 1, DAYE RD, TAOYUAN DIST, TAOYUAN CITY, TAIWAN.	(03)	347-8899
FUXING BRANCH	10547	NO.143, FUXING N. RD., SONGSHAN DIST., TAIPEI CITY, TAIWAN.	(02)	2719-6166
TAOYUAN BRANCH	33048	NO.30-20, ZHONGSHAN E. RD., TAOYUAN DIST., TAOYUAN CITY, TAIWAN.	(03)	336-0555
DA AN BRANCH	11056	NO.225, SEC. 3, HEPING E. RD., DA AN DIST., TAIPEI CITY, TAIWAN.	(02)	2733-7711
XINDIAN BRANCH	23148	NO.263-5, ZHONGZHENG RD., XINDIAN DIST., NEW TAIPEI CITY, TAIWAN.	(02)	8911-7676
XINGFU BRANCH	24247	NO.800, XINGFU RD., XINZHUANG DIST., NEW TAIPEI CITY, TAIWAN.	(02)	2998-3366
YUANLIN BRANCH	51052	NO.12, JINGXIU RD., YUANLIN CITY, CHANGHUA COUNTY, TAIWAN.	(04)	832-2171
SHETOU BRANCH	51141	NO.257, SEC. 2, YUANJI RD., SHETOU TOWNSHIP, CHANGHUA COUNTY, TAIWAN.	(04)	872-1017
PINGTUNG BRANCH	90074	NO.70, ZHONGZHENG RD., PINGTUNG CITY, PINGTUNG COUNTY, TAIWAN.	(08)	732-6123
HSIN PU BRANCH	22049	NO.245, SIWEI RD., BANQIAO DIST., NEW TAIPEI CITY, TAIWAN.	(02)	8253-7789
KAOHSIUNG BRANCH	80766	NO.192, JIURU 1ST RD., SANMIN DIST., KAOHSIUNG CITY, TAIWAN.	(07)	384-3163
ZHONGHUA BRANCH	70168	NO.102, SEC. 3, ZHONGHUA E. RD., EAST DIST., TAINAN CITY, TAIWAN.	(06)	267-0751
CHIAYI BRANCH	60089	NO.298, ZHONGXING RD., WEST DIST., CHIAYI CITY, TAIWAN.	(05)	234-2023
TAINAN BRANCH	70050	NO.148, SEC. 1, ZHONGYI RD., WEST CENTRAL DIST., TAINAN CITY, TAIWAN.	(06)	228-2171
JIANKANG BRANCH	70262	NO.370, SEC. 2, JIANKANG RD., SOUTH DIST., TAINAN CITY, TAIWAN.	(06)	261-2136
DONGNING BRANCH	70160	NO.247, DONGNING RD., EAST DIST., TAINAN CITY, TAIWAN.	(06)	237-5141
AN SHUN BRANCH	70941	NO.202, SEC. 1, ANHE RD., ANNAN DIST., TAINAN CITY, TAIWAN.	(06)	256-3146
HSI HUA BRANCH	70847	NO.359, SEC. 2, ZHONGHUA W. RD., ANPING DIST., TAINAN CITY, TAIWAN.	(06)	297-9880
OFFSHORE BANKING UNIT	10547	F2, NO.143, FUXING N. RD., SONGSHAN DIST., TAIPEI CITY, TAIWAN.	(02)	2719-1616
HSINCHU BRANCH	30041	NO.247, ZHONGYANG RD., EAST DIST., HSINCHU CITY, TAIWAN.	(03)	515-3608
JINGWU BRANCH	40147	NO.188, JINGWU E. RD., EAST DIST., TAICHUNG CITY, TAIWAN.	(04)	2211-2368
ZUOYING BRANCH	81357	NO.102, BO AI 2ND RD., ZUOYING DIST., KAOHSIUNG CITY, TAIWAN.	(07)	556-0128
TAICHUNG BRANCH	40354	NO.229, SEC. 2, TAIWAN BLVD, WEST DIST, TAICHUNG CITY, TAIWAN.	(04)	2310-9996
XIANG SHANG BRANCH	40356	NO.166, SEC. 1, XIANGSHANG S. RD., WEST DIST., TAICHUNG CITY, TAIWAN.	(04)	2472-2528
NEIHU BRANCH	11493	NO.250, SEC. 1, NEIHU RD., NEIHU DIST., TAIPEI CITY, TAIWAN.	(02)	2658-6698

Unit Name	Address		Tel.	
ZHONG LI BRANCH	32097	NO.171, JIANXING RD., ZHONGLI DIST., TAOYUAN CITY, TAIWAN.	(03)	428-1116
WUGU BRANCH	24872	NO.12, SEC. 1, ZHONGXING RD., WUGU DIST., NEW TAIPEI CITY, TAIWAN.	(02)	8976-9000
LIN SEN BRANCH	30061	NO.109, XIDA RD., EAST DIST., HSINCHU CITY, TAIWAN.	(03)	610-0189
XINXING BRANCH	80049	NO.6, ZHONGZHENG 4TH RD., XINXING DIST., KAOHSIUNG CITY, TAIWAN.	(07)	288-4131
QINGNIAN BRANCH	80252	NO.169-1, QINGNIAN 1ST RD., LINGYA DIST., KAOHSIUNG CITY, TAIWAN.	(07)	331-8526
SAN FONG BRANCH	80749	NO.293, ZHONGHUA 3RD RD., SANMIN DIST., KAOHSIUNG CITY, TAIWAN.	(07)	231-5101
SIH WEI BRANCH	80245	NO.159, ZHONGHUA 4TH RD., LINGYA DIST., KAOHSIUNG CITY, TAIWAN.	(07)	333-3701
DAGONG BRANCH	80342	NO.40, DAGONG RD., YANCHENG DIST., KAOHSIUNG CITY, TAIWAN.	(07)	531-5105
DASHUN BRANCH	80787	NO.41, DASHUN 2ND RD., SANMIN DIST., KAOHSIUNG CITY, TAIWAN.	(07)	386-1622
HAI KUANG BRANCH	81346	NO.190, ZUOYING AVENUE, ZUOYING DIST., KAOHSIUNG CITY, TAIWAN.	(07)	582-3511
CHIEN CHEN BRANCH	80266	NO.281, SANDUO 2ND RD., LINGYA DIST., KAOHSIUNG CITY, TAIWAN.	(07)	711-0046
PING DENG BRANCH	80745	NO.283, ZILI 1ST RD., SANMIN DIST., KAOHSIUNG CITY, TAIWAN.	(07)	321-4622
XIAOGANG BRANCH	81254	NO.615, HONGPING RD., XIAOGANG DIST., KAOHSIUNG CITY, TAIWAN.	(07)	806-5171
LIWEN BRANCH	81358	NO.75, LIWEN RD., ZUOYING DIST., KAOHSIUNG CITY, TAIWAN.	(07)	558-0711
YOU CHANG BRANCH	81156	NO.803, JIACHANG RD., NANZI DIST., KAOHSIUNG CITY, TAIWAN.	(07)	364-6530
WUJIA BRANCH	83084	NO.280, WUJIA 2ND RD., FENGSHAN DIST., KAOHSIUNG CITY, TAIWAN.	(07)	726-0801
DINGLI BRANCH	80789	NO.142, DINGLI RD., SANMIN DIST., KAOHSIUNG CITY, TAIWAN.	(07)	346-5955
NANZI BRANCH	81162	NO.24, NANZI RD., NANZI DIST., KAOHSIUNG CITY, TAIWAN.	(07)	353-5513
QISHAN BRANCH	84243	NO.158, ZHONGSHAN RD., QISHAN DIST., KAOHSIUNG CITY, TAIWAN.	(07)	661-2081
LINYUAN BRANCH	83248	NO.136, DONGLIN W. RD., LINYUAN DIST., KAOHSIUNG CITY, TAIWAN.	(07)	643-8141
GANGSHAN BRANCH	82065	NO.16, DADE 1ST RD., GANGSHAN DIST., KAOHSIUNG CITY, TAIWAN.	(07)	623-6182
LIGANG BRANCH	90546	NO.43, LIGANG RD., LIGANG TOWNSHIP, PINGTUNG COUNTY, TAIWAN.	(08)	775-7735
YONGKANG BRANCH	71049	NO.625, ZHONGHUA RD., YONGKANG DIST., TAINAN CITY, TAIWAN.	(06)	203-6607
RENDE BRANCH	71743	NO.273, SEC. 2, ZHONGZHENG RD., RENDE DIST., TAINAN CITY, TAIWAN.	(06)	270-6361
TAIPEI BRANCH	10451	NO.43, SEC. 1, MINSHENG E. RD., ZHONGSHAN DIST., TAIPEI CITY, TAIWAN.	(02)	2563-3710
CHANG AN BRANCH	10350	NO.205, CHANG AN W. RD., DATONG DIST., TAIPEI CITY, TAIWAN.	(02)	2559-5500
LOUDONG BRANCH	26548	NO.30, ZHONGZHENG N. RD., LUODONG TOWNSHIP, YILAN COUNTY, TAIWAN.	(03)	957-1259
ZHUBEI BRANCH	30264	NO.236, DONG SEC. 1, GUANGMING 6TH RD., ZHUBEI CITY, HSINCHU COUNTY, TAIWAN.	(03)	658-5818
CHONGXIN BRANCH	24144	NO.28, SEC. 4, CHONGXIN RD., SANCHONG DIST., NEW TAIPEI CITY, TAIWAN.	(02)	2977-9886

Unit Name	Address		Tel.	
CHANGHUA BRANCH	50063	NO.187, XIAOYANG RD., CHANGHUA CITY, CHANGHUA COUNTY, TAIWAN.	(04)	728-9399
TUNG TAOYUAN BRANCH	33044	1F, NO.523, JINGGUO RD., TAOYUAN DIST., TAOYUAN CITY 330, TAIWAN.	(03)	316-1859
NANGANG BRANCH	11578	1F, NO.97, SEC. 2, NANGANG RD., NANGANG DIST., TAIPEI CITY, TAIWAN.	(02)	2785-1001
PEITUN BRANCH	40462	NO.172, SEC. 4, WENXIN RD., NORTH DIST., TAICHUNG CITY, TAIWAN.	(04)	2292-5258
TUCHENG BRANCH	23645	1F, NO.2, LN. 33, SEC. 3, JINCHENG RD, TUCHENG DIST, NEW TAIPEI CITY, TAIWAN.	(02)	8261-1818
KEELUNG BRANCH	20145	1F, NO.117, XIN 1ST RD, XINYI DIST, KEELUNG CITY, TAIWAN.	(02)	2422-2828
WANHUA BRANCH	10864	1F, NO.207, SEC.2, XIYUAN RD, WANHUA DIST, TAIPEI CITY, TAIWAN.	(02)	2305-8699
HUALIEN BRANCH	97342	NO.200, 202, SEC.2, ZHONGHUA RD, JI'AN TOWNSHIP, HUALIEN COUNTY, TAIWAN.	(03)	853-9396
MIAOLI BRANCH	36305	NO.205, DATONG RD, GONGGUAN TOWNSHIP, MIAOLI COUNTY, TAIWAN.	(037)	222-618
LONG JING BRANCH	43448	NO.256, 258, SEC.5, TAIWAN BLVD, LONGJING DIST, TAICHUNG CITY, TAIWAN.	(04)	2633-0898
YUMLIN BRANCH	63344	NO.39, 41, 43, FUXING RD, TUKU TOWNSHIP, YUNLIN COUNTY, TAIWAN.	(05)	662-8889
NANTOU BRANCH	55141	NO.122, YUANJI RD, MINGJIAN TOWNSHIP, NANTOU COUNTY, TAIWAN.	(049)	273-3855
DALI BRANCH	41266	NO.666, SEC.2, GUOGUANG RD, DALI DIST, TAICHUNG CITY, TAIWAN.	(04)	2482-0329
TATUNG BRANCH	103034	NO.118, SEC.3, CHENGDE RD., DATONG DIST., TAIPEI CITY, TAIWAN.	(02)	2598-8979
TAITUNG BRANCH	950012	NO.385, GENGSHENG RD., TAITUNG CITY, TAITUNG COUNTY, TAIWAN	(089)	380-675
ILAN BRANCH	260034	1-2F., NO. 171, SEC. 1, LANFENG RD., YILAN CITY, YILAN COUNTY, TAIWAN	(03)	923-1919
SOUTH TAOYUAN BRANCH	33058	NO.382, ZHONGSHAN RD., TAOYUAN DIST., TAOYUAN CITY, TAIWAN.	(03)	331-0299
HSICHIH BRANCH	22145	1-2F., NO.175, SEC. 1, DATONG RD.,XIZHI DIST.,NEW TAIPEI CITY,TAIWAN.	(02)	8691-9985
HOPING BRANCH	10643	NO., SEC 1, HEPING E. RD., DA'AN DIST., TAIPEI CITY, TAIWAN.	(02)	2396-5998
LINKOU BRANCH	33377	1~2F., No. 331, WENHUA 3RD RD., GUISHAN DIST., TAOYUAN CITY, TAIWAN.	(03)	327-3559
FENGYUAN BRANCH	42041	NO.277, ZHONGSHAN RD., FENGYUAN DIST., TAICHUNG CITY, TAIWAN.	(04)	2526-6166
HSINCHU SCIENCE PARK BRANCH	300071	NO.487, SEC.1, GUANGFU RD., EAST DIST., HSINCHU CITY, TAIWAN	(03)	579-5799



## **Annex.I Sunny Bank Ltd. And Subsidiaries**

Consolidated Financial Statements for the  
Years Ended December 31, 2022 and 2021 and  
Independent Auditor's Report

## **REPRESENTATION LETTER OF COMBINED FINANCIAL STATEMENTS OF AFFILIATES**

The entities that are required to be included in the combined financial statements of Sunny Bank Ltd. as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Sunny Bank Ltd. and its subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

SUNNY BANK LTD.

By:

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SHENG-HUNG CHEN  
Chairman

March 7, 2023

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Sunny Bank Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of Sunny Bank Ltd. (the Company) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, the guidelines issued by the authority, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2022 are stated as follows:

#### Impairment of Discounts and Loans

As of December 31, 2022, the net discounts and loans of the Group amounted to \$438,237,052 thousand, which was significant to the consolidated financial statements as a whole. Besides assessing the expected credit losses of loans in accordance with IFRS 9 "Financial Instruments", the management of the Company complies with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans and related regulations (the "Regulations") when evaluating the classification of credit assets and recognizing allowance for possible losses. Refer to Note 4 to the accompanying consolidated financial statements for the Group's accounting policies related to impairment of discounts and loans; refer to Note 5 for critical accounting judgments and key sources of estimation uncertainty, and Notes 14 and 45 for more details and disclosures.

We determined the assessment of allowance for possible losses on loans as a key audit matter for the year ended December 31, 2022 because the Group's assessment regarding classification of credit assets and allowance for possible losses involves critical estimates and judgments.

In response to the abovementioned key audit matter, we obtained an understanding and performed tests on the relevant internal controls in respect of the Group's loan impairment assessments for compliance with the Regulations and performed sampling on the classification of credit assets. We also considered related regulations and guidelines issued by the authorities and verified that the classification and recognition of impairment of discounts and loans, receivables and loan commitments complied with such regulations and guidelines.

#### **Other Matter**

We have also audited the financial statements of Sunny Bank Ltd. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the 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 Dong-Ru Xie and Yu-Hong Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 10, 2023

#### Notice to Readers

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

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

# SUNNY BANK LTD. AND SUBSIDIARIES

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

ASSETS	2022		2021	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 8,954,017	1	\$ 7,508,299	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	43,630,078	7	44,461,025	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	11,866,700	2	24,023,580	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11 and 42)	92,711,076	14	109,663,903	17
FINANCIAL ASSETS AT AMORTIZED COST (Notes 4, 10, 11 and 42)	36,724,967	5	29,287,997	4
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 12)	6,539,858	1	3,304,251	1
RECEIVABLES, NET (Notes 4, 13 and 14)	5,454,855	1	4,498,133	1
CURRENT TAX ASSETS (Notes 4 and 39)	3,940	-	38	-
DISCOUNTS AND LOANS, NET (Notes 4, 14 and 41)	446,800,184	66	409,192,650	62
OTHER FINANCIAL ASSETS, NET (Notes 4, 15 and 42)	6,485,611	1	7,301,044	1
PROPERTY AND EQUIPMENT, NET (Notes 4 and 16)	15,965,148	2	15,101,826	2
RIGHT-OF-USE ASSETS, NET (Notes 4, 17 and 41)	177,082	-	194,852	-
INVESTMENT PROPERTIES, NET (Notes 4 and 18)	209,731	-	212,786	-
INTANGIBLE ASSETS (Notes 4 and 19)	1,182,144	-	1,181,041	-
DEFERRED TAX ASSETS (Notes 4 and 39)	348,157	-	499,463	-
OTHER ASSETS, NET (Notes 4, 20 and 42)	<u>298,885</u>	<u>-</u>	<u>393,959</u>	<u>-</u>
TOTAL	<u>\$ 677,352,433</u>	<u>100</u>	<u>\$ 656,824,847</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS (Note 21)	\$ 5,874,606	1	\$ 8,834,606	1
DUE TO THE CENTRAL BANK (Note 22)	-	-	5,214,580	1
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	-	-	3,568	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 4, 9, 10 and 23)	3,203,990	1	8,757,257	1
PAYABLES (Notes 24 and 28)	4,802,776	1	5,128,331	1
CURRENT TAX LIABILITIES (Notes 4 and 39)	532,847	-	414,313	-
DEPOSITS AND REMITTANCES (Notes 25 and 41)	604,655,382	89	573,883,857	88
BANK DEBENTURES (Note 26)	15,060,000	2	13,860,000	2
OTHER FINANCIAL LIABILITIES	1,572,944	-	1,426,809	-
PROVISIONS (Notes 4, 14, 27 and 28)	63,780	-	112,334	-
LEASE LIABILITIES (Notes 4, 17 and 41)	174,976	-	192,243	-
DEFERRED TAX LIABILITIES (Notes 4 and 39)	178,558	-	148,633	-
OTHER LIABILITIES (Note 29)	<u>413,075</u>	<u>-</u>	<u>363,260</u>	<u>-</u>
Total liabilities	<u>636,532,934</u>	<u>94</u>	<u>618,339,791</u>	<u>94</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 30)				
Ordinary shares	<u>33,007,060</u>	<u>5</u>	<u>30,295,250</u>	<u>5</u>
Capital surplus	<u>77,067</u>	<u>-</u>	<u>66,943</u>	<u>-</u>
Retained earnings				
Legal reserve	5,733,740	1	4,915,387	1
Special reserve	58,254	-	58,254	-
Unappropriated earnings	<u>4,341,965</u>	<u>-</u>	<u>2,792,036</u>	<u>-</u>
Total retained earnings	<u>10,133,959</u>	<u>1</u>	<u>7,765,677</u>	<u>1</u>
Other equity	<u>(2,398,587)</u>	<u>-</u>	<u>357,186</u>	<u>-</u>
Total equity	<u>40,819,499</u>	<u>6</u>	<u>38,485,056</u>	<u>6</u>
TOTAL	<u>\$ 677,352,433</u>	<u>100</u>	<u>\$ 656,824,847</u>	<u>100</u>

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

# SUNNY BANK LTD. AND SUBSIDIARIES

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

	2022		2021		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE	\$ 12,763,378	141	\$ 9,867,026	115	29
LESS: INTEREST EXPENSE	<u>4,696,668</u>	<u>52</u>	<u>3,063,933</u>	<u>36</u>	53
NET INTEREST (Notes 4, 31 and 41)	<u>8,066,710</u>	<u>89</u>	<u>6,803,093</u>	<u>79</u>	19
NET REVENUE OTHER THAN INTEREST (Note 4)					
Commission and fee revenues, net (Note 32)	1,162,721	13	1,165,597	14	-
Net gain on financial assets and liabilities at fair value through profit or loss (Note 33)	95,803	1	70,859	1	35
Realized gain (loss) on financial assets at fair value through other comprehensive income (Note 34)	(645,729)	(7)	105,310	1	(713)
Gain on disposal of financial assets at amortized cost	106	-	-	-	-
Net foreign exchange gain (loss)	142,835	2	70,904	1	101
Impairment loss (recognized) on assets	(3,887)	-	4,195	-	(193)
Gain on purchased claim receivable	50,865	-	36,062	-	41
Securities brokerage income	108,665	1	196,101	2	(45)
Rental income	58,711	1	56,085	1	5
Other noninterest net revenue (Note 35)	<u>33,296</u>	<u>-</u>	<u>76,536</u>	<u>1</u>	(56)
Total net revenues other than interest	<u>1,003,386</u>	<u>11</u>	<u>1,781,649</u>	<u>21</u>	(44)
TOTAL NET REVENUE	<u>9,070,096</u>	<u>100</u>	<u>8,584,742</u>	<u>100</u>	6
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND GUARANTEES REVERSED (RECOGNIZED) (Notes 4 and 14)	<u>503,549</u>	<u>6</u>	<u>(1,328,841)</u>	<u>(15)</u>	138 (Continued)

# SUNNY BANK LTD. AND SUBSIDIARIES

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

	<b>2022</b>		<b>2021</b>		<b>Percentage Increase (Decrease)</b>
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>%</b>
OPERATING EXPENSES					
Employee benefits (Notes 4, 28, 30, 36 and 41)	\$ 2,723,039	30	\$ 2,585,748	30	5
Depreciation and amortization (Notes 4 and 37)	328,505	4	344,243	4	(5)
Others (Note 38)	<u>1,308,830</u>	<u>14</u>	<u>1,232,962</u>	<u>15</u>	6
Total operating expenses	<u>4,360,374</u>	<u>48</u>	<u>4,162,953</u>	<u>49</u>	5
INCOME BEFORE INCOME TAX	5,213,271	58	3,092,948	36	69
INCOME TAX EXPENSE (Notes 4 and 39)	<u>1,095,910</u>	<u>12</u>	<u>526,243</u>	<u>6</u>	108
NET INCOME	<u>4,117,361</u>	<u>46</u>	<u>2,566,705</u>	<u>30</u>	60
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation (Notes 4 and 28)	89,067	1	(29,970)	-	397
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(335,474)	(4)	217,315	2	(254)
Income tax benefit (expense) relating to items that will not be reclassified subsequently (Notes 4 and 39)	<u>(17,813)</u>	<u>-</u>	<u>5,994</u>	<u>-</u>	(397)
	<u>(264,220)</u>	<u>(3)</u>	<u>193,339</u>	<u>2</u>	(237)

(Continued)

# SUNNY BANK LTD. AND SUBSIDIARIES

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

	2022		2021		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	\$ 71,880	1	\$ (5,691)	-	1,363
Unrealized loss on investments in debt instruments at fair value through other comprehensive income	(2,491,985)	(28)	(1,106,049)	(13)	125
Income tax benefit (expense) relating to items that may be reclassified subsequently (Notes 4 and 39)	<u>(2,812)</u> <u>(2,422,917)</u>	<u>-</u> <u>(27)</u>	<u>1,542</u> <u>(1,110,198)</u>	<u>-</u> <u>(13)</u>	(282) 118
Other comprehensive loss for the year, net of income tax	<u>(2,687,137)</u>	<u>(30)</u>	<u>(916,859)</u>	<u>(11)</u>	193
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,430,224</u>	<u>16</u>	<u>\$ 1,649,846</u>	<u>19</u>	(13)
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Company	\$ 4,117,361	45	\$ 2,566,705	30	60
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
	<u>\$ 4,117,361</u>	<u>45</u>	<u>\$ 2,566,705</u>	<u>30</u>	60
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Company	\$ 1,430,224	16	\$ 1,649,846	19	(13)
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
	<u>\$ 1,430,224</u>	<u>16</u>	<u>\$ 1,649,846</u>	<u>19</u>	(13)
EARNINGS PER SHARE (Note 40)					
Basic	<u>\$1.29</u>		<u>\$0.84</u>		
Diluted	<u>\$1.29</u>		<u>\$0.83</u>		

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

(Concluded)

# SUNNY BANK LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company								Total Equity	
							Other Equity			
							Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Loss)		
	Share Capital		Capital Surplus	Retained Earnings						
	Shares in Thousand	Ordinary Shares		Legal Reserve	Special Reserve	Unappropriated Earnings	Total			
BALANCE AT JANUARY 1, 2021	2,816,851	\$ 28,168,510	\$ 66,043	\$ 4,182,585	\$ 58,254	\$ 2,487,105	\$ 6,727,944	\$ (94,582)	\$ 1,529,765	\$ 36,397,680
Appropriation of the 2020 earnings										
Legal reserve	-	-	-	732,802	-	(732,802)	-	-	-	-
Cash dividends	-	-	-	-	-	(563,370)	(563,370)	-	-	(563,370)
Share dividends	112,674	1,126,740	-	-	-	(1,126,740)	(1,126,740)	-	-	-
Net income for the year ended December 31, 2021	-	-	-	-	-	2,566,705	2,566,705	-	-	2,566,705
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(23,976)	(23,976)	(4,149)	(888,734)	(916,859)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	2,542,729	2,542,729	(4,149)	(888,734)	1,649,846
Issue of ordinary shares for cash	100,000	1,000,000	-	-	-	-	-	-	-	1,000,000
Value of share-based payment under employee share options	-	-	900	-	-	-	-	-	-	900
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	185,114	185,114	-	(185,114)	-
BALANCE AT DECEMBER 31, 2021	3,029,525	30,295,250	66,943	4,915,387	58,254	2,792,036	7,765,677	(98,731)	455,917	38,485,056
Appropriation of the 2021 earnings										
Legal reserve	-	-	-	818,353	-	(818,353)	-	-	-	-
Cash dividends	-	-	-	-	-	(605,905)	(605,905)	-	-	(605,905)
Share dividends	121,181	1,211,810	-	-	-	(1,211,810)	(1,211,810)	-	-	-
Net income for the year ended December 31, 2022	-	-	-	-	-	4,117,361	4,117,361	-	-	4,117,361
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	71,254	71,254	69,068	(2,827,459)	(2,687,137)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	4,188,615	4,188,615	69,068	(2,827,459)	1,430,224
Issue of ordinary shares for cash	150,000	1,500,000	-	-	-	-	-	-	-	1,500,000
Value of share-based payment under employee share options	-	-	10,124	-	-	-	-	-	-	10,124
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(2,618)	(2,618)	-	2,618	-
BALANCE AT DECEMBER 31, 2022	3,300,706	\$ 33,007,060	\$ 77,067	\$ 5,733,740	\$ 58,254	\$ 4,341,965	\$ 10,133,959	\$ (29,663)	\$ (2,368,924)	\$ 40,819,499

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

# SUNNY BANK LTD. AND SUBSIDIARIES

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 5,213,271	\$ 3,092,948
Adjustments for:		
Depreciation expense	252,681	260,118
Amortization expense	75,824	84,125
Allowance for doubtful accounts and guarantees recognized (reversed)	(503,549)	1,328,841
Interest expense	4,696,668	3,063,933
Interest revenue	(12,763,378)	(9,867,026)
Dividend income	(134,418)	(106,256)
Share-based payments	10,124	900
Gain on disposal of property and equipment	(858)	(437)
Gain on disposal of investment properties	(7,627)	(21,745)
Gain on lease modifications	(64)	(643)
Realized loss (gain) on financial assets at fair value through other comprehensive income	779,124	(1,652)
Impairment loss on financial assets (reversed)	3,887	(4,195)
Gain on disposal of foreclosed collateral and residuals taken over	(16,413)	(21,444)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	1,576,134	(9,957,963)
Decrease (increase) in financial assets at fair value through profit or loss	12,156,880	(4,745,380)
Decrease (increase) in financial assets at fair value through other comprehensive income	13,343,589	(6,113,466)
Increase in financial assets at amortized cost	(7,602,550)	(290,377)
Increase in receivables	(446,459)	(237,590)
Increase in discounts and loans	(37,077,133)	(25,690,400)
Decrease in due to the Central Bank and banks	(2,960,000)	(4,070,160)
Increase (decrease) in financial liabilities at fair value through profit or loss	(3,568)	2,878
Increase (decrease) in securities sold under agreements to repurchase	(5,553,267)	1,098,011
Increase (decrease) in payables	(704,357)	1,672,521
Increase in deposits and remittances	30,771,525	50,043,103
Increase (decrease) in provisions	38,971	(148,425)
Net cash generated from (used in) operations	1,145,037	(629,781)
Interest received	12,377,826	10,076,019
Dividends received	133,868	105,618
Interest paid	(4,314,526)	(3,116,922)
Income tax paid	(820,672)	(451,262)
Net cash generated from operating activities	8,521,533	5,983,672

(Continued)

# SUNNY BANK LTD. AND SUBSIDIARIES

## CONSOLIDATED 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 INVESTING ACTIVITIES</b>		
Payments for property and equipment	\$ (1,065,282)	\$ (667,351)
Proceeds from disposal of property and equipment	858	437
Payments for intangible assets	(55,307)	(47,323)
Payments for investment properties	(98,270)	(88,628)
Proceeds from disposal of investment properties	108,216	194,074
Decrease in other financial assets	817,401	1,044,173
Decrease (increase) in other assets	<u>109,512</u>	<u>(77,250)</u>
Net cash generated from (used in) investing activities	<u>(182,872)</u>	<u>358,132</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in due to the Central Bank and other banks	(5,214,580)	1,364,870
Issue of bank debentures	2,100,000	500,000
Repayment of bank debentures on maturity	(900,000)	(3,000,000)
Repayment of the principal portion of lease liabilities	(70,214)	(72,125)
Increase in other financial liabilities	142,795	400,466
Increase in other liabilities	49,815	23,450
Cash dividends paid	(605,905)	(563,370)
Proceeds from issue of ordinary shares	<u>1,500,000</u>	<u>1,000,000</u>
Net cash used in financing activities	<u>(2,998,089)</u>	<u>(346,709)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>85,940</u>	<u>(10,798)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	5,426,512	5,984,297
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>21,044,671</u>	<u>15,060,374</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 26,471,183</u>	<u>\$ 21,044,671</u>

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

	<b>December 31</b>	
	2022	2021
Cash and cash equivalents in consolidated balance sheets	\$ 8,954,017	\$ 7,508,299
Due from the Central Bank and call loans to other banks reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	10,977,308	10,232,121
Securities purchased under agreements to resell reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	<u>6,539,858</u>	<u>3,304,251</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 26,471,183</u>	<u>\$ 21,044,671</u>

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

(Concluded)

# SUNNY BANK LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED 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. GENERAL INFORMATION

Sunny Bank Ltd. (the “Company”) is a public company that deals with: (1) businesses of commercial banks as stated in the Banking Act; (2) all kinds of deposit and trust business; (3) other relevant businesses approved by central authorities; (4) planning, managing and operating trust businesses stated in the Banking Act (Department of Trust), as well as investment in national negotiable securities, and trust operations. As of December 31, 2022, the Bank had 105 branches nationwide.

The functional currency of the Company is New Taiwan dollars, and the consolidated financial statements are presented in New Taiwan dollars.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on March 7, 2023.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and 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 Regulations Governing the Preparation of Financial Reports by Public Banks and IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’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
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have any material impact on Group’s financial position and financial performance.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</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
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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

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

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the guidelines issued by the authority, and IFRSs as endorsed and issued into effect by the FSC.

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

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities (assets) which are measured at present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 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.

Since the operating cycle in the banking industry cannot be reasonably identified, the accounts included in the Group’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.

## Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

The consolidated entities as of December 31, 2022 and 2021 were as follows:

Investor Company	Subsidiary	Business Nature	Percentage of Shareholding (%)	
			December 31 2022	December 31 2021
Sunny Bank Ltd.	Sunny Securities Co., Ltd. ("Sunny Securities")	Accepting orders to sell and purchase negotiable securities in central markets and its sales office, and dealing with commodity trading business	100.00	100.00
Sunny Bank Ltd.	King Sunny Assets Management Co., Ltd. ("King Sunny")	Business related to financial institution creditor's right (money) purchase	100.00	100.00
Sunny Bank Ltd.	Sunny International Leasing Co. ("Sunny Leasing")	Financing and leasing business	100.00	100.00
Sunny Bank Ltd.	Sunny E-Commercial Co., Ltd. ("Sunny E-Commercial")	Internet, software design, information processing and retailing service	100.00	100.00
Sunny Bank Ltd.	Sunny Microfinance PLC.	Financing business	100.00	100.00
Sunny International Leasing Co.	Sunny Finance Lease (HK) Limited	Financing and leasing business	100.00	100.00
Sunny Finance Lease (HK) Limited	Sunny Finance and Leasing (China) Co., Ltd.	Financing and leasing business	100.00	100.00

## Foreign Currencies

In preparing the separate financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., 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 arising 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 from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including branches that use currencies which are different from the currency of the Company) are translated into the 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. The resulting currency translation differences are recognized in other comprehensive income.

## **Financial Instruments**

Financial assets and financial liabilities are recognized when the Group 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 fair value through profit or loss) 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 fair value through profit or loss 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 assets at FVTPL

Financial assets is classified as at FVTPL when such a financial asset is mandatorily classified or 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.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. 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 are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

The effective interest method is a method of calculating the amortized cost of a debt instrument and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts on financial instrument acquisition or issue) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- b) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

### 3) Investments in debt instruments at FVTOCI

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

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

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

### 4) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as 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, it will be transferred to retained earnings.

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

b. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs. For financial instruments and contract assets, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition.

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

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

Under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans” (the “Regulations”), the Group evaluates credit losses on the basis of the estimated collectability of the loans. In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mention, assets that are substandard, assets with doubtful collectability, and assets which have losses. The Group evaluates the value of collaterals for specified loans and assesses the recoverability of unsound credit assets.

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 ROC government agencies that require special mention, assets that are substandard, assets with doubtful collectability, and assets which have losses were 2%, 10%, 50% and 100%, respectively of outstanding balance. For enhanced risk management by banks, FSC issued 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 FSC 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.

According to the assessment of impairment loss on financial assets and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”, the Group assessed loss allowance of loans and receivables, and used the higher result as the criterion to recognize the loss allowance.

The Group’s write off bad loans is based on an assessment of the probability and collateral value of non-accrual loans and non-performing loans, which approved by the board of directors.

c. Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

### Financial liabilities

#### a. Subsequent measurement

Except the following situations, all the 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 liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance cost; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 44.

##### 2) Financial guarantee contracts

Financial guarantee contracts issued by the Group, if not designated as at FVTPL, are subsequently measured at the higher of the amount initially recognized net of the loss allowance reflecting for expected credit losses and amortized cost.

#### 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.

### **Derivative Financial Instruments**

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

## **Modification of Financial Instruments**

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

Interest rate benchmark reform determines changes in the basis of contractual cash flow of financial assets or financial liabilities. If it is necessary for the direct result of the change in interest rate benchmark reform, and the new basis is economically equivalent to the basis before the change, the Group adopts practical expedient practices, which are regarded as changes in the effective interest rate when determining changes in the basis. In addition to changes in the basis for determining contractual cash flows required by changes in interest rate benchmark reform, if additional changes are made to financial assets or financial liabilities, the Group shall first apply practical expedients to the changes required by the changes in interest rate benchmark reform, and then apply the financial instrument amendments to any additional changes that do not apply the practical expedients.

## **Repurchase and Reverse Repurchase Transactions**

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

## **Margin Loans and Stock Loans**

Margin loans pertain to the provision of funds to customers for them to buy securities. The securities bought by customers are used to secure these loans and are recorded through memo entries as “collateral securities.” The collateral securities are returned when the loans are repaid.

Stock loans are securities lent to customers for short sales. The deposits received from customers for lent securities are credited to “deposits on short sale.” The securities sold short are recorded as “stock loans” using memo entries. The proceeds of the sales of securities lent to customers less any dealer’s commission, financing charges and securities exchange tax are recorded under “short sales proceeds payable.” When the customers return the stock certificates to Sunny Securities Co., Sunny Securities Co. gives back to customers the deposits received and the proceeds of the sales of securities.

“Refinancing borrowings” refer to borrowings obtained from the Company by securities finance corporations when they have insufficient securities for margin loan purchases and short sale of securities. Guarantee deposits or collaterals are recorded as refinancing guarantee deposit. Payments collected from the clients in short sales and guarantee deposits from securities finance corporations are recorded as “short sales proceeds payable” and “refinancing deposits receivable,” respectively.

## **Property and Equipment**

Property and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Except for freehold land which is not depreciated, depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates 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 straight-line method.

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

### **Leases**

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

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

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

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, 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 (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

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

#### **b. The Group as lessee**

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

### **Intangible Assets**

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

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured 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. Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

#### **c. 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 measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

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

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

### **Foreclosed Collaterals**

Foreclosed collaterals are recorded at fair value on recognition and revalued at the lower of cost or net fair value as of the balance sheet date.

### **Impairment of Property and Equipment, Right-of-use Asset and Intangible Assets Other Than Goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The 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 is subsequently reversed, the carrying amount of the corresponding 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 in profit or loss.

### **Provisions**

Provisions are measured at the best estimate of the discounted cash flows 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 the fair value of the present obligation resulting from past events can be reliably measured and it is virtually certain that the obligation will be settled, then the Group will recognize provision.

### **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 benefit costs**

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 in which 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 it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. 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 rate for deposits of employees

The Group offers preferential interest rate to its current employees and retired employees for their deposits within a prescribed amount. The preferential rate in excess of market interest rate is treated as employees' benefits.

Under Article 30 of the Regulations Governing the Preparation of Financial Reports by Public Banks, if the Company's preferential interest rate for deposits of employees 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.

## **Revenue Recognition**

a. Interest income and expense

Except for financial assets and liabilities at fair value through profit or loss, interests on all interest-bearing financial instruments are accrued by using the effective interest rate and are accounted for as interest revenue or interest expense in the consolidated statement of comprehensive income.

Once a single or a group of similar financial assets had been written down as a result of an impairment loss, interest income is recognized using the interest rate that is used to discount the future cash flows when assessing impairment.

Transaction costs and all other premiums 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 premiums or discounts paid or received by the Company that is an integral part of the effective interest rate.

Interest should not be accrued for loans that are transferred to nonperforming 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 from revolving credit card receivables and cash advance is recognized on an accrual basis.

b. Commission revenue

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

c. Dividend income

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

### **Share-based Payment Arrangements**

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of issued ordinary shares for cash which are reserved for employee is the date on which the employees are informed.

### **Income Tax**

Income tax expense represents the sum of the currently 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 of each tax jurisdiction.

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

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

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

c. Current and deferred taxes

Current and deferred taxes 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 and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

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

In the application of the Group's accounting policies, 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 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 revisions and future periods if the revisions affect both current and future periods.

### Assessment of Impairment Loss on Loans

The assessment of impairment loss on discounts and loans is based on the Company's assumption on default probability and default loss rate. The Company considers historical experience, existing market situation as well as forward-looking information to make assumptions and select the input for assessing impairment loss. The Company also takes into consideration loan collaterals, principals, interests and the length of time the loans are overdue, and the situation of credit and collection when classifying the loans.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Cash on hand	\$ 4,649,910	\$ 3,192,918
Checks for clearing	1,929,958	2,041,303
Bank deposits and due from other banks	<u>2,374,149</u>	<u>2,274,078</u>
	<u>\$ 8,954,017</u>	<u>\$ 7,508,299</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Deposit reserve - checking accounts	\$ 11,421,506	\$ 9,077,132
Deposit reserve - demand accounts	17,074,723	15,454,372
Deposit reserve - foreign currencies	72,377	63,880
Call loans and overdraft to banks	13,061,243	17,865,399
Due from the Central Bank - interbank settlement funds	<u>2,000,229</u>	<u>2,000,242</u>
	<u>\$ 43,630,078</u>	<u>\$ 44,461,025</u>

Under the directive issued by the Central Bank of the ROC, deposit reserves of bank are determined monthly at prescribed rates based on average balances of customers' deposits. Deposit reserve - demand account should not be used, except for adjusting the deposit reserve amount monthly. Other deposit reserves can be withdrawn momentarily anytime at no interest.

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Financial assets designated as at FVTPL		
Commercial papers	\$ 11,230,012	\$ 23,645,048
Beneficiary certificates	542,259	224,936
Structured deposits	72,273	130,290
Currency swap contracts	15,222	11,112
Listed stocks	6,927	11,851
Forward contracts	<u>7</u>	<u>343</u>
	<u>\$ 11,866,700</u>	<u>\$ 24,023,580</u>
Financial liabilities held for trading		
Currency swap contracts	<u>\$ -</u>	<u>\$ 3,568</u>

The Group engages in derivative transactions mainly to accommodate customers' requirements, and to manage fund dispatching and own risk.

The amounts of outstanding derivative contracts (nominal) were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Currency swap contracts	\$ 789,196	\$ 1,656,130
Forward contracts	774	14,898

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

	December 31	
	2022	2021
Investments in debt instruments at FVTOCI	\$ 90,426,543	\$ 107,356,362
Investments in equity instruments at FVTOCI	<u>2,284,533</u>	<u>2,307,541</u>
	<u>\$ 92,711,076</u>	<u>\$ 109,663,903</u>

### a. Investments in debt instruments at FVTOCI

	December 31	
	2022	2021
Certificates of deposit	\$ 29,095,077	\$ 45,996,837
Government bonds	28,436,509	28,905,637
Corporate bonds	22,932,255	21,203,795
Bank debentures	8,566,922	10,050,321
Commercial papers	<u>1,395,780</u>	<u>1,199,772</u>
	<u>\$ 90,426,543</u>	<u>\$ 107,356,362</u>

- 1) As of December 31, 2022 and 2021, the investments in debt instruments at FVTOCI, which amounted to \$0 thousand and \$1,000,000 thousand, respectively, had been sold under repurchase agreements.
- 2) Refer to Note 11 for information relating to credit risk management and impairment.
- 3) As of December 31, 2022 and 2021, refer to Note 42 for information relating to investments in debt instruments at FVTOCI pledged as security.

### b. Investments in equity instruments at FVTOCI

	December 31	
	2022	2021
Listed shares	\$ 804,414	\$ 822,960
Unlisted shares	1,480,119	1,472,211
Unlisted shares	<u>-</u>	<u>12,370</u>
	<u>\$ 2,284,533</u>	<u>\$ 2,307,541</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium or long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI. In 2022 and 2021, the Company sold shares of stocks, and the related other equity - unrealized gain of \$(2,618) thousand and unrealized gain of \$185,114 thousand on financial assets at FVTOCI were transferred to retained earnings, respectively. Dividends income of \$133,395 thousand and \$103,658 thousand were recognized in profit or loss for the years ended December 31, 2022 and 2021, respectively. Those related to investments derecognized during end of the year were \$7,157 thousand and \$17,793 thousand. The dividends related to investments still held at the end of the reporting period were \$126,238 thousand and \$85,865 thousand, respectively.

## 10. FINANCIAL ASSETS AT AMORTIZED COST

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Government bonds	\$ 29,704,853	\$ 28,317,728
Corporate bonds	4,185,374	715,423
Certificates of deposits	200,000	200,000
Bank debentures	2,636,280	55,154
Less: Allowance for impairment loss	<u>(1,540)</u>	<u>(308)</u>
	<u>\$ 36,724,967</u>	<u>\$ 29,287,997</u>

As of December 31 2022 and 2021, the bond investment with face amount of \$3,200,000 thousand and \$7,749,000 thousand, respectively, had been sold under repurchase agreement.

Refer to Note 11 for information relating to credit risk management and impairment.

As of December 31 2022 and 2021, refer to Note 42 for information relating to investments in financial assets at amortized cost pledged as security.

## 11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at FVTOCI and as at amortized cost.

### December 31, 2022

	<b>At FVTOCI</b>	<b>At Amortized Cost</b>	<b>Total</b>
Gross carrying amount	\$ 93,130,464	\$ 36,726,507	\$ 129,856,971
Less: Allowance for impairment loss	<u>(7,168)</u>	<u>(1,540)</u>	<u>(8,708)</u>
Amortized cost	93,123,296	<u>\$ 36,724,967</u>	129,848,263
Adjustment to fair value	<u>(2,696,753)</u>		<u>(2,696,753)</u>
	<u>\$ 90,426,543</u>		<u>\$ 127,151,510</u>

### December 31, 2021

	<b>At FVTOCI</b>	<b>At Amortized Cost</b>	<b>Total</b>
Gross carrying amount	\$ 107,565,642	\$ 29,288,305	\$ 136,853,947
Less: Allowance for impairment loss	<u>(4,513)</u>	<u>(308)</u>	<u>(4,821)</u>
Amortized cost	107,561,129	<u>\$ 29,287,997</u>	136,849,126
Adjustment to fair value	<u>(204,767)</u>		<u>(204,767)</u>
	<u>\$ 107,356,362</u>		<u>\$ 136,644,359</u>

In determining the expected credit losses of debt instruments, the Group considers the historical default rates supplied by external rating agencies and recovery rate of various bond to estimate 12-month or lifetime expected credit losses. The Group's current credit risk grading mechanism is as follows:

<b>Category</b>	<b>Description</b>	<b>Basis for Recognizing Expected Credit Losses</b>
Stage 1	The credit rating refers to Moody's investors service rating above Ba3 at base date, and the credit risk does not increase significantly.	12-month ECLs
Stage 2	The credit rating refers to Moody's investors service rating lower than B1 at base date or the credit risk increased significantly since initial recognition.	Lifetime ECLs - not credit impaired
Stage 3	There is evidence indicating the asset is credit-impaired at base date.	Lifetime ECLs - credit impaired

The gross carrying amount of debt instrument investments by credit category and the corresponding expected loss rates were as follows:

<b>Category</b>	<b>December 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Expected Loss Rate</b>	<b>Gross Carrying Amount</b>	<b>Expected Loss Rate</b>	<b>Gross Carrying Amount</b>
Stage 1	0%-0.067%	\$ 129,856,971	0%-0.044%	\$ 136,853,947
Stage 2	-	-	-	-
Stage 3	-	-	-	-

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

<b>Allowance for Impairment Loss</b>	<b>Credit Rating</b>		
	<b>Stage 1 (12-month ECLs)</b>	<b>Stage 2 (Lifetime ECLs - Not Credit-impaired)</b>	<b>Stage 3 (Lifetime ECLs - Credit-impaired)</b>
<b>At FVTOCI</b>			
Balance at January 1, 2022	\$ 4,513	\$ -	\$ -
Transfers			
From Stage 1 to Stage 2	-	-	-
From Stage 2 to Stage 3	-	-	-
From Stage 3 to write-off	-	-	-
New financial assets purchased	2,276	-	-
Derecognition	(1,036)	-	-
Change in exchange rates or others	1,415	-	-
Balance at December 31, 2022	<u>\$ 7,168</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

Allowance for Impairment Loss	Credit Rating		
	Stage 1 (12-month ECLs)	Stage 2 (Lifetime ECLs - Not Credit- impaired)	Stage 3 (Lifetime ECLs - Credit- impaired)
<u>At FVTOCI</u>			
Balance at January 1, 2021	\$ 8,659	\$ -	\$ -
Transfers			
From Stage 1 to Stage 2	-	-	-
From Stage 2 to Stage 3	-	-	-
From Stage 3 to write-off	-	-	-
New financial assets purchased	2,199	-	-
Derecognition	(619)	-	-
Change in exchange rates or others	<u>(5,726)</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 4,513</u>	<u>\$ -</u>	<u>\$ -</u> (Concluded)

Allowance for Impairment Loss	Credit Rating		
	Stage 1 (12-month ECLs)	Stage 2 (Lifetime ECLs - Not Credit impaired)	Stage 3 (Lifetime ECLs - Credit impaired)
<u>At amortized cost</u>			
Balance at January 1, 2022	\$ 308	\$ -	\$ -
Transfers			
From Stage 1 to Stage 2	-	-	-
From Stage 2 to Stage 3	-	-	-
From Stage 3 to write-off	-	-	-
New financial assets purchased	988	-	-
Derecognition	(1)	-	-
Change in exchange rates or others	<u>245</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 1,540</u>	<u>\$ -</u>	<u>\$ -</u>
Balance at January 1, 2021	\$ 367	\$ -	\$ -
Transfers			
From Stage 1 to Stage 2	-	-	-
From Stage 2 to Stage 3	-	-	-
From Stage 3 to write-off	-	-	-
New financial assets purchased	125	-	-
Derecognition	(1)	-	-
Change in exchange rates or others	<u>(183)</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 308</u>	<u>\$ -</u>	<u>\$ -</u>

**12. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Bank debentures	\$ 4,602,535	\$ 1,885,096
Corporate bonds	1,893,718	1,336,085
Government bonds	<u>43,605</u>	<u>83,070</u>
	<u>\$ 6,539,858</u>	<u>\$ 3,304,251</u>
Amounts of resell agreements	<u>\$ 6,561,710</u>	<u>\$ 3,306,841</u>
Dates of resell agreements	2023.1.4- 2023.2.8	2022.1.4- 2022.3.15

Securities purchased under agreement to resell are not underlying for agreements to repurchase.

**13. RECEIVABLES, NET**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Lease receivables	\$ 2,390,772	\$ 1,435,335
Interest receivables	1,750,446	1,396,932
Credit card receivables	649,392	606,011
Account receivable - settlement	442,898	798,601
Purchased claims receivables	53,688	57,139
Acceptances	28,407	34,782
Other receivables	<u>472,088</u>	<u>473,303</u>
	5,787,691	4,802,103
Less: Allowance for credit losses (Note 14)	<u>332,836</u>	<u>303,970</u>
Net amount	<u>\$ 5,454,855</u>	<u>\$ 4,498,133</u>
Minimum lease payments receivable	\$ 2,581,154	\$ 1,595,150
Less: Unearned finance income	<u>190,382</u>	<u>159,815</u>
Present value of minimum lease payment	<u>\$ 2,390,772</u>	<u>\$ 1,435,335</u>

**14. DISCOUNTS AND LOANS, NET**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Export negotiation	\$ 20,795	\$ 24,916
Short-term loans	15,545,320	13,790,007
Secured short-term loans	99,113,788	93,297,419
Margin loans receivable	504,509	757,426
Medium-term loans	62,708,870	50,231,772
Secured medium-term loans	201,477,405	182,373,794

(Continued)

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Long-term loans	\$ 3,645,295	\$ 2,974,708
Secured long-term loans	69,039,934	71,241,647
Nonperforming loans transferred from loans	<u>654,646</u>	<u>657,290</u>
	452,710,562	415,348,979
Less: Allowance for credit losses	5,933,369	6,221,876
Premium or discount on discounts and loans	<u>22,991</u>	<u>65,547</u>
Net amount	<u>\$ 446,800,184</u>	<u>\$ 409,192,650</u> (Concluded)

As of December 31, 2022, the loans and allowance for credit losses were \$438,237,052 thousand and \$5,790,911 thousand, respectively.

Please refer to Note 45 for the analysis of impairment loss on receivables, and discounts and loans.

The Group assessed the collectability of discounts and loans, and receivables to determine the required allowance and to appropriately provide for guarantee liabilities, financial commitment provisions and other provisions. Movements of the allowance of discounts and loans, receivables, nonperforming loans transferred from other than loans, guarantee liabilities, finance commitment provisions and other provisions are as follows:

	<b>2022</b>						
	<b>Discounts and Loans</b>	<b>Receivables</b>	<b>Nonperforming Loans Transferred from Other</b>	<b>Provision for Guarantee</b>	<b>Finance Commitments Provision</b>	<b>Other Provisions</b>	<b>Total</b>
Balance at January 1	\$ 6,221,876	\$ 303,970	\$ 1,442	\$ 41,554	\$ 3,375	\$ 783	\$ 6,573,000
(Reversal) provisions	(492,965)	(10,158)	(1,968)	2,941	(1,276)	(123)	(503,549)
Write-off	(580,415)	(209)	(10,400)	-	-	-	(591,024)
Recovery of written-off credits	770,245	39,057	12,955	-	-	-	822,257
Effect of exchange rate changes	<u>14,628</u>	<u>176</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,804</u>
Balance, December 31	<u>\$ 5,933,369</u>	<u>\$ 332,836</u>	<u>\$ 2,029</u>	<u>\$ 44,495</u>	<u>\$ 2,099</u>	<u>\$ 660</u>	<u>\$ 6,315,488</u>

	<b>2021</b>						
	<b>Discounts and Loans</b>	<b>Receivables</b>	<b>Nonperforming Loans Transferred from Other</b>	<b>Provision for Guarantee</b>	<b>Finance Commitments Provision</b>	<b>Other Provisions</b>	<b>Total</b>
Balance at January 1	\$ 4,835,689	\$ 332,062	\$ 1,775	\$ 34,727	\$ 7,195	\$ 889	\$ 5,212,337
(Reversal) provisions	1,311,751	14,247	(58)	6,827	(3,820)	(106)	1,328,841
Write-off	(582,831)	(42,339)	(10,640)	-	-	-	(635,810)
Recovery of written-off credits	662,579	143	10,365	-	-	-	673,087
Effect of exchange rate changes	<u>(5,312)</u>	<u>(143)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,455)</u>
Balance, December 31	<u>\$ 6,221,876</u>	<u>\$ 303,970</u>	<u>\$ 1,442</u>	<u>\$ 41,554</u>	<u>\$ 3,375</u>	<u>\$ 783</u>	<u>\$ 6,573,000</u>

## 15. OTHER FINANCIAL ASSETS, NET

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Time deposits not qualifying as cash and cash equivalents	\$ 6,482,360	\$ 7,298,574
Nonperforming loans transferred from other than loans	5,280	3,912
Less: Allowance for credit losses (Note 14)	2,029	1,442
	<u>3,251</u>	<u>2,470</u>
	<u>\$ 6,485,611</u>	<u>\$ 7,301,044</u>

Please refer to Note 42 for information relating to other financial assets pledged as security.

## 16. PROPERTY AND EQUIPMENT, NET

	Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Leasehold Improvement	Prepayments for Equipment and Construction in Progress	Total
<b>Cost</b>								
Balance, January 1, 2022	\$ 7,722,846	\$ 3,164,228	\$ 950,331	\$ 70,213	\$ 919,735	\$ 31,908	\$ 5,649,950	\$ 18,509,211
Additions	184,297	95,339	53,947	24,112	28,416	1,216	677,955	1,065,282
Disposals	-	-	(45,998)	(3,896)	(19,420)	(552)	-	(69,866)
Decommissioning	-	-	-	-	-	-	-	-
Reclassification	800	21,435	8,827	1,120	23,427	-	(76,747)	(21,138)
Effect of foreign currency exchange differences	-	-	351	28	384	316	-	1,079
Balance, December 31, 2022	<u>7,907,943</u>	<u>3,281,002</u>	<u>967,458</u>	<u>91,577</u>	<u>952,542</u>	<u>32,888</u>	<u>6,251,158</u>	<u>19,484,568</u>
<b>Accumulated depreciation</b>								
Balance, January 1, 2022	-	1,631,470	832,253	53,196	851,333	29,133	-	3,397,385
Depreciation	-	68,588	70,997	6,912	33,569	1,140	-	181,206
Disposals	-	-	(45,998)	(3,896)	(19,420)	(552)	-	(69,866)
Effect of foreign currency exchange differences	-	-	172	26	307	190	-	695
Balance, December 31, 2022	-	<u>1,700,058</u>	<u>857,424</u>	<u>56,238</u>	<u>865,789</u>	<u>29,911</u>	-	<u>3,509,420</u>
<b>Accumulated impairment loss</b>								
Balance, January 1, 2022	10,000	-	-	-	-	-	-	10,000
Balance, December 31, 2022	<u>10,000</u>	-	-	-	-	-	-	<u>10,000</u>
<b>Net amount</b>								
Balance, January 1, 2022	<u>\$ 7,712,846</u>	<u>\$ 1,532,758</u>	<u>\$ 118,078</u>	<u>\$ 17,017</u>	<u>\$ 68,402</u>	<u>\$ 2,775</u>	<u>\$ 5,649,950</u>	<u>\$ 15,101,826</u>
Balance, December 31, 2022	<u>\$ 7,897,943</u>	<u>\$ 1,580,944</u>	<u>\$ 110,034</u>	<u>\$ 35,339</u>	<u>\$ 86,753</u>	<u>\$ 2,977</u>	<u>\$ 6,251,158</u>	<u>\$ 15,965,148</u>
<b>Cost</b>								
Balance, January 1, 2021	\$ 7,639,487	\$ 3,159,929	\$ 977,851	\$ 65,877	\$ 905,875	\$ 31,998	\$ 5,128,375	\$ 17,909,392
Additions	83,359	5,440	17,867	7,847	15,249	-	537,589	667,351
Disposals	-	(1,141)	(47,587)	(3,495)	(5,228)	-	-	(57,451)
Reclassification	-	-	2,296	-	3,945	-	(16,014)	(9,773)
Effect of foreign currency exchange differences	-	-	(96)	(16)	(106)	(90)	-	(308)
Balance, December 31, 2021	<u>7,722,846</u>	<u>3,164,228</u>	<u>950,331</u>	<u>70,213</u>	<u>919,735</u>	<u>31,908</u>	<u>5,649,950</u>	<u>18,509,211</u>
<b>Accumulated depreciation</b>								
Balance, January 1, 2021	-	1,564,581	804,501	50,522	822,210	27,966	-	3,269,780
Depreciation	-	68,030	75,370	6,184	34,347	1,207	-	185,138
Disposals	-	(1,141)	(47,587)	(3,495)	(5,228)	-	-	(57,451)
Effect of foreign currency exchange differences	-	-	(31)	(15)	4	(40)	-	(82)
Balance, December 31, 2021	-	<u>1,631,470</u>	<u>832,253</u>	<u>53,196</u>	<u>851,333</u>	<u>29,133</u>	-	<u>3,397,385</u>
<b>Accumulated impairment loss</b>								
Balance, January 1, 2021	10,000	-	-	-	-	-	-	10,000
Balance, December 31, 2021	<u>10,000</u>	-	-	-	-	-	-	<u>10,000</u>
<b>Net amount</b>								
Balance, January 1, 2021	<u>\$ 7,629,487</u>	<u>\$ 1,595,348</u>	<u>\$ 173,350</u>	<u>\$ 15,355</u>	<u>\$ 83,665</u>	<u>\$ 4,032</u>	<u>\$ 5,128,375</u>	<u>\$ 14,629,612</u>
Balance, December 31, 2021	<u>\$ 7,712,846</u>	<u>\$ 1,532,758</u>	<u>\$ 118,078</u>	<u>\$ 17,017</u>	<u>\$ 68,402</u>	<u>\$ 2,775</u>	<u>\$ 5,649,950</u>	<u>\$ 15,101,826</u>

The above items of property and equipment were depreciated on a straight-line basis over the following estimated lives:

Items	Years
Buildings	3 to 60 years
Machinery equipment	2 to 6 years
Transportation equipment	3 to 6 years
Other equipment	3 to 25 years
Leasehold improvement	25 years or over the lease period if below 25 years

The Group does not have property and equipment pledged as security.

## 17. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amounts</u>		
Land	\$ 496	\$ 535
Buildings	175,155	193,752
Machinery equipment	<u>1,431</u>	<u>565</u>
	<u>\$ 177,082</u>	<u>\$ 194,852</u>
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets	<u>\$ 56,084</u>	<u>\$ 57,840</u>
Depreciation charge for right-of-use assets		
Land	\$ 179	\$ 174
Buildings	70,251	73,736
Machinery equipment	<u>309</u>	<u>158</u>
	<u>\$ 70,739</u>	<u>\$ 74,068</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Carrying amounts	<u>\$ 174,976</u>	<u>\$ 192,243</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Land	2.92%-3.00%	2.92%-4.75%
Buildings	2.86%-5.50%	2.86%-5.50%
Machinery equipment	3.00%	3.00%

### c. Material leasing activities as lessee

The Group leases certain property and parking space for the branches with lease terms of 2 to 10 years.

The lease contracts for the property which the Group signed specifies that lease payments will be adjusted on the basis of changes in the price index. The Group has bargain purchase options to acquire the leasehold assets at the end of the lease terms.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases	\$ 2,168	\$ 2,230
Expenses relating to low-value asset leases	\$ 7,300	\$ 7,279
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 338	\$ 345
Total cash outflow for leases	\$ 85,422	\$ 87,636

The Group's leases of certain lands, properties and buildings qualify as short-term leases and leases of certain office equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

# 18. INVESTMENT PROPERTY, NET

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Land	\$ 183,360	\$ 181,413
Buildings	26,371	31,373
	<u>\$ 209,731</u>	<u>\$ 212,786</u>

The above items of investment property are depreciated on a straight-line basis over the following estimated useful lives:

<b>Items</b>	<b>Years</b>
Main buildings	60 years

The movements of investment property are summarized as follow:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Cost</u>		
Balance, January 1	\$ 214,143	\$ 300,552
Addition	98,270	88,628
Disposal	(101,697)	(174,202)
Reclassification	-	(835)
Balance, December 31	<u>\$ 210,716</u>	<u>\$ 214,143</u>
<u>Accumulated depreciation and impairment</u>		
Balance, January 1	\$ 1,357	\$ 2,318
Depreciation	736	912
Disposal	(1,108)	(1,873)
Balance, December 31	<u>\$ 985</u>	<u>\$ 1,357</u>

(Continued)

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Net amount</u>		
Balance, January 1	\$ 212,786	\$ 298,234
Balance, December 31	<u>\$ 209,731</u>	<u>\$ 212,786</u>
		(Concluded)

The fair value of the investment property was not evaluated by an independent appraiser. The Group's management used the valuation model commonly used by the market participants to determine the fair value, i.e., the fair value was obtained by reference to the transaction prices for similar properties as the market evidence. The fair value as of December 31, 2022 and 2021 were \$305,480 thousand and \$289,143 thousand, respectively.

## 19. INTANGIBLE ASSETS

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Goodwill	\$ 1,034,579	\$ 1,034,579
Computer software	<u>147,565</u>	<u>146,462</u>
	<u>\$ 1,182,144</u>	<u>\$ 1,181,041</u>

The movements of intangible assets are shown as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance, January 1	\$ 1,181,041	\$ 1,207,948
Additions	55,307	47,323
Amortization	(75,744)	(83,880)
Reclassifications	21,138	9,773
Effect of foreign currency exchange differences	<u>402</u>	<u>(123)</u>
Balance, December 31	<u>\$ 1,182,144</u>	<u>\$ 1,181,041</u>

The Group partially acquired Credit Cooperative Associations in 2001 and 2002. On November 26, 2005 Kao Shin Commercial Bank was merged and recognized a goodwill of \$1,034,579 thousand.

In testing goodwill for impairment, the recoverable amount is its value in use for operating segments defined as a CGU. The Group estimates the next five year's cash flows of a CGU by taking into consideration the actual performance of each CGU, business cycle, etc. under the going concern assumption. The discounted present value of cash flows is used to determine the value in use of each CGU. The testing for asset impairment showed that no impairment loss had been incurred.

The above items of intangible assets with definite life are amortized on a straight line basis over the following years.

<u>Item</u>	<u>Years</u>
Computer software	2-10 years

**20. OTHER ASSETS, NET**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Collaterals assumed		
Cost	\$ 52,118	\$ 100,429
Less: Accumulated impairment loss	<u>(20,446)</u>	<u>(22,341)</u>
Collaterals assumed, net	31,672	78,088
Prepayments	77,438	55,238
Refundable deposits	68,996	123,361
Defined benefit assets (Note 28)	62,230	-
Operating deposits, clearing and settlement fund	22,559	17,710
Others	<u>35,990</u>	<u>119,562</u>
	<u>\$ 298,885</u>	<u>\$ 393,959</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Call loans from banks	\$ 1,000,000	\$ 4,100,000
Due to banks	3,576,000	3,436,000
Deposits from Chunghwa Post Co., Ltd.	<u>1,298,606</u>	<u>1,298,606</u>
	<u>\$ 5,874,606</u>	<u>\$ 8,834,606</u>

**22. DUE TO THE CENTRAL BANK AND OTHER BANKS**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Due to the central bank	<u>\$ -</u>	<u>\$ 5,214,580</u>

**23. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Government bonds	\$ 3,203,990	\$ 7,756,898
Corporate bond	<u>-</u>	<u>1,000,359</u>
	<u>\$ 3,203,990</u>	<u>\$ 8,757,257</u>
Agreed-upon repurchase price	<u>\$ 3,206,180</u>	<u>\$ 8,759,382</u>
Maturity date	2023.1.4- 2023.1.18	2022.1.3- 2022.2.23

## 24. PAYABLES

	December 31	
	2022	2021
Interest payables	\$ 954,269	\$ 575,467
Accrued expenses	853,978	760,069
Notes and checks for clearing	1,929,958	2,041,303
Accounts payable for settlement	398,388	774,802
Acceptances payable	70,530	90,856
Payable on behalf of collection	138,393	453,261
Other taxes payable	141,450	92,585
Bills for collection	28,371	34,737
Other payables	<u>287,439</u>	<u>305,251</u>
	<u>\$ 4,802,776</u>	<u>\$ 5,128,331</u>

## 25. DEPOSITS AND REMITTANCES

	December 31	
	2022	2021
Checking	\$ 4,129,697	\$ 5,197,024
Demand	91,405,408	95,236,490
Time deposits	242,032,152	226,375,425
Savings	267,040,637	247,033,133
Remittances	<u>47,488</u>	<u>41,785</u>
	<u>\$ 604,655,382</u>	<u>\$ 573,883,857</u>

## 26. BANK DEBENTURES

To raise capital for its financing operation and to increase capital adequacy ratio, the Company obtained approval to issue bank debentures, as follows:

	Maturity Date	Rates	December 31	
			2022	2021
Second subordinated bank debentures issued in 2015	2015.10.08-2022.10.08	Fixed interest rate of 2.50%. Interest is paid annually.	\$ -	\$ 400,000
Third subordinated bank debentures issued in 2015	Principal is repayable on maturity date. 2015.11.10-2022.11.10	Fixed interest rate of 2.50%. Interest is paid annually.	-	500,000
Fourth subordinated non-accumulating redeemable bank debentures issued on December 24, 2015	Principal is repayable on maturity date. No maturity date. Redeemable at par after 7 years from the date of issue.	Fixed interest rate of 4.50%. Interest is paid annually.	700,000	700,000
Fifth subordinated non-accumulating redeemable bank debentures issued on December 31, 2015	No maturity date. Redeemable at par after 7 years from the date of issue.	Fixed interest rate of 4.50%. Interest is paid annually.	200,000	200,000
First subordinated bank debentures issued in 2016	2016.01.27-2023.01.27	Fixed interest rate of 2.46%. Interest is paid annually.	1,100,000	1,100,000
Second subordinated bank debentures issued in 2016 (A)	2016.08.19- 2023.08.19	Fixed interest rate of 2.00%. Interest is paid annually.	530,000	530,000
Second subordinated bank debentures issued in 2016 (B)	2016.08.19-2023.08.19	Variable interest rate plus 1.08%. Interest is paid annually.	170,000	170,000
Third subordinated non-accumulating redeemable bank debentures issued on August 19, 2016	Principal is repayable on maturity date. No maturity date. Redeemable at par after 7 years from the date of issue.	Fixed interest rate of 4.35%. Interest is paid annually.	300,000	300,000
Fourth subordinated bank debentures issued in 2016	2016.09.20- 2023.09.20	Fixed interest rate of 2.00%. Interest is paid annually.	800,000	800,000

(Continued)

	Maturity Date	Rates	December 31	
			2022	2021
Fifth subordinated non-accumulating redeemable bank debentures issued on October 18, 2016	No maturity date. Redeemable at par after 7 years from the date of issue.	Fixed interest rate of 4.35%. Interest is paid annually.	\$ 200,000	\$ 200,000
First subordinated bank debentures issued in 2017	2017.02.15-2024.02.15 Principal is repayable on maturity date.	Variable interest rate plus 0.83%. Interest is paid annually.	200,000	200,000
Second subordinated non-accumulating redeemable bank debentures issued on March 31, 2017	No Maturity date.	Variable interest rate plus 3.13%. Interest is paid annually.	800,000	800,000
Third subordinated bank debentures issued in 2017 (A)	2017.05.31-2024.05.31 Principal is repayable on maturity date.	Fixed interest rate of 1.75%. Interest is paid annually.	70,000	70,000
Third subordinated bank debentures issued in 2017 (B)	2017.05.31-2024.05.31 Principal is repayable on maturity date.	Variable interest rate plus 0.83%. Interest is paid annually.	380,000	380,000
Fourth subordinated non-accumulating redeemable bank debentures issued on March 31, 2017	2017.06.29-2024.06.29 Principal is repayable on maturity date.	Variable interest rate plus 0.83%. Interest is paid annually.	450,000	450,000
Fifth subordinated non-accumulating redeemable bank debentures issued on August 30, 2017	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 3.13%. Interest is paid annually.	530,000	530,000
Sixth subordinated non-accumulating redeemable bank debentures issued on September 25, 2017	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 3.13%. Interest is paid annually.	350,000	350,000
First subordinated non-accumulating redeemable bank debentures issued on March 29, 2018	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 3.13%. Interest is paid annually.	180,000	180,000
Second subordinated non-accumulating redeemable bank debentures issued on September 27, 2018	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 3.13%. Interest is paid annually.	480,000	480,000
Third subordinated non-accumulating redeemable bank debentures issued on November 21, 2018	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 3.13%. Interest is paid annually.	150,000	150,000
Fourth subordinated non-accumulating redeemable bank debentures issued on December 27, 2018	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 3.13%. Interest is paid annually.	240,000	240,000
First subordinated non-accumulating redeemable bank debentures issued on May 10, 2019	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 2.93%. Interest is paid annually.	260,000	260,000
Second subordinated non-accumulating redeemable bank debentures issued on June 26, 2019	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 2.93%. Interest is paid annually.	370,000	370,000
Third subordinated non-accumulating redeemable bank debentures issued on December 27, 2019	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 1.93%. Interest is paid annually.	700,000	700,000
First subordinated non-accumulating redeemable bank debentures issued on March 27, 2020	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 1.93%. Interest is paid annually.	1,300,000	1,300,000
Second subordinated non-accumulating redeemable bank debentures issued on September 29, 2020	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 1.89%. Interest is paid annually.	1,450,000	1,450,000
Third subordinated non-accumulating redeemable bank debentures issued on November 27, 2020	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 1.89%. Interest is paid annually.	550,000	550,000
First subordinated non-accumulating redeemable bank debentures issued on July 20, 2021	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 1.46%. Interest is paid annually.	500,000	500,000
First subordinated non-accumulating redeemable bank debentures issued on March 10, 2022	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 1.46%. Interest is paid annually.	100,000	-
Second subordinated bank debentures issued in 2022	2022.08.19-2029.08.19 Principal is repayable on maturity date.	Fixed interest rate of 2.45%. Interest is paid annually.	2,000,000	-
			<u>\$ 15,060,000</u>	<u>\$ 13,860,000</u>

(Concluded)

## 27. PROVISIONS

	December 31	
	2022	2021
Provisions for employee benefits (Note 28)	\$ 2,444	\$ 52,449
Provisions for guarantee liabilities (Note 14)	44,495	41,554
Provisions for decommissioning liabilities	9,877	10,221
Provisions for financial commitment (Note 14)	2,099	3,375
Provisions for warranty	4,205	3,952
Other provisions (Note 14)	<u>660</u>	<u>783</u>
	<u>\$ 63,780</u>	<u>\$ 112,334</u>

## 28. PROVISIONS FOR EMPLOYEE BENEFITS

	December 31	
	2022	2021
Recognized in consolidated balance sheets (accounts payable and provisions)		
Defined benefit plans	\$ -	\$ 49,315
Defined contribution plans	12,931	13,697
Preferential interest rate plan for employees' deposits	<u>2,444</u>	<u>3,134</u>
	<u>\$ 15,375</u>	<u>\$ 66,146</u>

### a. Defined benefit plans

The Company and Sunny Securities Co. adopted the defined benefit plan in accordance with the Labor Standards Law of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and Sunny Securities Co. contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

Before the end of each year, the Company and Sunny Securities Co. assess 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 Company and Sunny Securities Co. are required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy or strategy.

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

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 799,911	\$ 886,159
Fair value of plan assets	<u>(862,141)</u>	<u>(836,844)</u>
Net defined benefit liabilities (assets)	<u>\$ (62,230)</u>	<u>\$ 49,315</u>

Movements in net defined benefit liabilities (assets) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2021	<u>\$ 876,902</u>	<u>\$ (707,346)</u>	<u>\$ 169,556</u>
Service cost			
Current service cost	7,344	-	7,344
Net interest expense (income)	<u>2,999</u>	<u>(2,421)</u>	<u>578</u>
Recognized in profit or loss	<u>10,343</u>	<u>(2,421)</u>	<u>7,922</u>
Remeasurement			
Return on plan assets	-	(3,217)	(3,217)
Actuarial loss - changes in demographic assumptions	30,144	-	30,144
Actuarial gain - changes in financial assumptions	(25,336)	-	(25,336)
Actuarial loss - experience adjustments	<u>32,393</u>	<u>(4,014)</u>	<u>28,379</u>
Recognized in other comprehensive income	<u>37,201</u>	<u>(7,231)</u>	<u>29,970</u>
Contributions from the employer	-	(158,133)	(158,133)
Benefits paid (received)	<u>(38,287)</u>	<u>38,287</u>	<u>-</u>
Balance at December 31, 2021	<u>886,159</u>	<u>(836,844)</u>	<u>49,315</u>
Service cost			
Current service cost	6,039	-	6,039
Net interest expense (income)	<u>6,503</u>	<u>(6,159)</u>	<u>344</u>
Recognized in profit or loss	<u>12,542</u>	<u>(6,159)</u>	<u>6,383</u>
Remeasurement			
Return on plan assets	-	(46,010)	(46,010)
Actuarial gain - changes in financial assumptions	(35,527)	-	(35,527)
Actuarial gain - experience adjustments	<u>(3,985)</u>	<u>(3,545)</u>	<u>(7,530)</u>
Recognized in other comprehensive income	<u>(39,512)</u>	<u>(49,555)</u>	<u>(89,067)</u>
Contributions from the employer	-	(28,861)	(28,861)
Benefits paid (received)	<u>(59,278)</u>	<u>59,278</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 799,911</u>	<u>\$ (862,141)</u>	<u>\$ (62,230)</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using 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 are as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate(s)	1.400%	0.75%
Expected rate(s) of salary increase	1.000%-1.375%	1.000%-1.375%

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 will increase (decrease) as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate(s)		
0.25% increase	<u>\$ (13,974)</u>	<u>\$ (16,167)</u>
0.25% decrease	<u>\$ 14,384</u>	<u>\$ 16,668</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 13,856</u>	<u>\$ 15,968</u>
0.25% decrease	<u>\$ (13,524)</u>	<u>\$ (15,563)</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Expected contributions to the plan for the next year	<u>\$ 4,058</u>	<u>\$ 6,694</u>
Average duration of the defined benefit obligation	8 years	8-9 years

b. Defined contribution plans

The Company, Sunny Securities Co., King Sunny Asset Management Co., Sunny International Leasing Co. and Sunny E-Commercial Co. adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The subsidiaries in China contribute to pension fund monthly at the specified percentage of the standard salary regulated by the local government of China. Other overseas employees were contributed under relative laws regulated by the local government.

c. Preferential interest rate for employees' deposits

The Group offers preferential interest rate for employees' deposits, both current and retired employees.

The preferential interest rate for employees' deposits for the years ended December 31, 2022 and 2021 had not been assessed by an independent valuer because there was very little number of employees that meet the relevant criteria; instead, the Company's management gauged those assumptions used in the most recent actuarial valuation report for the estimate of the preferential interest rate for employees' deposits.

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

	<b>Valuation at December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate	4%	4%
Expected return on employees' deposits	2%	2%
Withdrawal percentage of preferential deposits	1%	1%
The probability of preferential interest rate for employees' deposits getting canceled within ten years	50%	50%

The amounts included in the consolidated balance sheets for the Company's obligations on the preferential interest rate for employees' deposits were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Present value of preferential interest on employees' deposits	\$ 2,444	\$ 3,134
Fair value of plan assets	<u>-</u>	<u>-</u>
Provision for preferential interest of employees' deposits	<u>\$ 2,444</u>	<u>\$ 3,134</u>

The Company expects to make a contribution of \$0 to the preferential interest of employees' deposits for the years ended December 31, 2022 and 2021.

## 29. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Advance receipts	\$ 302,271	\$ 255,777
Guarantee deposits received	107,726	103,991
Others	<u>3,078</u>	<u>3,492</u>
	<u>\$ 413,075</u>	<u>\$ 363,260</u>

## 30. EQUITY

### Common Shares

#### a. Share capital

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Number of authorized shares (in thousands)	<u>4,000,000</u>	<u>4,000,000</u>
Amount of authorized shares	<u>\$ 40,000,000</u>	<u>\$ 40,000,000</u>
Number of issued and fully paid shares (in thousands)	<u>3,300,706</u>	<u>3,029,525</u>
Amount of issued and fully paid shares	<u>\$ 33,007,060</u>	<u>\$ 30,295,250</u>

On July 1, 2021, the Company's stockholders resolved to issue 112,674 thousand common shares from earnings allocated to capital amounted to \$1,126,740 thousand, with a par value of NT\$10, which increased the issued and fully paid shares to \$29,295,250 thousand. The capital increase was approved by the authorities, and the base date of earnings capitalization was October 15, 2021.

To increase the Company's cash and operating capital and raise its capital adequacy ratio, the Company's board of directors resolved to issue 100,000 thousand common shares with a par value of \$10 on March 16, 2021 which increased the issued and fully paid shares to \$30,295,250 thousand. The capital increase was approved by the Securities and Futures Bureau of the Financial Supervisory Commission on July 28, 2021; the base date of earnings capitalization was October 15, 2021 and the change to the issued and paid up capital was registered on November 15, 2021.

On June 13, 2022, the Company's stockholders resolved to issue 121,181 thousand common shares from earnings allocated to capital amounted to \$1,211,810 thousand, with a par value of NT\$10, which increased the issued and fully paid shares to \$31,507,060 thousand. The capital increase was approved by the authorities, and the base date of earnings capitalization was September 20, 2022.

To increase the Company's cash and operating capital and raise its capital adequacy ratio, the Company's board of directors resolved to issue 150,000 thousand common shares with a par value of \$10 on March 15, 2022 which increased the issued and fully paid shares to \$33,007,060 thousand. The capital increase was approved by the Securities and Futures Bureau of the Financial Supervisory Commission on July 8, 2021; the base date of earnings capitalization was September 20, 2022 and the change to the issued and paid up capital was registered on October 7, 2021.

Part of the shares from the capital increase for cash is reserved for the Company's employees in accordance with the Company Act article 267. The grant date is the date the employees' subscribed for the shares and the fair value of the shares at the grant date of the equity-settled share-based payments is recognized as an expense and capital surplus - employee share options. Related compensation costs of the employee share options recognized for the years ended December 31, 2022 and 2021 were \$10,124 thousand and \$900 thousand, respectively.

In 2022 and 2021, the new shares reserved and issued to employees were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	<b>The First Subscription in 2022 (Base Date: September 4, 2022)</b>	<b>The First Subscription in 2021 (Base Date: October 15, 2021)</b>
Grant-date share price	\$10.19	\$9.15
Exercise price	\$10	\$10
Expected volatility	21.36%	19.65%
Expected life (years)	0.16	0.17
Risk-free interest rate	0.71%	0.10%

The volatility was based on average annualized standard daily return rate of interbank transactions, and refers to expected duration from the grant date.

## Capital Surplus

	December 31	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Treasury share transactions	\$ 1,581	\$ 1,581
Unused employee share options	54,277	45,529
Issuance of ordinary shares (employee share options)	<u>21,209</u>	<u>19,833</u>
	<u>\$ 77,067</u>	<u>\$ 66,943</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

## Retained Earnings and Dividend Policy

Under the dividend policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, however, if the appropriation for legal reserve had already equal to the Company's paid-in capital, according to the Company Law, the appropriation can be exempted. Any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees compensation and remuneration of directors and supervisors in Note 36.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, the Banking Act provides that, if the balance of the legal reserve is less than the aggregate par value of the outstanding capital stock, cash dividend should not exceed 15% of the aggregate par value of the outstanding capital stock of the Company.

For the Company's sound financial structure and capital adequacy, appropriations from earnings are mainly in the form of share dividends based on the capital budget plan. Earnings may be appropriated in cash if the Company has no deficit and the legal reserve meets the standard set by the authorities. Cash dividends should not be less than 10% of the total dividends distributed and if cash dividend falls below \$0.1 per share, stock dividends should be distributed instead.

The Company has provided and reversed the special reserve in accordance with the FSC No. 1090150022 and the "Questions and Answers on the Application of International Financial Reporting Standards (IFRSs) to the Provision of Special Reserve".

The appropriations from the 2021 and 2020 earnings were proposed in the shareholders' meetings on June 13, 2022 and July 1, 2021, respectively. The appropriations, including dividends per share, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (\$)</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Beginning unappropriated earnings	\$ 64,194	\$ 44,434		
Add: Net profit after tax	2,566,705	2,415,489		
Unappropriated earnings adjusted for equity investment	(1,286)	(2,138)		
Remeasurement on defined benefit plans recognized in retained earnings	(22,690)	(70,729)		
Disposal of FVTOCI	<u>185,114</u>	<u>100,050</u>		
Amount of other profit items adjusted to the current year's undistributed earnings other than after-tax net income	2,727,843	2,442,672		
Less: Legal reserve	<u>(818,353)</u>	<u>(732,802)</u>		
Earnings available for appropriation	1,973,684	1,754,304		
Less: Cash dividends	(605,905)	(563,370)	\$ 0.2	\$ 0.2
Less: Share dividends	<u>(1,211,810)</u>	<u>(1,126,740)</u>	0.4	0.4
Ending unappropriated earnings	<u>\$ 155,969</u>	<u>\$ 64,194</u>		

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on March 7, 2023. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Beginning unappropriated earnings	\$ 155,969	
Add: Net profit after tax for the year 2021	4,117,361	
Unappropriated earnings adjusted for equity investment	5,105	
Remeasurement on defined benefit plans recognized in retained earnings	66,148	
Disposal of FVTOCI	<u>(2,618)</u>	
Amount of other profit items adjusted to the current year's undistributed earnings other than after-tax net income for the period	<u>4,185,996</u>	
Less: 30% legal reserve	(1,255,799)	
Less: Special reserve according to law	<u>(2,382,988)</u>	
Earnings available for appropriation	703,178	
Less: Cash dividends	<u>(660,141)</u>	\$ 0.2
Ending unappropriated earnings	<u>\$ 43,037</u>	

## Other Equity Items

- a. Exchange differences on translating the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ (98,731)	\$ (94,582)
Exchange differences on translating the financial statements of foreign operations	71,880	(5,691)
Income tax related to gains on translating the financial statements of foreign operations	<u>(2,812)</u>	<u>1,542</u>
Balance at December 31	<u>\$ (29,663)</u>	<u>\$ (98,731)</u>

- b. Unrealized valuation gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31, 2022</b>	
	<b>Equity Instruments</b>	<b>Debt Instruments</b>
Balance at January 1	\$ 660,685	\$ (204,768)
Unrealized gain (loss) - debt instruments	(335,474)	-
Unrealized gain (loss) - equity instruments	-	(3,273,764)
Net remeasurement of loss allowance	-	2,655
Disposal of investments in debt instruments	-	779,124
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>2,618</u>	<u>-</u>
Balance at December 31	<u>\$ 327,829</u>	<u>\$ (2,696,753)</u>

	<b>For the Year Ended December 31, 2021</b>	
	<b>Equity Instruments</b>	<b>Debt Instruments</b>
Balance at January 1	\$ 628,484	\$ 901,281
Unrealized gain (loss) - debt instruments	217,315	-
Unrealized gain (loss) - equity instruments	-	(1,100,251)
Net remeasurement of loss allowance	-	(4,146)
Disposal of investments in debt instruments	-	(1,652)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>(185,114)</u>	<u>-</u>
Balance at December 31	<u>\$ 660,685</u>	<u>\$ (204,768)</u>

### 31. NET INTEREST

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest revenue		
Discounts and loans	\$ 10,576,271	\$ 8,432,713
Marketable securities held	1,425,304	1,068,286
Due from banks and call loans to banks	517,715	224,322
Securities purchased under agreement to resell	69,916	17,648
Others	<u>174,172</u>	<u>124,057</u>
	<u>12,763,378</u>	<u>9,867,026</u>
Interest expense		
Deposits	4,108,793	2,540,931
Bank debentures	443,615	441,691
Others	<u>144,260</u>	<u>81,311</u>
	<u>4,696,668</u>	<u>3,063,933</u>
	<u>\$ 8,066,710</u>	<u>\$ 6,803,093</u>

### 32. COMMISSION AND FEE REVENUES, NET

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Commission and fee revenue		
Trust and related business	\$ 364,054	\$ 406,924
Agency service	386,683	399,891
Loan services	236,713	244,116
Credit card business	155,298	106,987
Others	<u>236,968</u>	<u>181,148</u>
	<u>1,379,716</u>	<u>1,339,066</u>
Commission and fee expense		
Credit card business	139,082	95,320
Interbank services	16,320	15,691
Agency service	10,246	10,734
Others	<u>51,347</u>	<u>51,724</u>
	<u>216,995</u>	<u>173,469</u>
	<u>\$ 1,162,721</u>	<u>\$ 1,165,597</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest revenue	\$ 89,174	\$ 50,528
Dividend revenue	<u>1,023</u>	<u>2,598</u>
Disposal (loss) gain		
Beneficial certificates	(13,818)	19,591
Commercial paper	5,455	556
Stocks	(6,694)	4,968
Bonds	-	129
Derivative financial instruments		
Currency swap contracts	28,142	47,016
Forward contracts	<u>484</u>	<u>326</u>
	<u>13,569</u>	<u>72,586</u>
(Loss) gain on valuation		
Beneficiary certificates	(28,789)	(25,616)
Structured products	433	1,666
Stocks	257	(340)
Commercial paper	12,793	366
Derivative financial instruments		
Forward contracts	7,678	(31,227)
Currency swap contracts	<u>(335)</u>	<u>298</u>
	<u>(7,963)</u>	<u>(54,853)</u>
	<u>\$ 95,803</u>	<u>\$ 70,859</u>

### 34. REALIZED GAINS (LOSS) ON FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Dividend revenue	\$ 133,395	\$ 103,658
Gain (loss) on disposal of bonds	(779,133)	1,530
Gain (loss) on disposal of commercial papers	<u>9</u>	<u>122</u>
	<u>\$ (645,729)</u>	<u>\$ 105,310</u>

### 35. OTHER NONINTEREST NET REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Gain (loss) on disposal of investment properties	\$ 7,627	\$ 21,745
Miscellaneous revenue	16,413	21,444
Gain (loss) on disposal of property and equipment	858	437
Others	<u>8,398</u>	<u>32,910</u>
	<u>\$ 33,296</u>	<u>\$ 76,536</u>

### 36. EMPLOYEE BENEFIT EXPENSE

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Salaries and wages	\$ 2,123,160	\$ 2,056,576
Labor insurance, national health insurance and group life insurance	200,023	185,631
Pension costs	93,502	92,381
Remuneration of directors	83,736	64,330
Other employee benefits expense	<u>222,618</u>	<u>186,830</u>
	<u>\$ 2,723,039</u>	<u>\$ 2,585,748</u>

#### Compensation of Employees and Remuneration of Directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at the rates 2% and no higher than 1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. When the Company has accumulated losses, it should reserve the amount of compensation in advance.

The compensation of employees and remuneration to directors, accrued at 2% and no higher than 1%, for the years ended December 31, 2022 and 2021 which have been approved by the Company's board of directors on March 7, 2023 and March 15, 2022, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Compensation of employees	\$ 106,137	\$ 62,585
Remuneration of directors	53,068	31,292

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

### 37. DEPRECIATION AND AMORTIZATION EXPENSE

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Depreciation expense		
Property and equipment	\$ 181,206	\$ 185,138
Right-of-use assets	70,739	74,068
Investment properties	<u>736</u>	<u>912</u>
	<u>\$ 252,681</u>	<u>\$ 260,118</u>
Amortization expense	<u>\$ 75,824</u>	<u>\$ 84,125</u>

### 38. OTHER OPERATING EXPENSES

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Taxation	\$ 640,617	\$ 533,427
Insurance	178,007	182,355
Repairs	89,832	83,642
Postage	68,356	64,320
Others	<u>332,018</u>	<u>369,218</u>
	<u>\$ 1,308,830</u>	<u>\$ 1,232,962</u>

### 39. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

Major components of income tax expense (benefit) are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Current tax</u>		
In respect of the current year	\$ 951,775	\$ 689,108
Adjustments for prior years	(10,457)	(167)
Credit for income tax paid in mainland China	(10,076)	-
Land value increment tax	53	1,188
Income tax on house and land transactions	<u>4,009</u>	<u>584</u>
	935,304	690,713
<u>Deferred tax</u>		
In respect of the current year	<u>160,606</u>	<u>(164,470)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,095,910</u>	<u>\$ 526,243</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit before tax from continuing operations	<u>\$ 5,213,271</u>	<u>\$ 3,092,948</u>
Income tax expense calculated at the statutory rate (20%)	\$ 1,042,654	\$ 618,590
Nondeductible expenses in determining taxable income	60,497	720
Tax-exempt income	(26,602)	(96,804)
Unrecognized deductible temporary differences	2,475	(1,065)
Effect of different tax rate of Group entities operating in other jurisdictions	3,391	3,197
Adjustments for prior years' tax	(10,457)	(167)
Land value increment tax	53	1,188
Income tax on house and land transactions 2.0	4,009	584
Income tax on mainland China	29,966	-
Credit for income tax paid in mainland China	<u>(10,076)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 1,095,910</u>	<u>\$ 526,243</u>

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>		
In respect of the current year:		
Remeasurement on defined benefit plan	\$ (17,813)	\$ 5,994
Translation of foreign operations	<u>(2,812)</u>	<u>1,542</u>
Total income tax recognized in other comprehensive income	<u>\$ (20,625)</u>	<u>\$ 7,536</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax assets		
Tax refund receivable	<u>\$ 3,940</u>	<u>\$ 38</u>
Current tax liabilities		
Income tax payable	<u>\$ 532,847</u>	<u>\$ 414,313</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for credit losses	\$ 463,783	\$ (136,481)	\$ -	\$ 327,302
Defined benefit obligation	10,687	69,185	(79,872)	-
Exchange difference on foreign operations	16,942	-	(2,812)	2,453
Unrealized loss on foreign exchange	20	65	-	489
Provisions	2,435	18	-	774
Preferential interest for deposits of employees	627	(138)	-	77
Deferred revenue	681	93	-	14,130
Others	<u>3,328</u>	<u>(1,364)</u>	<u>-</u>	<u>1,972</u>
	498,503	(68,622)	(82,684)	347,197
Loss carryforwards	<u>960</u>	<u>-</u>	<u>-</u>	<u>960</u>
	<u>\$ 499,463</u>	<u>\$ (68,622)</u>	<u>\$ (82,684)</u>	<u>\$ 348,157</u>

(Continued)

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 106,829	\$ -	\$ -	\$ 106,829
Defined benefit retirement plans	-	73,679	(62,059)	11,620
Unrealized gain on foreign exchange	2,293	10,561	-	12,854
Unrealized gain on investments accounted for using the equity method	<u>39,511</u>	<u>7,744</u>	<u>-</u>	<u>47,255</u>
	<u>\$ 148,633</u>	<u>\$ 91,984</u>	<u>\$ (62,059)</u>	<u>\$ 178,558</u> (Concluded)

For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for credit losses	\$ 247,987	\$ 215,796	\$ -	\$ 463,783
Defined benefit obligation	34,734	(30,041)	5,994	10,687
Exchange difference on foreign operations	15,400	-	1,542	16,942
Unrealized loss on foreign exchange	11,290	(11,270)	-	20
Provisions	1,546	889	-	2,435
Preferential interest for deposits of employees	656	(29)	-	627
Deferred revenue	33	648	-	681
Others	<u>3,139</u>	<u>189</u>	<u>-</u>	<u>3,328</u>
	<u>314,785</u>	<u>176,182</u>	<u>7,536</u>	<u>498,503</u>
Loss carryforwards	<u>960</u>	<u>-</u>	<u>-</u>	<u>960</u>
	<u>\$ 315,745</u>	<u>\$ 176,182</u>	<u>\$ 7,536</u>	<u>\$ 499,463</u> (Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 106,829	\$ -	\$ -	\$ 106,829
Unrealized gain on foreign exchange	-	2,293	-	2,293
Unrealized gain on investments accounted for using the equity method	<u>30,092</u>	<u>9,419</u>	<u>-</u>	<u>39,511</u>
	<u>\$ 136,921</u>	<u>\$ 11,712</u>	<u>\$ -</u>	<u>\$ 148,633</u> (Concluded)

e. Information about unused loss carryforwards

Loss carryforwards of Sunny E-Commercial Co. as of December 31, 2022 comprised:

Unused Amount	Expiry Year
\$ 502	2024
4,026	2025
6,423	2026
6,902	2027
3,377	2028
<u>639</u>	2029
<u>\$ 21,869</u>	

f. Income tax assessments

	<u>Examined Year</u>
The Company	2020
Sunny Securities Co.	2020
King Sunny Assets Management Co.	2020
Sunny International Leasing Co.	2020
Sunny E-Commercial Co.	2020

#### 40. EARNINGS PER SHARE

	Unit: NT\$	
	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Basic earnings per share	<u>\$ 1.29</u>	<u>\$ 0.84</u>
Diluted earnings per share	<u>\$ 1.29</u>	<u>\$ 0.83</u>

The weighted average number of shares outstanding used in the earnings per share computation was adjusted retroactively for the issuance of bonus shares on September 20, 2022. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2021 were as follows:

**Unit: \$ Per Share**

	<b>Before Adjusted Retrospectively</b>	<b>After Adjusted Retrospectively</b>
Basic earnings per share	<u>\$ 0.87</u>	<u>\$ 0.84</u>
Diluted earnings per share	<u>\$ 0.87</u>	<u>\$ 0.83</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations are as follows:

### **Net Profit for the Year**

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Profit for the year attributable to owners of the Company	<u>\$ 4,117,361</u>	<u>\$ 2,566,705</u>

### **Shares**

**(In Thousand Shares)**

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Weighted average number of common shares used in the computation of basic earnings per share	3,193,035	3,068,931
Effect of potentially dilutive common shares:		
Compensation of employees	<u>9,645</u>	<u>5,803</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>3,202,680</u>	<u>3,074,734</u>

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

#### 41. TRANSACTIONS WITH RELATED PARTIES

##### a. Related parties

Name	Relationship with the Company and Subsidiaries
Leaderman & Associates Co., Ltd.	Related party in substance
Cherng Yang Printing Co., Ltd.	Related party in substance
Medalass Trading Co., Ltd.	Related party in substance
Guang Zhi Cultural Co., Ltd.	Related party in substance
Chuan Yang Construction Co., Ltd.	Related party in substance
Hai Wong Printing Co., Ltd.	Related party in substance
Li Kwen Investment Co., Ltd.	Related party in substance
Hong Dexin Industrial Co., Ltd.	Related party in substance
Qian Li Industrial Co., Ltd.	Related party in substance
Yung Chi Paper Manufacturing Co., Ltd.	Related party in substance
Sheng Yang Construction Co., Ltd.	Related party in substance
Other related persons	Directors, managers and their relatives within the second degree of consanguinity

##### b. Significant transactions with related parties

##### 1) Loans

Category	December 31, 2022							
	Number of Accounts or Name of Related Party	Highest Balance	Average Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length
Consumer loans for employees	11	\$ 5,728	\$ 4,198	\$ 4,164	\$ 4,164	\$ -	-	Yes
Housing mortgage loans	58	559,590	316,057	341,222	341,222	-	Land and building for residential use	Yes
Others:	Leaderman & Associates Co., Ltd.	39,026	10,303	-	-	-	Land and building for commercial use	Yes
	Cherng Yang Printing Co., Ltd.	65,000	65,000	65,000	65,000	-	Land and plant	Yes
	Medalass Trading Co., Ltd.	7,396	5,308	5,827	5,827	-	80% of the SME credit insurance fund	Yes
	Guang Zhi Cultural Co., Ltd.	12,133	11,137	10,082	10,082	-	Land and plant	Yes
	Chuan Yang Construction Co., Ltd.	520,000	141,055	50,000	50,000	-	Land and building for commercial use	Yes
	Hai Wong Printing Co., Ltd.	738,432	729,500	720,118	720,118	-	Land and plant	Yes
	Hong Dexin Industrial Co., Ltd.	2,500	21	2,500	2,500	-	Land and building for commercial use	Yes
	Yung Chi Paper Manufacturing Co., Ltd.	21,474	21,358	21,234	21,234	-	Land and plant	Yes
	19	183,595	70,177	91,825	91,825	-	100% of the SME credit insurance fund Land and building for commercial use Farm land Vacant land Vehicles	Yes

Category	December 31, 2021							
	Number of Accounts or Name of Related Party	Highest Balance	Average Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length
Consumer loans for employees	11	\$ 6,948	\$ 3,729	\$ 4,195	\$ 4,195	\$ -	-	Yes
Housing mortgage loans	59	643,205	407,244	297,452	297,452	-	Land and building for residential use	Yes
Others:	Leaderman & Associates Co., Ltd.	41,177	40,036	39,026	39,026	-	Land and building for commercial use	Yes
	Cherng Yang Printing Co., Ltd.	107,686	86,550	65,000	65,000	-	Land and plant	Yes
	Medalass Trading Co., Ltd.	4,820	3,697	3,321	3,321	-	Pledged guarantee deposits	Yes
	Guang Zhi Cultural Co., Ltd.	14,000	13,173	12,133	12,133	-	Land and plant	Yes
	Chuan Yang Construction Co., Ltd.	520,000	496,356	340,000	340,000	-	Land and building for commercial use	Yes
	Hai Wong Printing Co., Ltd.	756,760	747,840	738,432	738,432	-	Land and plant	Yes
	Li Kwen Investment Co., Ltd.	120,000	34,151	-	-	-	Listed stock	Yes
	Qian Li Industrial Co., Ltd.	71,353	62,649	-	-	-	Land and plant	Yes
	Yung Chi Paper Manufacturing Co., Ltd.	21,734	21,600	21,474	21,474	-	Land and plant	Yes
	20	138,381	75,506	54,088	54,088	-	Land and plant Land and building for commercial use Farm land Vacant land Vehicles	Yes

## 2) Deposits

December 31, 2022			
	Ending Balance	% of the Account Balance	Annual Interest Rates (%)
Others	<u>\$ 2,554,222</u>	<u>-</u>	0-4.85
December 31, 2021			
	Ending Balance	% of the Account Balance	Annual Interest Rates (%)
Others	<u>\$ 2,485,308</u>	<u>1</u>	0-4.5

## 3) Interest revenue

For the Year Ended December 31			
	2022	2021	
	Amount	Amount	%
Others	<u>\$ 24,768</u>	<u>\$ 31,419</u>	<u>-</u>

4) Interest expense

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Others	\$ 20,213	-	\$ 11,925	-

5) Lease arrangements

Line Item	Related Party Category/Name	December 31	
		2022	2021
Right-of-use assets	Sheng Yang Construction Co., Ltd.	\$ 284	\$ 3,695
	Chuan Yang Construction Co., Ltd.	2,767	7,509
		<u>\$ 3,051</u>	<u>\$ 11,204</u>
Lease liabilities	Sheng Yang Construction Co., Ltd.	\$ -	\$ 3,553
	Chuan Yang Construction Co., Ltd.	2,505	7,410
		<u>\$ 2,505</u>	<u>\$ 10,963</u>

c. Compensation of key management personnel

The management personnel are composed of directors, general manager, vice general manager and employees on the management level.

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 212,275	\$ 161,810
Post-employment benefits	2,188	2,127
Share-based payments	168	14
	<u>\$ 214,631</u>	<u>\$ 163,951</u>

## 42. PLEDGED OR MORTGAGED ASSETS

In addition to those disclosed in other notes, the following assets are provided as refundable deposits:

	December 31	
	2022	2021
Financial assets at FVTOCI	\$ 4,990,000	\$ 4,800,000
Debt securities measured at amortized cost	434,300	455,300
Other financial assets, net	-	173,880
Other asset - guarantee deposits	68,996	123,361
- operating guarantee deposits, clearing and settlement fund	22,559	17,710
- pledge deposits	15,000	15,000
- specialized discharge account	7,000	4,000

The above pledge assets are mainly for (1) the deposit for enforcing provisional seizure of asset of debtor, deposit for leasing of operating office, reserve for credit card payment, reserve trust compensation fund, deposit for notes dealer reserve, operating deposits of securities dealers, operating guarantee deposits of securities underwriters, reserve for bond payment settlement in the electronic bond trading system, and loan commitments for financial institutions; (2) collaterals for day-term overdraft to comply with the clearing system requirement of the Central Bank (CB) of the Republic of China for real-time gross settlement (RTGS); the unused overdraft amount at the end of the day can be treated as the Bank's liquidity reserve. (3) cash, government bond or bank debentures provided as operating guarantee deposits and clearing and settlement fund according to the Regulations Governing Securities Issuer and Regulations Governing the Operation of Futures Introducing Broker Business by Securities Issuer; (4) deposits of insurance agent to the Insurance Bureau of Financial Supervisory Commission.

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

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2022 and 2021 were as follows:

	December 31	
	2022	2021
Receipts under custody	\$ 500,763	\$ 583,057
Securities under custody	10,861,519	11,518,325
Trust assets	76,447,473	73,034,754

#### 44. HIERARCHY AND FAIR VALUE INFORMATION

##### a. Fair value information

##### 1) Overview

Fair value is the amount that could be received from the sale of an asset or the amount paid to settle a liability in an orderly transaction between market participants on the measurement date (i.e. exit price).

Financial instruments are initially measured at fair value, usually the transaction price. Apart from some financial instruments carried at amortized cost, all other subsequent measurements are at fair value. The best evidence for fair value is the quoted market price in an active market. However, if there is no active market for the financial instrument, the fair value is determined using valuation models, or by reference to Bloomberg, the quoting system of Reuters, and/or quotations provided by counterparties.

##### 2) Hierarchy information of fair value

##### a) Level 1

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

- i. All financial instruments in the market are homogeneous;
- ii. Willing buyers and sellers exist in the market all the time;
- iii. The public can access the price information easily.

b) Level 2

The products categorized in this level have prices that can be inferred from observable inputs directly or indirectly other than the prices in an active market.

c) Level 3

The fair prices of the products in this level are based on the inputs other than the direct market data. Unobservable inputs are inputs such as historical volatilities used in option pricing model. Historical volatility typically does not present current market participants' expectations about future volatility.

b. Fair value of financial instruments measured at fair value

1) Hierarchy information of fair value

The Group's financial instruments are measured at fair value and on a recurring basis.

Fair value hierarchy as at December 31, 2022

Assets and Liabilities Item	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				
Held-for-trading financial assets				
Stock	\$ 6,927	\$ 6,927	\$ -	\$ -
Commercial paper	11,230,012	-	11,230,012	-
Beneficiary certificates	542,259	542,259	-	-
Others	72,273	-	72,273	-
Financial assets at FVTOCI				
Stocks	2,284,533	1,480,119	-	804,414
Bonds	59,935,686	-	59,935,686	-
Certificates of deposits and others	30,490,857	-	30,490,857	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	15,229	-	15,529	-

Fair value hierarchy as at December 31, 2021

Assets and Liabilities Item	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				
Held-for-trading financial assets				
Stock	\$ 11,851	\$ 11,851	\$ -	\$ -
Commercial paper	23,645,048	-	23,645,048	-
Beneficiary certificates	224,936	224,936	-	-
Others	130,290	-	130,290	-
Financial assets at FVTOCI				
Stocks	2,307,541	1,484,581	-	822,960
Bonds	60,159,753	-	60,159,753	-
Certificates of deposits and others	47,196,609	-	47,196,609	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	11,455	-	11,455	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	3,568	-	3,568	-

2) The valuation techniques for determining fair values:

The fair values of financial instruments traded on an active markets are determined with reference to quoted market prices.

Stock exchanges, brokers, underwriters, industrial associations, pricing service agencies and/or other competent authorities comprise an active market when there is frequent trading of financial instruments and quoted prices are available and can be timely obtained. Otherwise, the market is inactive. Generally, the indicators of an inactive market are wide bid-offer spread, or low volume of transactions.

The characteristic and categories of fair value estimation for financial instruments with an active market are as follows:

- a) Listed stock and Foreign stock: Closing price published by Taiwan Stock Exchange and Taipei Exchange as of the balance sheet date;
- b) Beneficiary certificate: Net value declared by an investment trust company;
- c) Government bond: Settlement price or theoretical price published by the Taipei Exchange as of the balance sheet date multiplied by 100;
- d) Corporate bonds: Corporate bonds in New Taiwan dollars are calculated using the yield rate published by the Taipei Exchange on the measurement date as the discount rate; corporate bonds in foreign currency are estimated on the basis of the quotes published by Bloomberg or Reuters;

- e) Bank debentures: Estimated on the basis of the quotes published by Bloomberg or Reuters;
- f) Commercial paper and negotiable certificate of deposits: Determined by the discount rate based on TAIBIR 02 published by TDCC on the measurement date;
- g) Cross-currency swap contract: Result of the valuation of the financial instrument at maturity based on swap points published by Reuters and then discounted at TAIBOR.

For financial instruments with no active market, the fair value is estimated using valuation models or quotations provided by the counterparties. After valuation, the fair value can take any other financial instruments whose nature or condition is similar as reference, use discounted cash flow analysis method or use other valuation models, including market information on the balance sheet date (for example the applicable yield curve and the average interest rate quotation by Reuters for commercial paper).

Fair values of nonstandard financial instruments with lower complexities, such as interest rate swaps and derivative instruments without quoted market prices, are based on estimates using valuation models widely used by market participants.

Fair values of financial instruments with higher complexities, such as derivative instruments and securitization products, are based on self-designed valuation models which incorporate the method and the techniques widely used for the industry. Some of the parameters used in these models are not directly observable from the market and might require management to rely on carefully made assumptions.

For valuation models, the Group uses the appropriate hypothesized parameters, which the Group believes will help it to determine the fair value of the financial instrument shown in the Group's balance sheet. The pricing information and parameters used during the valuation process are carefully selected, and are properly adjusted depending on market conditions.

The Group's derivative financial instruments are measured at fair value using market accepted valuation techniques, such as discounted cash flow analysis. For forward contracts, fair values are estimated on the basis of the current foreign exchange rates.

The fair value of unlisted stocks is assessed by market approach, asset approach and income approach.

### 3) Credit risk assessment is set out below:

Credit risk assessment refers to the evaluation of the fair value credit risk on the counterparty in over-the-counter (OTC) derivatives. Credit risk assessment consists of credit and debit valuation adjustments of a financial instrument.

Credit valuation adjustment of derivative contracts trading in other than centralized securities exchange market, also named over-the-counter market, is assessed for the non-performance risk of the counterparties.

Debit valuation adjustment of derivative contracts trading in other than centralized securities exchange market, also named over-the-counter market, is assessed for the non-performance risk of the Group.

The Group calculated the debit and credit valuation adjustments and the estimated loss allowance by the application of Probability of Default (PD) and Loss Given Default (LGD) multiplied by Exposure at Default (EAD).

The Group generally uses external ratings of PD for counterparties; however, for those without ratings from external institutions, the Group follows IFRS 9 to evaluate the percentage of allowance as the PD of counterparties.

The Group takes market-to-market fair value of OTC derivative instruments as the EAD.

The Group follows the Taiwan Exchange's Guidance on IFRS 13 CVA and DVA disclosures, and takes 60% to be the PD of counter parties.

The Group takes credit risk valuation adjustment into the valuation of the fair value of financial instruments, in order to reflect the credit quality of counterparties and the Group.

#### 4) Transfers between Level 1 and Level 2

There were no transfers between Levels 1 and 2 in the current and prior periods.

#### 5) Reconciliation of Level 3 and quantitative information about the significant unobservable inputs (Level 3) used in the fair value measurement

For the Year Ended December 31, 2022								
Items	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchased/Issued	Transferred to Level 3	Disposed/Sold	Transferred Out of Level 3	
Financial assets at FVTOCI Equity instrument	\$ 822,960	\$ -	\$ (18,546)	\$ -	\$ -	\$ -	\$ -	\$ 804,414

For the Year Ended December 31, 2021								
Items	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchased/Issued	Transferred to Level 3	Disposed/Sold	Transferred Out of Level 3	
Financial assets at FVTOCI Equity instrument	\$ 801,698	\$ -	\$ 1,708	\$ 19,554	\$ -	\$ -	\$ -	\$ 822,960

Quantitative information about the significant unobservable inputs were as follow:

Measured on a Recurring Basis	Fair Value on December 31, 2022	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Non-derivative financial instruments</u>					
Financial assets at FVTOCI - equity instrument	\$ 804,414	Market approach Asset approach Income approach	Discount without open market Discount without open market Weighted average cost	10%-30% 10%-30% 7%-12%	Converse Converse Converse

Measured on a Recurring Basis	Fair Value on December 31, 2021	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Non-derivative financial instruments</u>					
Financial assets at FVTOCI - equity instrument	\$ 822,960	Market approach Asset approach Income approach	Discount without open market Discount without open market Weighted average cost	18.04%-34.60% 21.23% 10.32%-13.18%	Converse Converse Converse

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

The Level 3 valuation is measured by external experts, which makes the evaluation results close to the market and confirms that the data sources are independent, reliable, and consistent with other resources. The Group reviews the evaluation parameters regularly, update the input values required for the evaluation model and any other necessary adjustments to ensure the reasonableness of the evaluation results.

7) Sensitivity analysis of Level 3 fair value if reasonable possible alternative assumptions may be used

The Group concluded that fair value of financial instruments is reasonable. Nevertheless, the outcome of the evaluation may vary due to the adoption of different valuation models and parameters. For the Level 3 financial instruments, if assets swap had increased or decrease by 1 percent or 2.5 percent, the influence to the current net income and other comprehensive income would have been as follows:

Items	Change in Fair Value Influence on Current Net Income		Change in Fair Value Influence on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>December 31, 2022</u>				
<u>Assets</u>				
Financial assets at FVTOCI - equity instruments	\$ -	\$ -	\$ 44,397	\$ (44,663)
<u>December 31, 2021</u>				
<u>Assets</u>				
Financial assets at FVTOCI - equity instruments	-	-	44,638	(36,820)

Favorable or unfavorable changes refer to the fluctuation of fair value, which is calculated by different unobserved parameters. The above table only reflects the effect caused by a single parameter, and does not consider the correlation among parameters.

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

1) Fair value information

Except as detailed in the following table, management believes the carrying amounts of financial assets such as cash and cash equivalents, deposits from the Central Bank and other banks, securities purchased under agreements to resell, receivables, discounts and loans, other financial assets, net, guarantee deposits, operating guarantee deposits, clearing and settlement fund, pledged deposits, and specialized discharge account; and financial liabilities such as deposits from the Central Bank and other banks, due to the Central Bank and other banks, securities sold under agreement to repurchase, payables, deposits and remittances, bank debentures, other financial liabilities, and guarantee deposits received recognized in the consolidated financial statements approximate their fair values and hence no additional disclosure was provided.

Items	Carrying Amount	Fair Value
<u>December 31, 2022</u>		
Financial assets		
Investment in debt instruments measured at amortized cost	\$ 36,724,967	\$ 36,171,142
<u>December 31, 2021</u>		
Financial assets		
Investment in debt instruments measured at amortized cost	29,287,997	30,154,375

2) Hierarchy information of fair value of financial instruments

Assets and Liabilities Item	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Financial assets				
The investment of debt instruments measured at amortized cost	\$ 36,171,142	\$ -	\$ 36,171,142	\$ -

Assets and Liabilities Item	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Financial assets				
The investment of debt instruments measured at amortized cost	\$ 30,154,375	\$ -	\$ 30,154,375	\$ -

3) Valuation techniques

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 other banks, securities purchased under agreement to resell, receivables, refundable deposits, operating deposits and clearing and settlement fund, pledge deposits, specialized discharge account, deposits from the Central Bank and other banks, due to the Central Bank and other banks, securities sold under agreement to repurchase, payables, guarantee deposits received and other financial liabilities approximate fair value because of the short maturity or the similarity of the carrying amount and future price.
- b) Discounts and loans (include nonperforming loans): The Group usually uses base rate (floating rate) as loan rate because it can reflect market rate. Thus, using its carrying amount to consider the probability of repossession and estimate its fair value is reasonable. Long-term loans with fixed rate have the fair value estimated by discounting the expected cash flows. Because the account is not significant, the carrying amount is considered reasonable estimate of fair value.
- c) Investment in debt instruments at amortized cost: Investment in debt instruments at amortized cost with quoted price in an active market are using market price as fair value. If there is no quoted price in an active market, fair value is estimated using valuation methods or the counterparty's price.
  - i. New Taiwan dollar Central Government Bond: The fair values of subordinated government bonds as determined by the Taipei Exchange are used as basis for valuation.
  - ii. New Taiwan dollar corporate bonds and financial debentures: Future cash flows are discounted using the applicable yield curve provided by the Taipei Exchange to gauge the present value of the cash flows.
- d) Deposits and remittances: Considering the banking industry's characteristic, the carrying amounts of deposits with one year maturity and measured by market rate (market value) is reasonable estimate of the fair value. The carrying amount of deposits with three years maturity and measured by discounted cash flow method is reasonable estimate of the fair value.
- e) Bank debentures: The coupon rate of the debentures issued by the Company is comparable to market rates; thus, the discounted value of expected future cash flows reasonably reflect their fair value.

## 45. FINANCIAL RISK MANAGEMENT

### a. Overview

The purpose of financial risk management is to maintain the assets secured and ensure the assets and the quality of financial statements comply with related regulations. The main risks the Group is facing are credit risks, market risks, operating risks, liquidity risks, interest rate risks and other related risks.

Risk management policies and procedures are documented and approved by the board of directors to identify, evaluate, monitor, report and control the above risks.

### b. Risk management framework

Risk management of the Group is exercised by risk management department with risk management policies approved by the board of directors. The risk management structures of the Company included the board of directors, risk management committee, assets and liabilities management committee, management level personnel, internal audit, risk management department and other operating units. Sunny Securities Co. has set up a risk management committee independent from other operating units and directly reports to the board of directors. The risk management structures of Sunny Securities included the board of directors, risk management committee and other operating units.

### c. Credit risk

#### 1) Sources and definitions of credit risk

##### a) The Company

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

##### b) Sunny Securities Co.

Credit risk is the primary risk faced by Sunny Securities Co., and it mainly comes from issuer's credit risk and counterparties' credit risk.

- i. Issuer's credit risk is the risk of financial loss if issuer fails to meet an obligation under a contract due to bankruptcy or liquidation;
- ii. Counterparties' credit risk is the risk of financial loss if counterparties fail to meet an obligation to fulfill delivery or payment for financial instruments.

#### 2) Policies and strategies

To identify existing and potential credit risks and ensure credit risks are under control, the Group has stipulated in its standards that business operating units should make a detailed analysis of its current products and services, including all transactions recorded in banking books, trading books, and balance sheets with all those off balance sheet items. Before proposing new products and services, business operating units should set proper control guidelines based on the different levels of risk and the nature of the credit or other business transactions to determine the required risk management procedures.

### 3) Procedures of credit risk management

For the prevention of over-concentration of credit risks, credit guidelines specify credit limits for individual trading counterparties and for groups of counterparties.

In addition, credit limits are set for different geographical areas, industries and countries, and these limits are reported timely to the Risk Management Committee and the board of directors.

### 4) Credit risk hedge or mitigation policies

For mitigation of credit exposures, the Group has set up several policies covering such areas as collateral valuation and a clear guideline that it may take any kind of deposits as collateral for debtor's account. For small and medium enterprises with insufficient collateral, the Group may strengthen claims through transfer to Small and Medium Enterprise Credit Guarantee Fund of Taiwan.

#### Collateral amount of impaired financial asset

The Company evaluated the value of financial instruments and identified those with assessed impairment. The financial instruments and collateral are as follows:

#### December 31, 2022

	<b>Book Value</b>	<b>Allowance for Impairment Losses</b>	<b>Total Exposure</b>	<b>Fair Value of Collateral</b>
Receivables	\$ 311,283	\$ 280,284	\$ 30,999	\$ -
Discount and loans	<u>2,959,807</u>	<u>998,226</u>	<u>1,961,581</u>	<u>19,579,503</u>
Impaired financial asset	<u>\$ 3,271,090</u>	<u>\$ 1,278,510</u>	<u>\$ 1,992,580</u>	<u>\$ 19,579,503</u>

#### December 31, 2021

	<b>Book Value</b>	<b>Allowance for Impairment Losses</b>	<b>Total Exposure</b>	<b>Fair Value of Collateral</b>
Receivables	\$ 320,083	\$ 282,099	\$ 37,984	\$ -
Discount and loans	<u>1,930,590</u>	<u>651,665</u>	<u>1,278,925</u>	<u>15,894,349</u>
Impaired financial asset	<u>\$ 2,250,673</u>	<u>\$ 933,764</u>	<u>\$ 1,316,909</u>	<u>\$ 15,894,349</u>

5) The maximum credit exposure of the financial instruments held by the Group

a) The Company

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

Off-Balance Sheet Items	The Maximum Credit Exposure	
	December 31, 2022	December 31, 2021
Undrawn loan commitments	\$ 1,117,044	\$ 1,714,912
Undrawn credit card commitments	11,690,133	11,608,955
Standby letters of credit	726,693	980,076
Guarantees	4,404,954	4,154,363
Total	\$ 17,938,824	\$ 18,458,306

Collaterals, enforceable master netting arrangements and other credit enhancement instruments of on- and off-balance sheet items are as follows:

December 31, 2022	Collaterals	Enforceable Master Netting Arrangements	Other Credit Enhancement Instruments	Total
<u>On-balance sheet items</u>				
Receivables				
Acceptances	\$ -	\$ -	\$ 28,407	\$ 28,407
Discounts and loans	366,807,920	-	84,751,461	451,559,381
<u>Off-balance sheet items</u>				
Undrawn loan commitments	182,639	-	934,405	1,117,044
Credit card commitments	-	-	11,690,133	11,690,133
Standby letters of credit	-	-	726,693	726,693
Guarantees	-	-	4,404,954	4,404,954

December 31, 2021	Collaterals	Enforceable Master Netting Arrangements	Other Credit Enhancement Instruments	Total
<u>On-balance sheet items</u>				
Receivables				
Acceptances	\$ -	\$ -	\$ 34,782	\$ 34,782
Discounts and loans	341,340,600	-	72,817,319	414,157,919
<u>Off-balance sheet items</u>				
Undrawn loan commitments	542,832	-	1,172,080	1,714,912
Credit card commitments	-	-	11,608,955	11,608,955
Standby letters of credit	-	-	980,076	980,076
Guarantees	-	-	4,154,363	4,154,363

The Company has a strict evaluation procedure and reviews the evaluation results regularly to control and minimize off-balance sheet credit risk exposures.

b) Sunny Securities Co.

The amounts of the maximum credit exposures of assets in the balance sheet (excluding collaterals and other credit enhancement instruments) are almost equal to their carrying values. The credit exposures of Sunny Securities Co. are mainly in Taiwan. The explanations of credit risks of financial assets are as follows:

- i. Cash and cash equivalents are mainly time deposits, demand deposits and check deposits in domestic financial institutions.
- ii. Margin loans receivable pertain to the funds loaned to customers for them to buy securities. Margin loans receivable represent the amount loaned to customers. The securities bought by customers are used as security for the loans and the margin maintenance ratio is kept at 130% to comply with Operating Rules for Securities Firms Handling Margin Purchases and Short Sales of Securities.
- iii. Accounts receivable are creditor's right derived from the business operated by securities dealers including closing price receivable, interest receivable from financing of credit transactions and receivables generated from consignment trading of securities. As accounts receivable of Sunny Securities Co. are mainly derived from consignment operations, the trading and settlements with stock exchanges and OTC market have low credit risks.
- iv. Other current assets are the cash provided for pledge or other restricted usage. The counterparties of Sunny Securities Co. are good reputation domestic banks thus low credit risks.
- v. Other non-current assets are mainly operating deposits, clearing and settlement fund and refundable deposits. Operating deposits are placed in reputable domestic banks and clearing and settlement funds are placed in stock exchanges for use to compensate any loss if securities transaction counterparty fails to fulfill the obligation. The banks and stock exchanges are assessed to have low credit risks. Refundable deposits are cash or other assets of Sunny Securities Co. placed in reputable banks as security for a large number of counterparties with small amounts; therefore, the credit risks being diversified are low.

6) Assessment of a significant increase in credit risk since initial recognition

a) Credit assets

The Group assesses changes of default risk in credit quality during the expected lifetime of various types of credit assets on each reporting date to determine if there has been a significant increase in credit risk since initial recognition, main indicators considered and supporting information (including prospective information) are as follows:

Quantitative index

When the contractual payments are overdue for more than 30 days to 89 days, the credit risks of the credit assets are considered to be significantly increased since the initial recognition.

Qualitative index

- i. The credit risk of borrowers has increased significantly based on credit assessment, i.e., the borrower is in financial difficulty which might possibly affect their ability to settle interest and principal of obligations.
- ii. Borrower's the check bounced, and borrower did not pay interest regularly.

- iii. Borrowers' financial report issued by accountant had material going-concern assumption.
- iv. The credit report of borrowers had downgrading or abnormality.

If the company could not identify whether the credit risk of credit assets had increased significantly since original recognition. The company should recognize expected credit losses in accordance with lifetime unless it's low at the report date.

b) Investment position

The company adopts external credit rating scale 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. If the credit rating according to Moody's investors service is above Ba3 on base date, and the credit risk did not increase significantly, the debt instrument is categorized as stage 1, which is required to calculate 12 months expected credit losses. If the credit rating according to Moody's investors service is lower than B1 on base date, or if the debt instrument is downgraded more than three levels or the principal or interest is unpaid over 30 days, the credit risk has increased significantly since initial recognition and the debt instrument is categorized as stage 2, which is required to calculate lifetime expected credit losses. If there is evidence indicating the instrument was credit impaired at base date, the instrument is categorized as stage 3, which is required to calculate lifetime expected credit losses.

7) Definition of financial assets in default and credit impaired financial assets

a) Credit assets

The definition of financial assets in default of the Bank is the same as that of the credit-impaired assets. If one or more of the following conditions are met, the Bank determines that the financial asset is in default and credit impaired:

Quantitative index

When the borrower's payment under the contract is overdue more than 90 days.

Qualitative index

- i. Borrower has suffered account rejection or has filed a petition for bankruptcy, financial restructuring or financial relief and negotiation.
- ii. Borrower's collateral had been taken into legal action or enforced auction by the Company or others.
- iii. Borrower's financial report issued by auditor had material going-concern uncertainty and borrower did not pay interest regularly.
- iv. Borrower suffered major accident or is reported to have been experiencing abnormal operations which affect the Company's claims.

The credit asset will be restored to the current and compliant classification and will be not considered as a credit-impaired asset or in default if it no longer meets the definition of default and credit impairment.

b) Investment position

If one or more of the following conditions are met, the Bank concludes that the investment in debt instrument is in default and credit impaired:

- i. The investment in debt instrument had failed to pay the principal or interest due over 90 days.
- ii. Issuer suffered financial difficulties.
- iii. Issuer had filed or highly possible to file a petition for bankruptcy.
- iv. Issuer had filed or highly possible to file a petition for financial restructuring.

The investment in debt instrument will be restored to the current and compliant classification and will not be considered as a credit-impaired instrument in default if it no longer meets the definition of default and credit impairment.

8) Write-off policy

The Company shall write off non-performing loans and overdue receivables that meet at least one of the following requirements:

- a) All or part of creditor's right could not be enforced due to dissolution, escape, settlement, bankruptcy or other reasons of the debtors.
- b) The value 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 Company'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 Company.
- d) Overdue and nonperforming loans have not been recovered after more than 2 years from the maturity date.
- e) The minimum payable amount of debit card and credit card which are overdue for six months, should be written off in three months. Appropriate documents should be acquired to support such write-off of accounts.

9) Amendment of contract cash flows of financial assets

The Group will amend financial asset contract cash flows of borrowers 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 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, Sunny bank Ltd. and its subsidiaries will assess whether the credit risk of financial asset has increased significantly by evaluating the following:

- a) Risk of breaching the contract on the reporting date (based on revised contract terms).

- b) The probability of default in the original recognition (based on the original unmodified contract terms).

#### 10) Measurement of expected credit losses

##### a) Credit assets

For the purpose of measuring expected credit losses. The Group will look into the credit risk characteristic of business attributes as well as industry nature, type of product and loan status of credit assets to divide them into following groups:

Business	Group	Definition
Corporate banking	Manufacturing	According to credit risk status, all groups were divided into 3 stage below:  i. The credit risk did not increase significantly;  ii. The credit risk increased significantly;  iii. Credit impaired.  The Company assesses the expected credit losses of each stage.
	Wholesale and retail trade	
	Construction industry	
	Service industry and others	
	Government agencies	
Consumer banking	Mortgage	
	Credit	
	Car loan	
	Others	
	Credit Card	

The Company measures the loss allowance loss for financial instruments that did not have a significant increase in credit risk since initial recognition based on the 12-month expected credit loss model. For financial instruments that had a significant increase in credit risk or credit impaired since initial recognition, lifetime expected credit losses are applied.

To measure the expected credit losses, the Group takes into account the borrower's probability of default ("PD") for the next 12 months and the period of existence, and afterwards, includes the loss given default ("LGD") and multiply by exposure at default ("EAD"). The impact of the time value of money should also be considered when calculating the 12 month and lifetime expected credit losses.

PD refers to the borrowers' probability of default. LGD refers to the losses caused by the default. PD and LGD are applied to evaluate loan business impairment based on each portfolio's historical information from internal statistical data, and adjusted the historical information with current observable information and forward-looking macroeconomic information. The company evaluates risk exposure amount based on remaining loan amount, and calculates 12 months and lifetime expected credit losses of financing commitment based on "IFRS 9 Impairment Evaluation Methodology Guideline" issued by BAROC. Exposures of off-balance sheet items are regulated in "The description and form of banks' eligible capital and risk-weighted assets - credit risk standard approach". Credit conversion factor is used to calculate 12 months after record date and lifetime expected credit losses. The calculation of default exposure amount of expected credit losses takes into account the impact of the time value of money.

b) Investment position

The Group measures the loss allowance for financial instruments that did not have a significant increase in credit risk since initial recognition based on the 12-month expected credit loss model. For financial instruments that had a significant increase in credit risk or are credit impaired since initial recognition, lifetime expected credit losses are applied.

To measure the expected credit losses. The Group takes the borrower's probability of default ("PD") into account, and includes the loss given default ("LGD") and exposure at default ("EAD").

11) Forward-looking information considerations

a) Credit assets

According to IFRS 9, forward-looking estimations are necessary while calculating the expected credit losses. The Group obtains historical data of economic growth rate (coordinate with internal historical data of the Company's probability of default) and forecast information for current year to update the relevant economic factors which affect credit risk and expected credit losses of various asset groups as a parameter of default probability.

b) Investment position

The probability of default and the loss given default refer to the default rate of all credit levels and the external recovery rate of various debt instrument characteristics, which were published by external credit rating agencies. When assessing credit level and calculating PD and LGD to measure the expected credit losses, the credit rating agencies had not only considered forward-looking information but also the effect of time value of money and GDP.

12) The changes in loan business book value and loss allowance

For the year ended December 31, 2022

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 1,011,181	\$ 73,580	\$ 651,665	\$ -	\$ 1,736,426	\$ 4,485,450	\$ 6,221,876
Changes in financial instruments that have been identified at the beginning of the period:							
To 12-month ECLs	165,600	(157,961)	(7,639)	-	-	-	-
To lifetime ECLs	(41,628)	61,782	(20,154)	-	-	-	-
To credit impaired financial assets	(1,603)	(12,140)	13,743	-	-	-	-
Derecognizing financial assets during the current period	(77,842)	(6,655)	(206,353)	-	(290,850)	-	(290,850)
Purchased or originated financial assets	140,295	-	34,092	-	174,387	-	174,387
Loss recognized based on the Regulations	-	-	-	-	-	(1,473,194)	(1,473,194)
Write-off	-	-	(580,415)	-	(580,415)	-	(580,415)
Reversal of write-off	-	-	-	-	-	770,245	770,245
Change in exchange rates or others	(90,717)	74,225	1,113,287	-	1,096,795	14,525	1,111,320
Balance, December 31	<u>\$ 1,105,286</u>	<u>\$ 32,831</u>	<u>\$ 998,226</u>	<u>\$ -</u>	<u>\$ 2,136,343</u>	<u>\$ 3,797,026</u>	<u>\$ 5,933,369</u>

## For the year ended December 31, 2021

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 1,458,837	\$ 43,387	\$ 913,802	\$ -	\$ 2,416,026	\$ 2,419,663	\$ 4,835,689
Changes in financial instruments that have been identified at the beginning of the period:							
To 12-month ECLs	105,002	(18,954)	(86,048)	-	-	-	-
To lifetime ECLs	(23,080)	46,321	(23,241)	-	-	-	-
To credit impaired financial assets	(1,560)	(1,942)	3,502	-	-	-	-
Derecognizing financial assets during the current period	(94,319)	(5,174)	(141,093)	-	(240,586)	-	(240,586)
Purchased or originated financial assets	150,071	-	431	-	150,502	-	150,502
Loss recognized based on the Regulations	-	-	-	-	-	1,408,482	1,408,482
Write-off	-	-	(582,831)	-	(582,831)	-	(582,831)
Reversal of write-off	-	-	-	-	-	662,578	662,578
Change in exchange rates or others	(583,770)	9,942	567,143	-	(6,685)	(5,273)	(11,958)
Balance, December 31	<u>\$ 1,011,181</u>	<u>\$ 73,580</u>	<u>\$ 651,665</u>	<u>\$ -</u>	<u>\$ 1,736,426</u>	<u>\$ 4,485,450</u>	<u>\$ 6,221,876</u>

## Changes in discounts and loans book value

### For the year 2022

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 403,995,986	\$ 9,422,403	\$ 1,930,590	\$ -	\$ 415,348,979
Changes in financial instruments that have been identified at the beginning of the period:					
To 12-month ECLs	17,172,640	(17,137,634)	(35,006)	-	-
To lifetime ECLs	(14,627,014)	14,749,781	(122,767)	-	-
To credit impaired financial asset	(649,060)	(1,429,386)	2,078,446	-	-
Derecognizing financial assets during the current period	(36,158,742)	(1,444,049)	(548,624)	-	(38,151,415)
Purchased or originated financial assets	67,907,838	-	70,000	-	67,977,838
Write-off	-	-	(580,415)	-	(580,415)
Change in exchange rates and others	8,119,784	(171,792)	167,583	-	8,115,575
Balance, December 31	<u>\$ 445,761,432</u>	<u>\$ 3,989,323</u>	<u>\$ 2,959,807</u>	<u>\$ -</u>	<u>\$ 452,710,562</u>

### For the year 2021

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 381,907,914	\$ 5,108,208	\$ 2,477,030	\$ -	\$ 389,493,152
Changes in financial instruments that have been identified at the beginning of the period:					
To 12-month ECLs	4,805,070	(4,584,746)	(220,324)	-	-
To lifetime ECLs	(10,058,148)	10,212,177	(154,029)	-	-
To credit impaired financial asset	(533,312)	(424,949)	958,261	-	-
Derecognizing financial assets during the current period	(38,081,884)	(1,005,610)	(456,207)	-	(39,543,701)
Purchased or originated financial assets	64,553,040	85	3,000	-	64,556,125
Write-off	-	-	(582,831)	-	(582,831)
Change in exchange rates and others	1,403,306	117,238	(94,310)	-	1,426,234
Balance, December 31	<u>\$ 403,995,986</u>	<u>\$ 9,422,403</u>	<u>\$ 1,930,590</u>	<u>\$ -</u>	<u>\$ 415,348,979</u>

## Changes in loss allowance of receivables

### For the year 2022

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 21,228	\$ 457	\$ 209,796	\$ 72,303	\$ 303,784	\$ 186	\$ 303,970
Changes in financial instruments that have been identified at the beginning of the period:							
To 12-month ECLs	1,201	(790)	(411)	-	-	-	-
To lifetime ECLs	(55)	469	(414)	-	-	-	-
To credit impaired financial assets	(3)	(460)	463	-	-	-	-
Derecognizing financial assets during the current period	(735)	(277)	(6,571)	-	(7,583)	-	(7,583)
Purchased or originated financial assets	2,838	-	1,737	-	4,575	-	4,575
Loss recognized based on the Regulations	-	-	-	-	-	(34)	(34)
Write-off	39,057	-	(210)	-	(209)	-	(209)
Reversal of write-off	(11,759)	1,052	-	-	39,057	-	39,057
Change in exchange rates or others	176	-	3,591	-	(6,940)	-	(6,940)
Balance, December 31	<u>\$ 51,948</u>	<u>\$ 451</u>	<u>\$ 207,981</u>	<u>\$ 72,303</u>	<u>\$ 332,684</u>	<u>\$ 152</u>	<u>\$ 332,836</u>

### For the year 2021

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 37,302	\$ 820	\$ 221,524	\$ 72,303	\$ 331,949	\$ 113	\$ 332,062
Changes in financial instruments that have been identified at the beginning of the period:							
To 12-month ECLs	694	(525)	(169)	-	-	-	-
To lifetime ECLs	(46)	647	(601)	-	-	-	-
To credit impaired financial assets	(5)	(489)	494	-	-	-	-
Derecognizing financial assets during the current period	(5,128)	(249)	(6,101)	-	(11,478)	-	(11,478)
Purchased or originated financial assets	8,127	-	2,107	-	10,234	-	10,234
Loss recognized based on the Regulations	-	-	-	-	-	73	73
Write-off	(39,057)	-	(3,282)	-	(42,339)	-	(42,339)
Reversal of write-off	-	-	143	-	143	-	143
Change in exchange rates or others	19,341	253	(4,319)	-	15,275	-	15,275
Balance, December 31	<u>\$ 21,228</u>	<u>\$ 457</u>	<u>\$ 209,796</u>	<u>\$ 72,303</u>	<u>\$ 303,784</u>	<u>\$ 186</u>	<u>\$ 303,970</u>

## Changes in book value of receivables

### For the year 2022

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 4,459,168	\$ 22,240	\$ 247,780	\$ 72,303	\$ 4,801,491
Changes in financial instruments that have been identified at the beginning of the period:					
To 12-month ECLs	44,027	(42,898)	(1,129)	-	-
To lifetime ECLs	(49,758)	51,331	(1,573)	-	-
To credit impaired financial asset	(3,753)	(12,532)	16,285	-	-
Derecognizing financial assets during the current period	(2,292,407)	(11,430)	(19,575)	-	(2,323,412)
Purchased or originated financial assets	2,143,355	-	2,031	-	2,145,386
Write-off	-	-	(209)	-	(209)
Change in exchange rates and others	<u>1,155,520</u>	<u>13,387</u>	<u>(4,630)</u>	<u>-</u>	<u>1,164,277</u>
Balance, December 31	<u>\$ 5,456,152</u>	<u>\$ 20,098</u>	<u>\$ 238,980</u>	<u>\$ 72,303</u>	<u>\$ 5,787,533</u>

Note: Book value on December 31, 2022 did not include the spot foreign exchange receivable \$158 thousand.

### For the year 2021

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 4,032,610	\$ 18,112	\$ 282,714	\$ 72,303	\$ 4,405,739
Changes in financial instruments that have been identified at the beginning of the period:					
To 12-month ECLs	26,614	(26,004)	(610)	-	-
To lifetime ECLs	(44,421)	46,779	(2,358)	-	-
To credit impaired financial asset	(4,073)	(12,454)	16,527	-	-
Derecognizing financial assets during the current period	(2,562,221)	(10,083)	(36,306)	-	(2,608,610)
Purchased or originated financial assets	2,902,642	1	2,901	-	2,905,544
Write-off	(39,057)	-	(3,282)	-	(42,339)
Change in exchange rates and others	<u>147,074</u>	<u>5,889</u>	<u>(11,806)</u>	<u>-</u>	<u>141,157</u>
Balance, December 31	<u>\$ 4,459,168</u>	<u>\$ 22,240</u>	<u>\$ 247,780</u>	<u>\$ 72,303</u>	<u>\$ 4,801,491</u>

Note: Book value on December 31, 2021 did not include the spot foreign exchange receivable \$613 thousand.

## Changes of other financial assets loss allowance

### For the year 2022

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ -	\$ -	\$ 1,442	\$ -	\$ 1,442	\$ -	\$ 1,442
Changes in financial instruments that have been identified at the beginning of the period:							
To 12-month ECLs	-	-	-	-	-	-	-
To lifetime ECLs	-	-	-	-	-	-	-
To credit impaired financial assets	-	-	-	-	-	-	-
Derecognizing financial assets during the current period	-	-	(261)	-	(261)	-	(261)
Purchased or originated financial assets	-	-	-	-	-	-	-
Loss recognized based on the Regulations	-	-	-	-	-	-	-
Write-off	-	-	(10,400)	-	(10,400)	-	(10,400)
Reversal of write-off	-	-	12,955	-	12,955	-	12,955
Change in exchange rates and others	-	-	(1,707)	-	(1,707)	-	(1,707)
Balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,029</u>	<u>\$ -</u>	<u>\$ 2,029</u>	<u>\$ -</u>	<u>\$ 2,029</u>

### For the year 2021

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ -	\$ -	\$ 1,775	\$ -	\$ 1,775	\$ -	\$ 1,775
Changes in financial instruments that have been identified at the beginning of the period:							
To 12-month ECLs	-	-	-	-	-	-	-
To lifetime ECLs	-	-	-	-	-	-	-
To credit impaired financial assets	-	-	-	-	-	-	-
Derecognizing financial assets during the current period	-	-	(141)	-	(141)	-	(141)
Purchased or originated financial assets	-	-	-	-	-	-	-
Loss recognized based on the Regulations	-	-	-	-	-	-	-
Write-off	-	-	(10,640)	-	(10,640)	-	(10,640)
Reversal of write-off	-	-	10,365	-	10,365	-	10,365
Change in exchange rates and others	-	-	83	-	83	-	83
Balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,442</u>	<u>\$ -</u>	<u>\$ 1,442</u>	<u>\$ -</u>	<u>\$ 1,442</u>

## Changes of other financial assets book value

### For the year 2022

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ -	\$ -	\$ 3,912	\$ -	\$ 3,912
Changes of financial instruments that have been identified at the beginning of the period:					
To 12-month ECL	-	-	-	-	-
To lifetime ECL	-	-	-	-	-
To credit impaired financial asset	-	-	-	-	-
Derecognizing financial assets during the current period	-	-	(587)	-	(587)
Purchased or originated financial assets	-	-	-	-	-
Write-off	-	-	(10,400)	-	(10,400)
Change in exchange rates and others	-	-	12,355	-	12,355
Balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,280</u>	<u>\$ -</u>	<u>\$ 5,280</u>

Note: Book value only included non-performing loans transferred from other than loans.

### For the year 2021

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ -	\$ -	\$ 3,472	\$ -	\$ 3,472
Changes of financial instruments that have been identified at the beginning of the period:					
To 12-month ECL	-	-	-	-	-
To lifetime ECL	-	-	-	-	-
To credit impaired financial asset	-	-	-	-	-
Derecognizing financial assets during the current period	-	-	(302)	-	(302)
Purchased or originated financial assets	-	-	-	-	-
Write-off	-	-	(10,640)	-	(10,640)
Change in exchange rates and others	-	-	11,382	-	11,382
Balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,912</u>	<u>\$ -</u>	<u>\$ 3,912</u>

Note: Book value only included non-performing loans transferred from other than loans.

## Changes of commitment and guarantee liability provisions

### For the year 2022

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 16,646	\$ -	\$ -	\$ -	\$ 16,646	\$ 29,066	\$ 45,712
Changes in financial instruments that have been identified at the beginning of the period:							
To 12-month ECLs	24	(24)	-	-	-	-	-
To lifetime ECLs	(72)	72	-	-	-	-	-
To credit impaired financial assets	-	(2)	2	-	-	-	-
Derecognizing financial assets during the current period	(2,090)	-	-	-	(2,090)	-	(2,090)
Purchased or originated financial assets	1,653	-	-	-	1,653	-	1,653
Loss recognized based on the Regulations	-	-	-	-	-	2,644	2,644
Change in others	(683)	(46)	64	-	(665)	-	(665)
Balance, December 31	<u>\$ 15,478</u>	<u>\$ -</u>	<u>\$ 66</u>	<u>\$ -</u>	<u>\$ 15,544</u>	<u>\$ 31,710</u>	<u>\$ 47,254</u>

### For the year 2021

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 26,048	\$ -	\$ -	\$ -	\$ 26,048	\$ 16,763	\$ 42,811
Changes in financial instruments that have been identified at the beginning of the period:							
To 12-month ECLs	2	(2)	-	-	-	-	-
To lifetime ECLs	(19)	19	-	-	-	-	-
To credit impaired financial assets	-	-	-	-	-	-	-
Derecognizing financial assets during the current period	(3,357)	-	-	-	(3,357)	-	(3,357)
Purchased or originated financial assets	669	-	-	-	669	-	669
Loss recognized based on the Regulations	-	-	-	-	-	12,303	12,303
Change in others	(6,697)	(17)	-	-	(6,714)	-	(6,714)
Balance, December 31	<u>\$ 16,646</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,646</u>	<u>\$ 29,066</u>	<u>\$ 45,712</u>

## 13) Credit risk concentration of the Company

Concentrations of credit risk arise when there is only a single customer counterparty or there are customers engaged in similar business activities or economic characteristics, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Credit risk concentrations can arise in the Company'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, loan and deposits, call loan to banks, investment, receivables and derivatives. The Company maintains well-diversified credit portfolios to protect against exposure to any geographic region, country or individual creditor. The Company's most significant concentrations of credit risk is summarized by industry, region and collateral as follows:

a) By industry

By Industry	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
Private enterprise	\$ 233,723,122	51.76	\$ 215,916,964	52.13
Government organization	12,015,281	2.66	11,338,498	2.74
Non-profit organization	219,298	0.05	213,634	0.05
Natural person	205,601,680	45.53	186,688,823	45.08
Total	\$ 451,559,381	100.00	\$ 414,157,919	100.00

b) By geographical area

The Group's operations are mainly in Taiwan.

c) By collateral

By Collaterals	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
Unsecured	\$ 23,606,479	5.23	\$ 25,016,074	6.04
Secured				
Stocks	4,880,658	1.08	5,092,407	1.23
Bonds	4,678,319	1.04	4,285,071	1.03
Real estate	398,244,551	88.19	358,793,709	86.64
Movable properties	13,476,439	2.98	12,350,723	2.98
Notes receivable	40,830	0.01	27,049	0.01
Guarantees	5,700,673	1.26	7,929,548	1.91
Others	931,432	0.21	663,338	0.16
Total	\$ 451,559,381	100.00	\$ 414,157,919	100.00

14) Management policies on collaterals

The Group's foreclosed collaterals are all securities which had recognized full amount impairment in other asset, net as of December 31, 2022 and 2021.

The Group may dispose collaterals whenever it available to sell, the trading amounts are used to net offset the payable.

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				
Item			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 629,724	\$ 198,322,711	0.32%	\$ 2,626,929	417.16%
	Unsecured		3,290	50,292,509	0.01%	651,442	19,800.67%
Consumer loan	Mortgage (Note 4)		7,622	32,994,922	0.02%	434,448	5,699.92%
	Cash card		-	-	-	-	-
	Microcredit (Note 5)		3,050	1,124,617	0.27%	16,548	542.56%
	Others (Note 6)	Secured	31,211	139,691,624	0.02%	1,824,893	5,846.95%
		Unsecured	1,768	29,132,998	0.01%	378,293	21,396.66%
Total			676,665	451,559,381	0.15%	5,932,553	876.73%
			Overdue Receivables	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card (Note 8)			\$ 2,128	\$ 653,469	0.33%	\$ 11,945	561.33%
Accounts receivable - factoring with no recourse (Note 7)			-	-	-	-	-

Date			December 31, 2021				
Item			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 616,689	\$ 187,979,718	0.33%	\$ 2,846,716	461.61%
	Unsecured		133	42,530,378	-	629,927	473,629.32%
Consumer loan	Mortgage (Note 4)		19,478	31,016,663	0.06%	466,325	2,394.11%
	Cash card		-	-	-	-	-
	Microcredit (Note 5)		622	807,826	0.08%	14,267	2,293.73%
	Others (Note 6)	Secured	27,618	129,000,439	0.02%	1,923,578	6,964.94%
		Unsecured	4,684	22,822,895	0.02%	340,026	7,259.31%
Total			669,224	414,157,919	0.16%	6,220,839	929.56%
			Overdue Receivables	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card (Note 8)			\$ 550	\$ 609,728	0.09%	\$ 13,354	2,428.00%
Accounts receivable - factoring with no recourse (Note 7)			-	-	-	-	-

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 Nonperforming/Non-accrual Loans”.

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

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

For Credit card business:  $\text{Delinquency ratio} = \text{Overdue receivable} \div \text{Account receivables}$

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

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

Note 4: Household mortgage loan is a financing for 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 is regulated by the Banking Bureau letter dated December 19, 2005 (Ref. No. 09440010950).

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

Note 7: For accounts receivables - factoring with no recourse, dealt in accordance with the Banking Bureau letter dated July 19, 2005 (Ref. No. 094000494), allowance for bad debts is recognized once no compensation is made from factoring or insurance within three months.

Note 8: Included nonperforming loans transferred from other than loans.

b) Excluded NPLs and excluded overdue receivables

Date	December 31, 2022		December 31, 2021	
Item	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt negotiation and loan agreements (Note 1)	\$ 202	\$ -	\$ 327	\$ -
As a result of consumer debt clearance (Note 2)	720	668	1,087	1,030

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

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

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	Group A (real estate developments activities)	\$ 7,080,280	17.35
2	Group B (real estate developments activities)	4,250,535	10.41
3	Company C (real estate developments activities)	3,609,300	8.84
4	Group D (iron and steel rolls over extends and crowding)	3,002,586	7.36
5	Group E (real estate developments activities)	2,978,005	7.30
6	Group F (other apparel wholesale)	2,954,218	7.24
7	Company G (real estate developments activities)	2,035,000	4.99
8	Company H (automobile parts manufacturing)	1,730,000	4.24
9	Company I (real estate developments activities)	1,701,000	4.17
10	Company J (short-term accommodation)	1,687,177	4.13

Year	December 31, 2021		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	Group A (real estate developments activities)	\$ 4,612,000	11.98
2	Group B (real estate developments activities)	4,078,739	10.60
3	Company C (real estate developments activities)	3,688,390	9.58
4	Group D (real estate developments activities)	3,615,815	9.40
5	Group E (real estate developments activities)	3,425,750	8.90
6	Group F (iron and steel rolls over extends and crowding)	2,767,483	7.19
7	Company G (real estate developments activities)	2,035,000	5.29
8	Group H (fabric mills)	1,746,500	4.54
9	Company I (real estate developments activities)	1,690,050	4.39
10	Company J (spinning of yarn, cotton and wool)	1,660,000	4.31

Note 1: Ranking of top 10 groups (excluding government or state-owned utilities) whose total credit consists of loans.

Note 2: Groups were those as defined in Articles 6 of the Supplementary Provisions 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, margin receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, and nonperforming loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances receivable, and guarantee deposit issued.

d. Liquidity risk management

1) Definition of liquidity risk

a) The Company

Liquidity risk is the risk that the Company cannot realize asset or obtain financing to provide capital to meet its payment obligations as they fall due. It may cut down the cash resource from loan operations, transactions and investing activities. Under some extreme situations, insufficient liquidity may cause possible decline in the overall balance sheet positions goes downward, sale of assets and failure to perform the loan commitments.

b) Sunny Securities Co.

Liquidity risk refers to an enterprise's inability to convert an asset or security into cash to meet obligations as they fall due (also called capital risks). Market risk refers to the Group's difficulty in transacting its open positions resulting from market fluctuations due to a lack of market depth or due to market confusion.

## 2) Policies of liquidity risk management

### a) The Company

The procedures of liquidity risk managements are performed individually and monitored by independent risk management department. The monitoring procedures are summarized as follows:

- i. Monitoring of future cash flows to ensure daily capital mobility would be able to meet the needs.
- ii. Maintenance of adequate realizable high liquidity assets for any unexpected accidents.
- iii. Monitoring of the liquidity ratio for internal management purpose and external supervisors' regulations.
- iv. Monitoring of bond due dates

The monitoring and reporting procedures for estimating future cash flows are applied daily, weekly and monthly. The estimates are based on an analysis of the maturity dates of the financial liabilities and the dates when expected financial assets can be turned into cash. Related information is reported timely to the Company's Risk Management Committee and Board of Directors.

### b) Sunny Securities Co.

Sunny Securities Co. maintains the needed of cash and cash equivalent, high mobility securities and sufficient financing line of banks to ensure financial flexibility. Bank loan is a main resource of liquidity for Sunny Securities Co., The unutilized of bank loan were \$796,000 thousand and \$420,000 thousand as of December 31, 2022 and 2021, respectively.

## 3) Maturity analysis of financial assets and non-derivative financial liabilities held to manage liquidity risk

### a) Financial assets held to manage liquidity risk

The Group holds cash and premium interest-generating assets with high liquidity to fulfill payment obligations and meet any potential urgent capital needs. The financial assets the Group used to manage liquidity risks include cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive gains and losses, investment in debt instrument at amortized cost, discounts and loans, available-for-sale financial assets, held-to-maturity investments, and debt instruments with no active markets.

### b) Maturity analysis of non-derivative financial liabilities

Cash outflow analysis of non-derivative financial liabilities of the Group is summarized in the following tables. The amounts are based on a contractual cash flow basis so some of the amounts will not match the amounts in the consolidated balance sheet.

Maturity analysis of operating lease commitments is summarized as follows:

December 31, 2022	Less Than 30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	\$ 1,231,316	\$ 1,712,175	\$ 593,442	\$ 2,338,014	\$ 10,001	\$ 5,884,948
Securities sold under agreements to repurchase	3,206,180	-	-	-	-	3,206,180
Payables	3,090,188	90,346	385,794	107,735	52,729	3,726,792
Deposits and remittances	90,355,639	99,601,337	97,842,792	187,353,397	130,244,156	605,397,321
Bank debentures	1,125,132	63,743	24,499	1,558,281	12,460,000	15,321,655
Short-term borrowings	362,245	424,000	60,000	155,000	-	1,001,245
Long-term borrowings	-	-	-	-	214,970	214,970
Lease liabilities	3,039	16,557	13,163	28,890	126,563	188,212

December 31, 2021	Less Than 30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	\$ 4,361,396	\$ 1,819,730	\$ 832,685	\$ 1,826,931	\$ 1,016	\$ 8,841,758
Securities sold under agreements to repurchase	8,459,200	300,182	-	-	-	8,759,382
Payables	3,657,531	511,750	41,223	164,612	67,561	4,442,677
Deposits and remittances	77,691,551	88,116,026	100,026,379	178,491,852	129,955,522	574,281,330
Bank debentures	25,132	59,053	21,444	958,212	12,960,000	14,023,841
Short-term borrowings	477,893	245,360	133,040	110,000	-	966,293
Long-term borrowings	-	-	-	-	221,400	221,400
Lease liabilities	3,281	18,259	14,279	31,790	142,156	209,765
Due to the Central Bank and other banks	-	-	5,214,580	-	-	5,214,580

#### 4) Maturity analysis of derivative financial liabilities

##### Derivative instruments for total clearing and settlement

The Group's derivative instruments for total clearing and settlement are mainly forward contracts and currency swap contracts. The amounts of the derivative instruments for total clearing and settlement are based on contractual cash flows and may not match the amounts on the consolidated balance sheet. Maturity analysis of derivative instruments for total clearing and settlement are as follows:

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Derivative instruments of exchange rates						
Cash outflow	\$ 188,292	\$ -	\$ -	\$ -	\$ -	\$ 188,292
Cash inflow	184,829	-	-	-	-	184,829
Cash outflow	188,292	-	-	-	-	188,292
Cash inflow	184,829	-	-	-	-	184,829
Net cash flow	(3,463)	-	-	-	-	(3,463)

#### 5) Maturity analysis of off balance sheet items

The table below shows the highest amounts of obligations that the creditor might require payment. The amounts on the table are based on contractual cash flows and may not match the amounts on the consolidated balance sheet.

December 31, 2022	Under 1 Year	1-5 Years	Over 5 Years	Total
Undrawn loan commitments	\$ 399,434	\$ 705,655	\$ 11,955	\$ 1,117,044
Undrawn credit card commitments	1,269,961	6,627,675	3,792,497	11,690,133
Standby letters of credit	726,693	-	-	726,693
Guarantees	2,765,169	1,639,785	-	4,404,954
Total	5,161,257	8,973,115	3,804,452	17,938,824

<b>December 31, 2021</b>	<b>Under 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Undrawn loan commitments	\$ 163,492	\$ 1,526,621	\$ 24,799	\$ 1,714,912
Undrawn credit card commitments	551,384	7,499,752	3,557,819	11,608,955
Standby letters of credit	980,076	-	-	980,076
Guarantees	3,226,476	858,694	69,193	4,154,363
<b>Total</b>	<b>4,921,428</b>	<b>9,885,067</b>	<b>3,651,811</b>	<b>18,458,306</b>

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 Company (New Taiwan dollars)

	<b>December 31, 2022</b>						
	<b>Total</b>	<b>0 to 10 Days</b>	<b>11 to 30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days - 1 Year</b>	<b>Over 1 Year</b>
Main capital inflow on maturity	\$ 613,035,344	\$ 50,443,477	\$ 30,340,519	\$ 34,117,964	\$ 47,007,122	\$ 105,726,511	\$ 345,399,751
Main capital outflow on maturity	700,422,987	38,251,799	36,817,381	99,119,637	104,633,766	211,704,037	209,896,367
Gap	(87,387,643)	12,191,678	(6,476,862)	(65,001,673)	(57,626,644)	(105,977,526)	135,503,384

	<b>December 31, 2021</b>						
	<b>Total</b>	<b>0 to 10 Days</b>	<b>11 to 30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days - 1 Year</b>	<b>Over 1 Year</b>
Main capital inflow on maturity	\$ 599,333,511	\$ 55,207,177	\$ 49,898,201	\$ 30,161,375	\$ 41,949,367	\$ 88,465,453	\$ 333,651,938
Main capital outflow on maturity	692,150,074	39,645,550	39,865,463	90,119,381	109,396,255	205,478,599	207,644,826
Gap	(92,816,563)	15,561,627	10,032,738	(59,958,006)	(67,446,888)	(117,013,146)	126,007,112

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

b) Maturity analysis of assets and liabilities of the Company (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 - 1 Year</b>	<b>Over 1 Year</b>
Main capital inflow on maturity	\$ 1,896,665	\$ 469,751	\$ 246,403	\$ 139,919	\$ 99,447	\$ 940,145
Main capital outflow on maturity	1,944,039	843,819	407,893	302,583	348,064	41,680
Gap	(48,374)	(374,068)	(161,490)	(162,664)	(248,617)	898,465

	<b>December 31, 2021</b>					
	<b>Total</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days - 1 Year</b>	<b>Over 1 Year</b>
Main capital inflow on maturity	\$ 1,920,249	\$ 490,542	\$ 473,631	\$ 55,719	\$ 146,451	\$ 753,906
Main capital outflow on maturity	1,890,653	665,614	424,258	262,394	521,003	17,384
Gap	29,596	(175,072)	49,373	(206,675)	(374,552)	736,522

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

e. Market risk

1) The Company

a) Definition of market risk

Market risk arises when changes in market price (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 Company's net revenue and investment portfolio value may fluctuate when risk factors change.

b) Management strategies

In accordance with the risk management policies approved by the board of directors, the Company sets loss limit and position and conducts credit evaluation and operation stress testing, and submits reports to the risk management committee and the board for reference in making management decisions.

c) Management procedures

i. Identification and measurement

The operating and risk management department identifies the resources and risk factors of market risks, including position line, stop loss line and concentration market risk, by operation and production analysis periodically. Appropriate market risk valuation methods for different risk factors included principal limit, bond limit, securities limit, PVBP and duration.

ii. Supervision and reporting

The Company'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 the situation to the board of directors. 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.

d) Trading book risk management policies

i. Identification and measurement

The trading book is an accounting book of the financial instruments and physical commodities held for trading or hedged by the Company. Held-for-trading position refers to commodities which gain from the fluctuation of price. Positions that should not be recorded in the trading book are recorded in the banking book.

ii. Procedures

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 based on market information and evaluates market information which is factored into the pricing model.

e) Trading book interest rate risk management

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.

i. Strategies

Interest rate risk management enhances resilience of the Company and prevents loss from changes in interest rates.

ii. Procedures

When trading in interest-linked business, the Company should identify various sources of interest rate risk as well as assess possible impacts on profit and economic value due to interest rate fluctuation. For the purpose of stabilizing long-term profitability and business growth, the Company developed an interest rate sensitivity index monitoring system based on main periods and implements stress tests. The monitoring results of interest rate risk limits are reported to the risk management committee and the board of directors regularly.

f) Exchange rate risk management

i. Definitions

Exchange rate risk refers to the incurrence of loss from the exchange of currencies on different dates. The Company's major financial instruments exposed to exchange rate risk are spot contracts and forward contracts.

ii. Policies, procedures and measurements

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

g) Equity securities price management

i. Definitions

Market risk of equity securities is the risk that stock or stock index prices and/or their implied volatility will change (specific risk) or the general market will give rise to conditions that will negatively affect security prices.

ii. Purposes

To avoid the price of equity securities suffering from severe fluctuations that result in the Company's loss; to enhance the operating efficiency and strengthen the business.

iii. Procedures

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

h) Market risk measurement technique

i. Stress testing

The Company uses 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 Company's stress testing included risk factors, emerging markets and temporary markets, the result of testing would be reported to management and some of the testing would be adjusted to meet the need of a specific sector, and usually performed with scenario analysis.

ii. Sensitivity analysis

Interest risks

Under the assumption that other variants remain the same, if the yield interest curve at December 31, 2022 and 2021 had moved 100 basis points upwards, the Company's income before tax would have decreased by \$13,840 thousand and \$47,063 thousand, respectively, whereas other comprehensive income would have decreased by \$358,795 thousand and \$480,104 thousand, respectively. If the yield interest curves at December 31, 2022 and 2021 had moved 100 basis points downwards, the Company's income before tax would have increased by \$13,917 thousand and \$47,418 thousand, whereas other comprehensive income would have increased by \$491,509 thousand and \$480,934 thousand, respectively.

Exchange rate risks

Under the assumption that other variants remain the same, if the exchange rate at December 31, 2022 and 2021 had depreciated 3% for USD/NTD and EUR/NTD, and 5% for JPY/NTD and other currencies/NTD, the Company's income before tax would have decreased by \$22,855 thousand and \$20,488 thousand, respectively.

Under the assumption that other variants remain the same, if the exchange rate at December 31, 2022 and 2021 had appreciated 3% for USD/NTD and EUR/NTD, and 5% for JPY/NTD and other currencies/NTD, the Company's income before tax would have increased by \$22,855 thousand and \$20,488 thousand, respectively.

Equity securities price risks

Under the assumption that other variants remain the same, if the price of domestic equity securities at December 31, 2022 and 2021 had increased 15%, and the price of foreign equity securities had increased 20%, the Company's income before tax would have increased by \$85,801 thousand and \$36,608 thousand, respectively.

Under the assumption that other variants remain the same, if the price of domestic equity securities at December 31, 2022 and 2021 had dropped 15%, and the price of foreign equity securities had dropped 20%, the Company's income before tax would have decreased by \$85,801 thousand and \$36,608 thousand, respectively.

The above analyses are based on the assumption that the trends and historical data of all equity instruments are the same.

Summary of the sensitivity analyses is shown below:

<b>December 31, 2022</b>			
<b>Main Risks</b>	<b>Variation</b>	<b>Effectuated Amount</b>	
		<b>Equity</b>	<b>Profit</b>
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD increased 3%	\$ -	\$ 22,734
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD decreased 3%	-	(22,734)
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD increased 5%	-	121
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD dropped 5%	-	(121)
Interest rate risks	Yield curve increased 100 BPS	(358,795)	(13,840)
Interest rate risks	Yield curve decreased 100 BPS	491,509	13,917
Equity securities price risks	Domestic equity securities price increase 15%	-	72,108
Equity securities price risks	Foreign equity securities price increase 20%	-	13,693
Equity securities price risks	Domestic equity securities price decrease 15%	-	(72,108)
Equity securities price risks	Foreign equity securities price decrease 20%	-	(13,693)

<b>December 31, 2021</b>			
<b>Main Risks</b>	<b>Variation</b>	<b>Effectuated Amount</b>	
		<b>Equity</b>	<b>Profit</b>
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD increased 3%	\$ -	\$ 20,345
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD decreased 3%	-	(20,345)
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD increased 5%	-	143
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD dropped 5%	-	(143)
Interest rate risks	Yield curve increased 100 BPS	(480,104)	(47,063)
Interest rate risks	Yield curve decreased 100 BPS	480,934	47,418
Equity securities price risks	Domestic equity securities price increase 15%	-	28,315
Equity securities price risks	Foreign equity securities price increase 20%	-	8,293
Equity securities price risks	Domestic equity securities price decrease 15%	-	(28,315)
Equity securities price risks	Foreign equity securities price decrease 20%	-	(8,293)

iii. Effect of interest rate benchmark reform

The Group is exposed to USD LIBOR, EUR LIBOR, GBP LIBOR and JPY LIBOR which is subject to interest rate benchmark reform. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR, Euro Short-Term Rate (ESTER) is expected to replace Sterling Over Night Index Average (EUR LIBOR, SONIA) is expected to replace Tokyo Overnight Average Rate (GBP LIBOR and TONAR) is expected to replace JPY LIBOR. There are key differences between alternative rates and LIBOR. LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. Each alternative rate are currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. To transition existing contracts and agreements that reference LIBOR to alternative rates, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

The Group established a LIBOR transition project plan. This transition project is considering changes to risk management policies, internal processes, IT systems and valuation models, as well as managing any related tax and accounting implications. As at December 31, 2022, changes required to IT systems and internal processes have been identified and the updates have been completed.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with the Group’s counterparties are not successfully concluded before the cessation of USD LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into. If a hedged financial instrument and the related hedging derivative instrument are transitioned to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

The following table contains details of all of the financial instruments held by the Group at December 31, 2022 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

<b>Non-derivative Financial Instrument</b>	<b>Carrying Amount</b>	
	<b>Financial Assets</b>	<b>Financial Liabilities</b>
Discounts and loans, net		
USD LIBOR	\$ 5,253,987	\$ -
Debt instruments at FVTOCI		
3-month USD LIBOR	\$ 2,028,430	\$ -

i) Exchange rate risks

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

December 31						
	2022			2021		
	Foreign Currency	Exchange Rate	Converted to NTD	Foreign Currency	Exchange Rate	Converted to NTD
Financial assets						
USD	\$ 1,915,364	30.708	\$ 58,816,999	\$ 1,951,613	27.69	\$ 54,040,161
RMB	1,499,648	4.408	6,610,447	1,388,546	4.347	6,036,008
JPY	4,625,357	0.232	1,074,933	2,339,335	0.241	562,610
AUD	31,463	20.83	655,373	35,485	20.09	712,887
HKD	82,688	3.938	325,627	7,854	3.551	27,889
EUR	7,919	32.71	259,015	8,660	31.33	271,327
CAD	8,419	22.66	190,770	2,545	21.63	55,049
SGD	8,000	22.87	182,951	2,049	20.46	41,930
NZD	6,362	19.429	123,609	3,039	18.887	57,396
Financial liabilities						
USD	1,894,650	30.708	58,180,903	1,841,252	27.69	50,984,273
RMB	1,275,235	4.408	5,621,235	1,282,716	4.347	5,575,967
JPY	4,623,554	0.232	1,074,514	2,350,036	0.241	565,184
ZAR	324,357	1.81	587,086	298,519	1.73	516,438
HKD	82,166	3.938	323,571	42,980	3.551	152,622
AUD	31,422	20.83	654,526	35,361	20.09	710,394
SGD	13,422	22.87	306,967	17,108	20.46	350,036
EUR	7,892	32.71	258,145	8,548	31.33	267,802
NZD	6,327	19.429	122,931	7,955	18.887	150,247

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

i. Interest rate sensitivity information (New Taiwan dollars)

December 31, 2022

Items	1-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 460,595,231	\$ 19,553,563	\$ 2,521,187	\$ 87,580,966	\$ 570,250,947
Interest rate-sensitive liabilities	276,439,216	207,189,498	60,033,592	14,654,857	558,317,163
Interest rate-sensitive gap	184,156,015	(187,635,935)	(57,512,405)	72,926,109	11,933,784
Net worth					41,943,589
Ratio of interest rate-sensitive assets to liabilities (%)					102.14%
Ratio of interest rate-sensitive gap to net worth (%)					28.45%

December 31, 2021

Items	1-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 445,367,124	\$ 27,486,189	\$ 3,503,568	\$ 83,862,938	\$ 560,219,819
Interest rate-sensitive liabilities	239,405,305	225,211,164	66,013,635	16,730,800	547,360,904
Interest rate-sensitive gap	205,961,819	(197,724,975)	(62,510,067)	67,132,138	12,858,915
Net worth					37,979,274
Ratio of interest rate-sensitive assets to liabilities (%)					102.35%
Ratio of interest rate-sensitive gap to net worth (%)					33.86%

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

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

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

Note 4:  $\text{Ratio of interest rate-sensitive assets to liabilities} = \frac{\text{Interest rate-sensitive assets}}{\text{Interest rate-sensitive liabilities}}$  (in New Taiwan dollars).

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

December 31, 2022

Unit: USD in Thousands

Items	1-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 998,346	\$ 132,829	\$ 28,047	\$ 706,906	\$ 1,866,128
Interest rate-sensitive liabilities	1,223,315	302,141	347,506	-	1,872,962
Interest rate-sensitive gap	(224,969)	(169,312)	(319,459)	706,906	(6,834)
Net worth					(36,556)
Ratio of interest rate-sensitive assets to liabilities (%)					99.64%
Ratio of interest rate-sensitive gap to net worth (%)					18.69%

December 31, 2021

Unit: USD in Thousands

Items	1-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 1,257,257	\$ 64,494	\$ 57,194	\$ 517,442	\$ 1,896,387
Interest rate-sensitive liabilities	1,022,646	262,069	520,852	-	1,805,567
Interest rate-sensitive gap	234,611	(197,575)	(463,658)	517,442	90,820
Net worth					16,806
Ratio of interest rate-sensitive assets to liabilities (%)					105.03%
Ratio of interest rate-sensitive gap to net worth (%)					540.40%

Note 1: The above amounts include only USD held by the Company 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:  $\text{Interest rate-sensitive gap} = \text{Interest rate-sensitive assets} - \text{Interest rate-sensitive liabilities}$ .

Note 4:  $\text{Ratio of interest rate-sensitive assets to liabilities} = \frac{\text{Interest rate-sensitive assets}}{\text{Interest rate-sensitive liabilities}}$  (in U.S. dollars)

2) Sunny Securities Co.

Market risk refers to the possible loss due to the change in market price of a financial product as a result of change in such factors as market interest rates, exchange rates, share prices and consumer goods.

The sensitivity analysis below was determined based on the exposure to the price risks of the fair value of financial assets at FVTPL at the end of the year. The Company will adjust the sensitivity rate after assessing interest rate risk and considering the impact of the volatile financial market conditions during the current year. The sensitivity rate used represents management's assessment of the reasonably possible change in interest rates.

If equity prices had been 10% higher/lower, pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$0 thousand and \$656 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL.

f. Transfer of financial assets

Transferred financial assets that are not derecognized in their entirety during the normal operations of the Group, are mainly securities sold under agreements to repurchase. In such transactions, the risk and reward of the financial assets are transferred when the proceeds of the sale and associated liability are recognized on the date of sale; the liability is paid when the securities are repurchased back in the future. The Group cannot use, sell or pledge such transferred financial assets during the effective term of the transaction; however, the financial assets are not derecognized in their entirety because the Group still bears related interest rate risk and credit risk. Information regarding these transferred financial assets and liabilities not derecognized entirely are summarized as below:

Financial Asset Categories	December 31, 2022				
	Book value of Transferred Financial Asset	Book Value of Associated Liability	Fair Value of Transferred Financial Asset	Fair Value of Associated Liability	Fair Value, Net
<u>Repurchase agreements</u>					
The investment of debt instruments measured at amortized cost	\$ 3,338,459	\$ 3,203,990	\$ 3,383,842	\$ 3,203,990	\$ 179,582

Financial Asset Categories	December 31, 2021				
	Book value of Transferred Financial Asset	Book Value of Associated Liability	Fair Value of Transferred Financial Asset	Fair Value of Associated Liability	Fair Value, Net
<u>Repurchase agreements</u>					
The investment of debt instruments at FVTOCI	\$ 1,004,559	\$ 1,000,359	\$ 1,004,559	\$ 1,000,359	\$ 4,200
The investment of debt instruments measured at amortized cost	8,079,127	7,756,898	8,287,799	7,756,898	530,901

g. Offsetting financial assets and financial liabilities

The Group has no financial assets or liabilities meeting the criteria of IAS 32 and 42 endorsed by FSC. There is no enforceable master netting arrangements or other similar arrangements; the proceeds would be settled in full amounts. However, if one party showed signs of default, the other party may choose to settle in net amounts.

Related information regarding the netting of financial asset and financial liability are shown is as follows:

December 31, 2022

Financial Asset	Total Amount of Recognized Financial Asset	Total Amount of Offset Financial Liability Recognized on Balance Sheet	Net Amount of Financial Asset Shown on Balance Sheet	Amounts not Offset on Balance Sheet		Net Amount
				Financial Instrument (Note)	Received Cash Collaterals	
Derivative financial instruments	\$ 15,229	\$ -	\$ 15,229	\$ -	\$ -	\$ 15,229

Financial Liability	Total Amount of Recognized Financial Liability	Total Amount of Offset Financial Asset Recognized on Balance Sheet	Net Amount of Financial Liability Shown on Balance Sheet	Amounts not Offset on Balance Sheet		Net Amount
				Financial Instrument (Note)	Pledged Cash Collaterals	
Securities under agreement to repurchase	\$ 3,203,990	\$ -	\$ 3,203,990	\$ 3,203,990	\$ -	\$ -

Note: Included master netting arrangements and non-cash financial collateral.

December 31, 2021

Financial Asset	Total Amount of Recognized Financial Asset	Total Amount of Offset Financial Liability Recognized on Balance Sheet	Net Amount of Financial Asset Shown on Balance Sheet	Amounts not Offset on Balance Sheet		Net Amount
				Financial Instrument (Note)	Received Cash Collaterals	
Derivative financial instruments	\$ 11,455	\$ -	\$ 11,455	\$ -	\$ -	\$ 11,455

Financial Liability	Total Amount of Recognized Financial Liability	Total Amount of Offset Financial Asset Recognized on Balance Sheet	Net Amount of Financial Liability Shown on Balance Sheet	Amounts not Offset on Balance Sheet		Net Amount
				Financial Instrument (Note)	Pledged Cash Collaterals	
Derivative financial instruments	\$ 3,568	\$ -	\$ 3,568	\$ -	\$ -	\$ 3,568
Securities under agreement to repurchase	8,757,257	-	8,757,257	8,757,257	-	-

Note: Included master netting arrangements and non-cash financial collateral.

## 46. CAPITAL MANAGEMENT

### a. Overview

The Group's capital management goals are as follows:

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

The Group should have adequate capital to bear the risks; measure capital demand according to risk combination and risk characteristics; fulfill the optimization of resources and capital allocation by risk management.

### b. Capital management procedures

The Group's capital is managed by the planning department in the administrative division under the Group's Capital Adequacy Management Policy. Regulatory capital is calculated according to "Regulations Governing the Capital Adequacy and Capital Category of Banks," and reported to the authority quarterly. Regulatory capital is classified into net Tier 1 Capital (the aggregate amount of net common equity Tier 1 and net additional Tier 1 Capital) and net Tier 2 Capital.

#### 1) Net Tier 1 capital

- a) Net common equity Tier 1 capital: Common equity mainly includes common shares, capital surplus, retained earnings, other equity and non-controlling interests, with the total less the following items: Intangible assets, unrealized gains on available-for-sale financial assets, material investments of financial institutions, deferred tax assets and other deduction items of Net Tier 1 and Tier 2 capitals.
- b) Net additional Tier 1 capital: Additional items included perpetual non-cumulative preferred shares and non-cumulative subordinated bonds with no due dates.

## 2) Net Tier 2 capital

This capital base comprises of perpetual cumulative preferred shares, cumulative subordinated bonds with no due dates, revaluation gain, convertible bonds, operation reserves and allowance for accounts receivable.

The Group performs the evaluation of capital adequacy quarterly, and also evaluates the demand of capital in the future, and raises the capital if needed to maintain capital adequacy.

### c. Statement of capital adequacy

The calculations of eligible capital, risk-weighted assets and capital adequacy ratio are as follows:

Capital management of the Group for the years ended December 31, 2022 and 2021 both meet the standards and regulations as required by the authority.

Analysis Items			Year	December 31, 2022	
				Standalone	Consolidated
Eligible capital	Ordinary shares equity		\$ 39,552,296	\$ 39,522,315	
	Other Tier 1 capital		9,360,000	9,360,000	
	Tier 2 capital		7,343,005	7,312,086	
	Eligible capital		56,255,301	56,194,401	
Risk-weighted assets	Credit risk	Standardized approach	407,555,424	405,081,912	
		Internal rating-based approach	-	-	
		Securitization	-	-	
	Operating risk	Basic indicator approach	15,580,688	15,722,250	
		Standardized approach/ alternative standardized approach	-	-	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	10,581,838	10,581,838	
		Internal model approach	-	-	
	Total risk-weighted assets		433,717,950	431,386,000	
Capital adequacy ratio			12.97%	13.03%	
Ordinary shares equity risk-based capital ratio			9.12%	9.16%	
Tier 1 risk-based capital ratio			11.28%	11.33%	
Leverage ratio			7.11%	7.08%	

Analysis Items			Year	December 31, 2021	
				Standalone	Consolidated
Eligible capital	Ordinary shares equity		\$	36,284,544	\$ 36,929,486
	Other Tier 1 capital			8,592,448	9,260,000
	Tier 2 capital			4,306,917	5,697,341
	Eligible capital			49,183,909	51,886,827
Risk-weighted assets	Credit risk	Standardized approach		361,113,277	365,538,814
		Internal rating-based approach		-	-
		Securitization		-	-
	Operating risk	Basic indicator approach		14,133,550	14,753,825
		Standardized approach/ alternative standardized approach		-	-
		Advanced measurement approach		-	-
	Market risk	Standardized approach		14,134,249	14,134,249
		Internal model approach		-	-
	Total risk-weighted assets			389,381,076	394,426,888
Capital adequacy ratio				12.63%	13.15%
Ordinary shares equity risk-based capital ratio				9.32%	9.36%
Tier 1 risk-based capital ratio				11.53%	11.71%
Leverage ratio				6.72%	6.88%

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

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

Note 3: The formulas are as follows:

- 1) Eligible capital = Ordinary shares 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) Ordinary shares equity risk-based capital ratio = Common shares equity ÷ Total risk-weighted assets
- 5) Tier 1 risk-based capital ratio = (Common shares equity + Other Tier 1 capital) ÷ Total risk-weighted assets
- 6) Leverage ratio = Tier 1 capital ÷ Total exposure risk

#### 47. TRUST BUSINESS UNDER THE TRUST LAW

##### Balance Sheets of Trust Accounts December 31, 2022 and 2021

	2022	2021
<u>Trust assets</u>		
Cash and bank deposits	\$ 15,094,615	\$ 16,127,200
Short term investments		
Funds	20,336,744	18,758,253
Bonds	5,703,136	3,783,330
Stocks	409,602	332,210
Real estate		
Land	29,526,985	29,583,875
Buildings	7,033	7,034
Securities under custody	<u>5,369,358</u>	<u>4,442,852</u>
	<u>\$ 76,447,473</u>	<u>\$ 73,034,754</u>
<u>Trust liabilities</u>		
Payable on securities under custody	\$ 5,369,358	\$ 4,442,852
Trust capital		
Money	38,181,834	35,720,253
Real estate	32,748,178	32,768,385
Monetary bonds and collaterals	108,422	108,422
Securities	409,882	332,490
Accumulated loss	(787,260)	(1,096,902)
Profit for current year	<u>417,059</u>	<u>759,254</u>
	<u>\$ 76,447,473</u>	<u>\$ 73,034,754</u>

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

Investment Portfolio	2022	2021
Cash and bank deposits	\$ 15,094,615	\$ 16,127,200
Short term investments		
Funds - NTD	8,701,085	8,248,818
Funds - other currencies	11,635,659	10,509,435
Bonds - other currencies	5,703,136	3,783,330
Stocks	409,602	332,210
Real estate		
Land	29,526,985	29,583,875
Buildings	7,033	7,034
Securities under custody	<u>5,369,358</u>	<u>4,442,852</u>
	<u>\$ 76,447,473</u>	<u>\$ 73,034,754</u>

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

	2022	2021
Trust income		
Interest income	\$ 18,533	\$ 10,880
Dividends	842,242	819,918
Gains from properties trading	167,931	476,338
Realized capital gains	<u>152,686</u>	<u>101,764</u>
	<u>1,181,392</u>	<u>1,408,900</u>
Trust expense		
Trust administrative expenses	31,148	38,148
Commission and fee expenses	17,654	16,065
Loss from property trading	714,987	595,315
Others	<u>544</u>	<u>118</u>
	<u>764,333</u>	<u>649,646</u>
	<u>\$ 417,059</u>	<u>\$ 759,254</u>

Note: The above income statement of trust account is not included in consolidated income statement.

#### 48. PROFITABILITY

Items		December 31, 2022	December 31, 2021
Return on total assets	Before income tax	0.77%	0.48%
	After income tax	0.62%	0.41%
Return on net worth	Before income tax	12.98%	8.11%
	After income tax	10.38%	6.86%
Profit margin		46.65%	30.94%

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

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

Note 3: Profit margin = Income after income tax ÷ Total net revenues

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

#### 49. ADDITIONAL DISCLOSURES

There are no other additional disclosures except for Table 1 to Table 6.

#### 50. SEGMENTS INFORMATION

Based on IFRS 8 “Operating Segments” approved by the Financial Supervisory Commission (FSC), the operating results of the operating segments should be approved by the Group’s Board of Directors (those charged with governance) and serve as the basis for resource allocation and performance evaluation decisions. All of the Group’s operating segments meet the definition under IFRS 8.

The Group’s operating segments are identified on the basis of their industry characteristics, and consist of the banking, securities, and other segments.

Other operations of the Group, including the management of funds and trusts, do not fall under the IFRS 8 definition of an individual reportable segment.

The major revenue streams of the Group's operating segments come from interest revenue, and the Group's Board of Directors evaluates the operating segments' performance based on net interest. The operating results of all operating segments are expressed at their net amounts, i.e., total interest revenue less total interest expense.

Adjustments of internal pricing and transfer pricing have been reflected in the segments' performance evaluation. Revenues generated from external customers are amortized on a reasonable basis as agreed upon by all segments.

Transactions between operating segments are treated as regular transactions. Revenues generated from external customers submitted to and approved by the Board of Directors is measured on the same basis as that used for the consolidated statement of comprehensive income.

The Group's internal management report is based on net operating profit, which includes net interest, allowance for doubtful accounts and guarantees, commission and other fee revenues, net gains (losses) on financial products and other operating profit (loss). The evaluation excludes nonrecurring items such as litigation expenses.

Inter-segment analysis is prepared on the basis of internal management reports provided to and approved by the board of directors on segment profit (loss) and segment assets, liabilities and information.

Operating assets and liabilities refer to all operating departments are the main components of the consolidated balance sheet. However, some items such as the tax expenses are excluded from this balance sheet.

a. Segment revenue and operating results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	<b>2022</b>				
	<b>Banking</b>	<b>Securities</b>	<b>Other</b>	<b>Internal Elimination</b>	<b>Total</b>
Net interest	\$ 7,861,349	\$ 33,526	\$ 171,096	\$ 739	\$ 8,066,710
Commission and fee revenues, net	1,156,216	-	9,081	(2,576)	1,162,721
Other noninterest net revenues	<u>(190,733)</u>	<u>110,091</u>	<u>185,625</u>	<u>(264,318)</u>	<u>(159,335)</u>
Net revenues	<u>8,826,832</u>	<u>143,617</u>	<u>365,802</u>	<u>(266,155)</u>	<u>9,070,096</u>
Allowance for doubtful accounts, commitment and guarantees	<u>494,624</u>	<u>126</u>	<u>8,799</u>	<u>-</u>	<u>503,549</u>
Operating expenses	<u>4,173,805</u>	<u>112,146</u>	<u>109,417</u>	<u>(34,994)</u>	<u>4,360,374</u>
Income before income tax	<u>\$ 5,147,651</u>	<u>\$ 31,597</u>	<u>\$ 265,184</u>	<u>\$ (231,161)</u>	<u>\$ 5,213,271</u>
	<b>2021</b>				
	<b>Banking</b>	<b>Securities</b>	<b>Other</b>	<b>Internal Elimination</b>	<b>Total</b>
Net interest	\$ 6,633,894	\$ 35,033	\$ 133,474	\$ 692	\$ 6,803,093
Commission and fee revenues, net	1,160,306	-	6,528	(1,237)	1,165,597
Other noninterest net revenues	<u>502,251</u>	<u>200,350</u>	<u>202,876</u>	<u>(289,425)</u>	<u>616,052</u>
Net revenues	<u>8,296,451</u>	<u>235,383</u>	<u>342,878</u>	<u>(289,970)</u>	<u>8,584,742</u>
Allowance for doubtful accounts, commitment and guarantees	<u>(1,304,096)</u>	<u>-</u>	<u>(24,745)</u>	<u>-</u>	<u>(1,328,841)</u>
Operating expenses	<u>3,956,990</u>	<u>132,577</u>	<u>97,109</u>	<u>(23,723)</u>	<u>4,162,953</u>
Income before income tax	<u>\$ 3,035,365</u>	<u>\$ 102,806</u>	<u>\$ 221,024</u>	<u>\$ (266,247)</u>	<u>\$ 3,092,948</u>

Segment income include capital transfer pricing between segments and the expenses and costs allocated via appropriate cost drivers. In addition, segment profit represented the profit before tax earned by each segment without allocation of income tax expense.

b. Segment information

Item	2022				
	Domestic and Others	Hong Kong and Macau	China	Elimination	Total
External revenue	\$ 8,992,448	\$ 107	\$ 77,541	\$ -	\$ 9,070,096
Internal revenue	<u>217,624</u>	<u>48,531</u>	<u>-</u>	<u>(266,155)</u>	<u>-</u>
Net revenue	<u>\$ 9,210,072</u>	<u>\$ 48,638</u>	<u>\$ 77,541</u>	<u>\$ (266,155)</u>	<u>\$ 9,070,096</u>
Income before income tax	<u>\$ 5,148,366</u>	<u>\$ 3</u>	<u>\$ 64,902</u>	<u>\$ -</u>	<u>\$ 5,213,271</u>
Identifiable assets	<u>\$ 676,356,074</u>	<u>\$ 20</u>	<u>\$ 996,339</u>	<u>\$ -</u>	<u>\$ 677,352,433</u>

Item	2021				
	Domestic and Others	Hong Kong and Macau	China	Elimination	Total
External revenue	\$ 8,516,269	\$ 79	\$ 68,394	\$ -	\$ 8,584,742
Internal revenue	<u>242,869</u>	<u>47,101</u>	<u>-</u>	<u>(289,970)</u>	<u>-</u>
Net revenue	<u>\$ 8,759,138</u>	<u>\$ 47,180</u>	<u>\$ 68,394</u>	<u>\$ (289,970)</u>	<u>\$ 8,584,742</u>
Income before income tax	<u>\$ 3,029,859</u>	<u>\$ (8)</u>	<u>\$ 63,097</u>	<u>\$ -</u>	<u>\$ 3,092,948</u>
Identifiable assets	<u>\$ 655,788,542</u>	<u>\$ 15</u>	<u>\$ 1,036,290</u>	<u>\$ -</u>	<u>\$ 656,824,847</u>

c. Main customers information

There is no single individual customer from whom the revenue received is higher than 10% of the net revenue for the years ended December 31, 2022 and 2021.

TABLE 1

SUNNY BANK AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)	Note
													Item	Value			
1	Sunny Finance and Leasing (China) Co., Ltd.	Shanghai New Feihong Industrial Ltd.	Other receivables - entrusted loans	No	\$ 31,730 (RMB 7,200,000)	\$ 31,730 (RMB 7,200,000)	\$ 31,730 (RMB 7,200,000)	10.00	Trade transaction	\$ 31,730 (RMB 7,200,000)	-	\$ 3,173 (RMB 720,000)	Mortgage of real property	\$ 286,453 (RMB 65,001,160)	\$ 296,431 (RMB 67,265,319)	\$ 988,102 (RMB 224,217,731)	
2	Sunny Finance and Leasing (China) Co., Ltd.	Kunshan Lily Textile Ltd.	Other receivables - entrusted loans	No	176,275 (RMB 40,000,000)	88,137 (RMB 20,000,000)	88,137 (RMB 20,000,000)	5.75	Trade transaction	88,137 (RMB 20,000,000)	-	886 (RMB 200,996)	Certificate of deposit	88,137 (RMB 20,000,000)	296,431 (RMB 67,265,319)	988,102 (RMB 224,217,731)	
3	King Sunny Assets Management Co., Ltd.	Zuoer Development and Construction Co., Ltd. Yiru Asset Management Co.	Other receivables	No	80,000	80,000	80,000	5.14	Trade transaction	80,000	-	-	Mortgage of real property	96,305	200,000	1,369,611	
			Other receivables	No	10,000	10,000	10,000	6.28-6.69	Trade transaction	10,000	-	-	Mortgage of real property	27,450	200,000	1,369,611	

Note 1: The accumulated total loans of Sunny Finance and Leasing (China) Co., Ltd. (including business transaction and the need for short-term financing), shall not exceed net value of the Company’s latest audited financial statements. For loans provided due to short-term financing needs, the financing limit should not exceed 40% of the Company’s net worth. The accumulated total loans of the individual company including business transaction and the need for short-term financing, should not exceed 30% of the Company’s net worth.

Note 2: The total loans of King Sunny Asset Management Co. shall not exceed 7 times of net value of the Company’s latest audited financial statements. The loans of the individual company shall not exceed \$200 million.

**TABLE 2****SUNNY BANK AND SUBSIDIARIES**
**INFORMATION ON INVESTEEES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(In Thousands of New Taiwan Dollars)**

Investee Company	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Amount	Investment Gain (Note 2)	Consolidated Investment (Note 1)				Note
						Shares (In Thousands)	Virtual Shares (In Thousands)	Total		
								Shares (In Thousands)	Percentage of Ownership	
Sunny Securities Co., Ltd.	Taipei	Investment securities business	100.00	\$ 646,485	\$ 25,145	50,200	-	50,200	100.00	Subsidiary, Note 3
King Sunny Assets Management Co., Ltd.	Taipei	Evaluating, auctioning and managing for financial institutions’ loan	100.00	195,664	31,249	15,000	-	15,000	100.00	Subsidiary, Note 3
Sunny International Leasing Co., Ltd.	Taipei	Leasing business	100.00	1,587,814	84,225	152,500	-	152,500	100.00	Subsidiary, Note 3
Sunny E-Commercial Co., Ltd.	Taipei	Mobile payment and business	100.00	29,298	266	5,000	-	5,000	100.00	Subsidiary, Note 3
Sunny Microfinance PLC.	Cambodia	Financial business	100.00	426,701	3,257	1,480	-	1,480	100.00	Subsidiary, Note 3
Financial Information Service Co., Ltd.	Taipei	Planning and developing the information system of banking institutions and managing the information web system	2.64	552,662	37,835	13,758	-	13,758	2.64	
Taiwan Financial Asset Service Co., Ltd.	Taipei	Auction	2.94	40,700	550	5,000	-	5,000	2.94	
Taiwan Depository and Clearing Co., Ltd.	Taipei	Business related to the depository and book-entry system of TOCC	0.29	206,380	5,315	1,696	-	1,696	0.29	
Sunny Asset Management Co., Ltd.	Taipei	Purchasing of financial institutions’ loan assets	1.11	1,510	102	67	-	67	1.11	
Taiwan Mobile Payment Co., Ltd.	Taipei	Mobile payment and business	1.00	3,162	-	600	-	600	1.00	

Note 1: All of the existing shares of investees or fictional shareholdings which are held by the Company and subsidiaries' directors, supervisors, managers and affiliates which conform to the definition of the Company Act have been reported.

Note 2: The investment gain (loss) recognized was recognized by using the equity method and realized gain on financial assets measured at FVTOCI.

Note 3: The transactions and balances above had been eliminated when preparing the consolidated financial statements.

**TABLE 3**

**SUNNY BANK AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Sunny International Leasing Co., Ltd.	<u>Stock</u> Sunny Finance Lease (HK) Limited	Subsidiary	Investments accounted for using the equity method	30,000	\$ 988,022	100.00	\$ 988,022	
Sunny Finance Lease (HK) Limited	<u>Stock</u> Sunny Finance and Leasing (China) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	988,102	100.00	988,102	

TABLE 4

SUNNY BANK AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Sunny Bank Ltd.	Real estate	2019.4.16	\$ 7,813,644	\$5,853,322 thousand had been paid as of December 31, 2022	Just Land Development Co., Ltd.	NA	-	-	-	\$ -	Hong Bong Real Estate Appraiser Firm: \$7,594,166 thousand  Euro Asia Assets Evaluation Group: \$7,453,600 thousand  Honda Real Estate Group: \$7,305,085 thousand	As the headquarters	NA

TABLE 5

## SUNNY BANK AND SUBSIDIARIES

INFORMATION ON THE INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars and Thousands of Foreign Currency)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward (Note 1)	Inward						
Sunny Finance and Leasing (China) Co., Ltd.	Leasing	\$ 921,300 (US\$ 3,000)	Investment in mainland China companies through an existing company established in a third region.	\$ 921,300 (US\$ 3,000)	\$ -	\$ -	\$ 921,300 (US\$ 3,000)	\$ 48,531 (RMB 10,978)	100	\$ 48,531 (RMB 10,978)	\$ 988,102	\$ 100,756

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA (Notes 1 and 2)	Limit on the Amount of Investment, as Stipulated by the Investment Commission, MOEA
\$921,300 (US\$30,000)	\$921,300 (US\$30,000)	\$952,681

Note 1: Based on Rule No. 102000005490 approved by the Investment commission, MOEA on January 18, 2013, the authorized investment amount is US\$10,000 thousand; on Rule No. 10400025930 and Rule No. 10400089230 approved by the Investment commission, MOEA on February 25, 2015 and on May 11, 2015, the authorized investment amount is US\$7,000 thousand; on Rule No. 10500137350 approved by the Investment Commission, MOEA on June 27, 2016, the authorized investment amount is US\$1,500 thousand; on Rule No. 10600290020 approved by the investment commission, MOEA on December 1, 2017, the authorized investment amount is US\$3,500 thousand on Rule No. 10700118050 approved by the Investment Commission, MOEA on May 24, 2018, the authorized investment amount is US\$8,000 thousand.

Note 2: Foreign currencies are converted into New Taiwan dollars at the exchange rate as of the balance sheet date.

**TABLE 6**

**SUNNY BANK LTD. AND SUBSIDIARIES**

**TRANSACTIONS WITH RELATED PARTIES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

No.	Transaction Company	Counterparty	Flow of Transaction	Description of Transactions			Percentage to Consolidated Revenue/Assets
				Financial Statement Account	Transaction Amount	Transaction Item	
0	Sunny Bank Ltd.	Sunny Securities Co., Ltd.	From parent company to subsidiary	Deposits and remittances	\$ 165,425	Interest is calculated based on annual deposit interest rate from 0% to 1.445%	-
		King Sunny Asset Management Co., Ltd.	From parent company to subsidiary	Deposits and remittances	21,527	Interest is calculated based on annual deposit interest rate from 0% to 0.405%	-
		Sunny International Leasing Co., Ltd.	From parent company to subsidiary	Deposits and remittances	29,581	Interest is calculated based on annual deposit interest rate from 0.35% to 1.5%	-
		Sunny E-Commercial Co., Ltd.	From parent company to subsidiary	Deposits and remittances	11,263	Interest is calculated based on annual deposit interest rate from 0.405% to 1.47%	-

Note 1: All intra-group transactions, balances, income and expenses have been eliminated in full upon consolidation.

Note 2: This table includes transactions for amounts over \$10 million.



## **Annex.II Sunny Bank Ltd.**

Financial Statements for the  
Years Ended December 31, 2022 and 2021 and  
Independent Auditor's Report

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
Sunny Bank Ltd.

### **Opinion**

We have audited the accompanying financial statements of Sunny Bank Ltd. (the “Bank”), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, 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 then ended, in conformity with Regulations Governing the Preparation of Financial Reports by Public Banks 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 of Financial Institutions 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 consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2022 are stated as follows:

#### Impairment of Discounts and Loans

As of December 31, 2022, the net discounts and loans of the Group amounted to \$438,237,052 thousand, which was significant to the consolidated financial statements as a whole. Besides assessing the expected credit losses of loans in accordance with IFRS 9 "Financial Instruments", the management of the Company complies with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans and related regulations (the "Regulations") when evaluating the classification of credit assets and recognizing allowance for possible losses. Refer to Note 4 to the accompanying consolidated financial statements for the Group's accounting policies related to impairment of discounts and loans; refer to Note 5 for critical accounting judgments and key sources of estimation uncertainty, and Notes 14 and 45 for more details and disclosures.

We determined the assessment of allowance for possible losses on loans as a key audit matter for the year ended December 31, 2022 because the Group's assessment regarding classification of credit assets and allowance for possible losses involves critical estimates and judgments.

In response to the abovementioned key audit matter, we obtained an understanding and performed tests on the relevant internal controls in respect of the Group's loan impairment assessments for compliance with the Regulations and performed sampling on the classification of credit assets. We also considered related regulations and guidelines issued by the authorities and verified that the classification and recognition of impairment of discounts and loans, receivables and loan commitments complied with such regulations and guidelines.

#### **Other Matter**

We have also audited the financial statements of Sunny Bank Ltd. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

#### **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 the Regulations Governing the Preparation of Financial Reports by Public Banks 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 the 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 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 audit resulting in this independent auditors' report are Dong-Ru Xie and Yu-Hong Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 10, 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.*

# SUNNY BANK LTD.

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

ASSETS	2022		2021	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 8,706,632	1	\$ 6,805,273	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	43,630,078	7	44,461,025	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	11,794,427	2	23,886,732	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11 and 42)	92,711,076	14	109,663,903	17
FINANCIAL ASSETS AT AMORTIZED COST (Notes 4, 10, 11 and 42)	36,724,967	6	29,287,997	5
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 12)	6,539,858	1	3,304,251	1
RECEIVABLES, NET (Notes 4, 13 and 14)	2,425,112	-	2,098,714	-
DISCOUNTS AND LOANS, NET (Notes 4, 14 and 41)	445,649,819	66	408,002,626	62
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Notes 4 and 15)	2,885,962	-	2,670,209	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 14, 16 and 42)	6,485,547	1	7,300,979	1
PROPERTY AND EQUIPMENT, NET (Notes 4 and 17)	15,938,911	2	15,082,755	2
RIGHT-OF-USE ASSETS, NET (Notes 4, 18 and 41)	167,561	-	190,216	-
INTANGIBLE ASSETS, NET (Notes 4 and 19)	1,158,178	-	1,159,391	-
DEFERRED TAX ASSETS (Notes 4 and 39)	318,978	-	460,763	-
OTHER ASSETS, NET (Notes 20 and 42)	<u>170,234</u>	<u>-</u>	<u>166,264</u>	<u>-</u>
TOTAL	<u>\$ 675,307,340</u>	<u>100</u>	<u>\$ 654,541,098</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
DEPOSITS FROM THE CENTRAL BANK (Note 21)	\$ 5,874,606	1	\$ 8,834,606	1
DUE TO THE CENTRAL BANK AND BANKS (Note 22)	-	-	5,214,580	1
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	-	-	3,568	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 4, 9, 10 and 23)	3,203,990	-	8,757,257	1
PAYABLES (Note 24)	4,226,643	1	3,914,713	1
CURRENT TAX LIABILITIES (Notes 4 and 39)	502,080	-	388,889	-
DEPOSITS AND REMITTANCES (Notes 25 and 41)	604,884,498	90	574,328,801	88
BANK DEBENTURES (Note 26)	15,060,000	2	13,860,000	2
PROVISIONS (Notes 4, 14, 27 and 28)	58,694	-	106,110	-
LEASE LIABILITIES (Notes 4, 18 and 41)	165,612	-	187,341	-
DEFERRED TAX LIABILITIES (Notes 4 and 39)	131,145	-	109,122	-
OTHER LIABILITIES (Note 29)	<u>380,573</u>	<u>-</u>	<u>351,055</u>	<u>-</u>
Total liabilities	<u>634,487,841</u>	<u>94</u>	<u>616,056,042</u>	<u>94</u>
EQUITY (Notes 4 and 30)				
Ordinary shares	<u>33,007,060</u>	<u>5</u>	<u>30,295,250</u>	<u>5</u>
Capital surplus	<u>77,067</u>	<u>-</u>	<u>66,943</u>	<u>-</u>
Retained earnings				
Legal reserve	5,733,740	1	4,915,387	1
Special reserve	58,254	-	58,254	-
Unappropriated earnings	<u>4,341,965</u>	<u>-</u>	<u>2,792,036</u>	<u>-</u>
Total retained earnings	<u>10,133,959</u>	<u>1</u>	<u>7,765,677</u>	<u>1</u>
Other equity	<u>(2,398,587)</u>	<u>-</u>	<u>357,186</u>	<u>-</u>
Total equity	<u>40,819,499</u>	<u>6</u>	<u>38,485,056</u>	<u>6</u>
TOTAL	<u>\$ 675,307,340</u>	<u>100</u>	<u>\$ 654,541,098</u>	<u>100</u>

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

# SUNNY BANK LTD.

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

	2022		2021		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE	\$ 12,527,834	142	\$ 9,682,523	117	29
LESS: INTEREST EXPENSE	<u>4,666,485</u>	<u>53</u>	<u>3,048,629</u>	<u>37</u>	53
NET INTEREST (Notes 4, 31 and 41)	<u>7,861,349</u>	<u>89</u>	<u>6,633,894</u>	<u>80</u>	19
NET REVENUES OTHER THAN INTEREST (Note 4)					
Commission and fee revenues, net (Notes 32 and 41)	1,156,216	13	1,160,306	14	-
Gains on financial assets and liabilities at fair value through profit or loss (Note 33)	96,386	1	69,883	1	38
Realized gains (loss) on financial assets at fair value through other comprehensive income (loss) (Note 34)	(645,729)	(7)	105,310	1	(713)
Gain on disposal of financial assets at amortized cost	106	-	-	-	-
Foreign exchange gain	143,542	1	71,208	1	102
Impairment loss on assets (reversed)	(3,887)	-	4,195	-	(193)
Share of profit of subsidiaries	144,142	2	172,298	2	(16)
Rental income (Note 41)	66,919	1	63,903	1	5
Other noninterest net revenue (Note 35)	<u>7,788</u>	<u>-</u>	<u>15,454</u>	<u>-</u>	(50)
Total net revenues other than interest	<u>965,483</u>	<u>11</u>	<u>1,662,557</u>	<u>20</u>	(42)
TOTAL NET REVENUE	<u>8,826,832</u>	<u>100</u>	<u>8,296,451</u>	<u>100</u>	6
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND GUARANTEES REVERSED (RECOGNIZED) (Notes 4 and 14)	<u>494,624</u>	<u>5</u>	<u>(1,304,096)</u>	<u>(16)</u>	138 (Continued)

# SUNNY BANK LTD.

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

	<b>2022</b>		<b>2021</b>		<b>Percentage Increase (Decrease)</b>
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>%</b>
OPERATING EXPENSES					
Employee benefits (Notes 4, 28, 30, 36 and 41)	\$ 2,579,966	29	\$ 2,434,621	29	6
Depreciation and amortization (Notes 4 and 37)	311,081	3	328,565	4	(5)
Others (Note 38)	<u>1,282,758</u>	<u>15</u>	<u>1,193,804</u>	<u>14</u>	7
Total operating expenses	<u>4,173,805</u>	<u>47</u>	<u>3,956,990</u>	<u>47</u>	5
INCOME BEFORE INCOME TAX	5,147,651	58	3,035,365	37	70
INCOME TAX EXPENSE (Notes 4 and 39)	<u>1,030,290</u>	<u>11</u>	<u>468,660</u>	<u>6</u>	120
NET INCOME	<u>4,117,361</u>	<u>47</u>	<u>2,566,705</u>	<u>31</u>	60
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation (Notes 4 and 28)	82,685	1	(28,362)	-	392
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(335,474)	(4)	217,315	2	(254)
Share of other comprehensive gain (loss) of subsidiaries	5,106	-	(1,286)	-	497
Income tax expense (benefit) relating to items that will not be reclassified subsequently (Notes 4 and 39)	<u>(16,537)</u>	<u>-</u>	<u>5,672</u>	<u>-</u>	(392)
	<u>(264,220)</u>	<u>(3)</u>	<u>193,339</u>	<u>2</u>	(237)
					(Continued)

# SUNNY BANK LTD.

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

	<b>2022</b>		<b>2021</b>		<b>Percentage Increase (Decrease)</b>
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>%</b>
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	\$ 24,747	-	\$ 9,051	-	173
Share of other comprehensive income (loss) of subsidiaries	44,321	-	(13,200)	-	436
Loss from investments in debt instruments measured at fair value through other comprehensive income	<u>(2,491,985)</u>	<u>(28)</u>	<u>(1,106,049)</u>	<u>(13)</u>	125
	<u>(2,422,917)</u>	<u>(28)</u>	<u>(1,110,198)</u>	<u>(13)</u>	118
Other comprehensive loss for the year, net of income tax	<u>(2,687,137)</u>	<u>(31)</u>	<u>(916,859)</u>	<u>(11)</u>	193
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><u>\$ 1,430,224</u></u>	<u>16</u>	<u><u>\$ 1,649,846</u></u>	<u>20</u>	(13)
<b>EARNINGS PER SHARE (Note 40)</b>					
Basic	<u>\$ 1.29</u>		<u>\$ 0.84</u>		
Diluted	<u>\$ 1.29</u>		<u>\$ 0.83</u>		

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

(Concluded)

**SUNNY BANK LTD.**
**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company								Other Equity		Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income			
	Shares in Thousand	Ordinary Shares		Legal Reserve	Special Reserve	Unappropriated Earnings			Total		
BALANCE AT JANUARY 1, 2021	2,816,851	\$ 28,168,510	\$ 66,043	\$ 4,182,585	\$ 58,254	\$ 2,487,105	\$ 6,727,944	\$ (94,582)	\$ 1,529,765	\$ 36,397,680	
Appropriation of the 2020 earnings											
Legal reserve	-	-	-	732,802	-	(732,802)	-	-	-	-	
Cash dividends	-	-	-	-	-	(563,370)	(563,370)	-	-	(563,370)	
Share dividends	112,674	1,126,740	-	-	-	(1,126,740)	(1,126,740)	-	-	-	
Net income for the year ended December 31, 2021	-	-	-	-	-	2,566,705	2,566,705	-	-	2,566,705	
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(23,976)	(23,976)	(4,149)	(888,734)	(916,859)	
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	2,542,729	2,542,729	(4,149)	(888,734)	1,649,846	
Issue of ordinary shares for cash	100,000	1,000,000	-	-	-	-	-	-	-	1,000,000	
Value of share-based payment under employee share options	-	-	900	-	-	-	-	-	-	900	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	185,114	185,114	-	(185,114)	-	
BALANCE AT DECEMBER 31, 2021	3,029,525	30,295,250	66,943	4,915,387	58,254	2,792,036	7,765,677	(98,731)	455,917	38,485,056	
Appropriation of the 2021 earnings											
Legal reserve	-	-	-	818,353	-	(818,353)	-	-	-	-	
Cash dividends	-	-	-	-	-	(605,905)	(605,905)	-	-	(605,905)	
Share dividends	121,181	1,211,810	-	-	-	(1,211,810)	(1,211,810)	-	-	-	
Net income for the year ended December 31, 2022	-	-	-	-	-	4,117,361	4,117,361	-	-	4,117,361	
Other comprehensive loss for the year ended December 31, 2022, net of income tax	-	-	-	-	-	71,254	71,254	69,068	(2,827,459)	(2,687,137)	
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	4,188,615	4,188,615	69,068	(2,827,459)	1,430,224	
Issue of ordinary shares for cash	150,000	1,500,000	-	-	-	-	-	-	-	1,500,000	
Value of share-based payment under employee share options	-	-	10,124	-	-	-	-	-	-	10,124	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(2,618)	(2,618)	-	2,618	-	
BALANCE AT DECEMBER 31, 2022	3,300,706	\$ 33,007,060	\$ 77,067	\$ 5,733,740	\$ 58,254	\$ 4,341,965	\$ 10,133,959	\$ (29,663)	\$ (2,368,924)	\$ 40,819,499	

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

# SUNNY BANK LTD.

## 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>		
Income before income tax	\$ 5,147,651	\$ 3,035,365
Adjustments for:		
Depreciation expense	239,891	248,348
Amortization expense	71,190	80,217
Allowance for doubtful accounts and guarantees (reversed)	(494,624)	1,304,096
Interest expense	4,666,485	3,048,629
Interest revenue	(12,527,834)	(9,682,523)
Dividend income	(134,418)	(103,782)
Share-based payments	10,124	900
Share of profit of subsidiaries	(144,142)	(172,298)
Gain on disposal of property and equipment	(858)	(437)
Loss (gain) on other leasings	28	(643)
Realized loss (gains) on financial assets at fair value through other comprehensive income	779,124	(1,652)
Impairment loss (reversal of impairment loss) on financial assets	3,887	(4,195)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	1,576,134	(9,957,963)
Decrease (increase) in financial assets at fair value through profit or loss	12,092,305	(4,984,600)
Decrease (increase) in financial assets at fair value through other comprehensive income	13,343,589	(6,113,466)
Increase in financial assets at amortized cost	(7,602,550)	(290,377)
Decrease (increase) in receivables	29,655	(38,948)
Increase in discounts and loans	(37,117,013)	(25,498,134)
Decrease in due to the central bank and banks	(2,960,000)	(4,070,160)
Increase (decrease) in financial liabilities at fair value through profit or loss	(3,568)	2,878
Increase (decrease) in securities sold under agreements to repurchase	(5,553,267)	1,098,011
Increase (decrease) in payables	(65,102)	1,374,392
Increase (decrease) in deposits and remittances	30,555,697	50,256,557
Increase (decrease) in provision	33,727	(149,925)
Net cash generated from (used in) operations	1,946,111	(619,710)
Interest received	12,286,172	9,992,265
Dividends received	258,874	213,983
Interest paid	(4,289,453)	(3,101,870)
Income tax paid	(769,828)	(422,443)
Net cash generated from operating activities	9,431,876	6,062,225
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using the equity method	(147,190)	-
Acquisition of property and equipment	(1,052,929)	(660,529)
Proceeds from disposal of property and equipment	858	437

(Continued)

# SUNNY BANK LTD.

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

	2022	2021
Acquisition of intangible assets	\$ (48,805)	\$ (43,833)
Decrease in other financial assets	817,400	1,044,174
Increase in other assets	<u>(4,004)</u>	<u>(57,924)</u>
Net cash generated from (used in) investing activities	<u>(434,670)</u>	<u>282,325</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in due to the Central Bank and other banks	(5,214,580)	1,364,870
Issue of bank debentures	2,100,000	500,000
Repayment of bank debentures on maturity	(900,000)	(3,000,000)
Repayment of the principal portion of lease liabilities	(63,358)	(66,377)
Increase in other liabilities	29,518	41,709
Cash dividends paid	(605,905)	(563,370)
Proceeds from issue of ordinary shares	<u>1,500,000</u>	<u>1,000,000</u>
Net cash used in financing activities	<u>(3,154,325)</u>	<u>(723,168)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>39,272</u>	<u>3,779</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	5,882,153	5,625,161
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>20,341,645</u>	<u>14,716,484</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 26,223,798</u>	<u>\$ 20,341,645</u>

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

	<b>December 31</b>	
	2022	2021
Cash and cash equivalents in balance sheets	\$ 8,706,632	\$ 6,805,273
Due from the Central Bank and call loans to other banks reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	10,977,308	10,232,121
Securities purchased under agreements to resell reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	<u>6,539,858</u>	<u>3,304,251</u>
Cash and cash equivalents at the end of the year	<u>\$ 26,223,798</u>	<u>\$ 20,341,645</u>

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

(Concluded)



陽信銀行  
SUNNY BANK