

 BANK OF TAIWAN
2022 ANNUAL REPORT

 **Leading & Global**



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◆ **Notice to Readers**

This English version of the annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

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2022 **ANNUAL REPORT**

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Letter to Shareholders

A Brief Introduction of the Bank



Chairman | Joseph Jye-Cherng Lyu

Letter to Shareholders

In 2022, due to the impact of the Russia-Ukraine war, rising inflation, interest rate hikes by the world's key central banks, and the lingering COVID-19 pandemic on global economic growth, the International Monetary Fund (IMF) has estimated global economic growth of 3.4% for 2022, down from 6.2% in 2021.

In Taiwan, COVID caused problems in the first half of 2022 and exports weakened in the latter half of the year due to falling worldwide end-user demand, but the government took appropriate and timely response measures, to which the private sector lent its full support. As a result, Taiwan's economy still managed to grow by 2.45% in 2022.

Over the past year, the Bank of Taiwan (BOT) reinforced asset-liability management, improved capital efficiency, optimized allocations of financial resources, and adopted a "Troika" business strategy designed to ensure a balanced emphasis on consumer lending, corporate lending, and public sector lending. Thanks to a unified effort by top management as well as the rank-and-file, for four consecutive years BOT has finished first as a syndicated loan mandated lead arranger and bookrunner in terms of total dollar amount. With the outstanding balance of BOT's consumer loans topping NT\$1 trillion in 2022, BOT is the first Taiwanese bank to reach this milestone, and enjoys No.1 market share. The Bank has thus achieved excellent business performance. Pre-tax earnings for 2022 amounted to NT\$19.19 billion, which is its all-time high. The NPL ratio was 0.09% and the NPL coverage ratio stood at 1,458.78%, in both cases the best figures that the Bank has ever achieved.

As for coordination with government policy, BOT continues to support the "Three Major Programs for Investing in Taiwan." As of end-2022 the Bank had approved a total of NT\$126.2 billion worth of loans under these three programs, the highest such figure among Taiwan's state-owned banks, and had acted as lead arranger for a syndicated loan worth NT\$411.9 billion, the largest syndicated loan ever in Taiwan, to provide financing to the government's National Housing and Urban Regeneration Center to finance social housing. In addition, BOT also continues to support the government's urban renewal projects, relief and economic stimulus policy and makes loans to support development of the Six Core Strategic Industries, thus actively assisting with the development, transformation, and upgrading of enterprises.

With respect to sustainable development, BOT actively aligned with the international trend toward sustainable development. In our own business operations, we continued to implement energy conservation measures, such as replacing old air conditioning equipment, elevators, and other energy-inefficient equipment. On 6 May 2022 we signed on to the Equator Principles and joined the Equator Principles Association, and on that same day signed a pledge committing to support the Recommendations of the Task Force on Climate-related Financial Disclosures (the TCFD Recommendations). In doing so we have incorporated our environmental and social risk assessment mechanisms into our management



Acting President | Li-Ling Lin

strategies, conducted an ESG evaluation of each corporate credit customer and linked credit conditions to each customer's ESG performance, thus taking full advantage of BOT's role in the financial markets to guide customers to join with the Bank in together creating green and sustainable value, and implementing responsible finance.

In the area of digital development, in order to spur the digital transformation of different lines of business, the resources of the Bank's InnoLab have been integrated under our Department of Digital Banking and, adopting a user-centric approach to business, the Department is helping to apply digital and innovative technologies to financial products, services, and business models. Gradually, our digital development is leading to success. For example, BOT's "carbon reduction passbook" was one of the top 20 entries in the 2022 Presidential Hackathon, and the only such entry from a financial institution. Also, BOT's "personal loan digitization, further optimization of inclusive finance" project won recognition at the Ministry of Finance's 5th Government Services Awards and earned the Bank a nomination from the Executive Yuan as a Superior Organization. In addition, Brain magazine named BOT as one of Taiwan's 10 best-designed digital brands.

In the area of employee development and care, in response to rapidly changing international economic and financial conditions in recent years, BOT held a "Training Program for Outstanding Management Personnel" and a "Training Program for Supervisors" in an active effort to cultivate management professionals who are steady, foresighted, have a cosmopolitan outlook, are team players, and are innovative and quick-thinking. In order to instill in employees a sense of belonging and unity, and in response to the government's policy of building warm and friendly child-rearing workplaces, BOT set up one educare center each in Taipei, Kaohsiung, Taoyuan, and Tainan to provide childcare services to 230 employees and community families to practice employee care and community outreach.

Digital talents are of key importance to digital transformation, and BOT made active use of in- and out-of-house resources to conduct a "Training Program to Develop Seed Personnel for a Digital Transformation" and a "Competition for Optimization of Bank Branch Operating Procedures," using human resources to drive a digital transformation. Digital talents have spread transformational thinking throughout the entire bank, and have gradually established a digital culture. As of the end of 2022, the Bank had obtained 65 invention patents, 432 utility models, and 6 design patents. In addition, BOT received an "Award for Best Human Resources Development" at the "Taiwan Banking and Finance Best Practice Awards" for its "approach to creating digital transformation at state-owned banks, and new curve for establishment of employees' digital competencies."

As for the trust business, BOT vigorously promotes retirement trusts, works for close cooperation between the head office and the branches, expands cross-industry alliances for trusts, and sells retirement trusts that meet the full range of needs of senior citizens and persons with physical and mental

disabilities. In 2022, BOT ranked No.1 among its peers in the growth rate of retirement trusts and the number of new trusts for persons with physical and mental disabilities. Also, acting in line with the ideas of "serving the public interest," "safeguarding the disadvantaged," and "meeting the needs of customers," BOT cooperates with local governments and social service groups to provide senior citizens, persons with cognitive impairment, and persons with physical and mental disabilities with friendly and convenient financial services. For example, BOT administers the "Taichung City Property Trust Program for Persons with Physical and Mental Disabilities," thus providing disabled persons in Taichung City with innovative benefits beyond those required by law. BOT also administers a trust product for "three brothers in the Ye family in Hemei Township" and a trust product for "the single-parent younger brother and sister from the Bai family." In both of these cases, BOT has converted charity donations into trusts established for the benefit of persons in need. In these ways, trusts serve as a force for social stability.

In the area of our international presence, BOT in recent years has worked actively to build up its international presence. We have overseas business locations in Europe, America, Asia, Australia, and Africa. To support the development of important industries and provide offshore Taiwanese customers with the diverse range of convenient financial services they need for their international operations, BOT in June 2022 established a representative office in Phoenix, Arizona, and was the first foreign-invested financial institution to open a business location in Arizona. In the future, the representative office in Phoenix will refer the business opportunities to its Los Angeles Branch, New York Branch, and Offshore Banking Branch.

In the area of social engagement, BOT has long carried out a wide range of community service activities, and continues to include a Youth Painting Division, Photography Division and Calligraphy Division at the annual Bank of Taiwan Arts Festival, organizes the Bank of Taiwan Awards for Economic and Financial Research. BOT also held blood drives, has long supported the development of professional basketball players, and continued its long-standing support for Taiwan's professional baseball league. By taking concrete action, BOT exercised its influence and served as a force for good in society. For these and other reasons, BOT has won widespread praise. For five years in a row, BOT has received the Ministry of Education's Sports Activist Award, and has also received a "Social Inclusion Leadership Award" from the Taiwan Corporate Sustainability Awards (TCSA).

BOT also earned numerous other accolades in 2022, including the following: (a) Noted US business magazine Forbes partnered with international market research firm Statista to survey over 45,000 bank customers located in 27 different countries and found BOT to be among The World's Best Banks in 2022; (b) BOT was elected for the 17th consecutive year in the Reader's Digest Trusted Brands survey as a winner of the Gold Award in the Banking category; (c) BOT received a rating of "excellent" from the Ministry of Finance following its 2022 Cyber Security Audit; (d) BOT received a Class A Award from the Executive

Yuan for Innovation, Reform, and Improvement in Budget, Accounting, and Statistics Affairs; (e) BOT received the Taipei City 2022 Zero Carbon Emission Benchmark Award (Industry & Commerce, Division A); (f) At the 15th TCSA ceremony BOT was honored with a "Corporate Sustainability Report Gold Award" in the "Finance and Insurance" category; and (g) BOT received Commercial Times Trust Award for Diversified Trust Innovation Award in the categories of "Promotion of Cross-Industry Trust Alliances" and "Most Innovative Use of a Public Service Trust."

BOT's operating results for 2022, business plans for 2023 and strategies for the Bank's future development are briefly described below.

I. Operating Results for 2022

1. Organizational Change

On 20 May 2022 the BOT Department of Economic Research was renamed the Economic Research Institute and charged with the responsibility for conducting the Bank's economic research matters. Also, in order to expand our business and build up our overseas presence, BOT opened a representative office in Phoenix, Arizona on 21 June 2022.



The BOT representative office in Phoenix, Arizona opened for business on 21 June 2022. A ribbon was jointly cut by BOT Chairman Joseph Jye-Cherng Lyu (center), Phoenix Mayor Kate Gallego (5th from right), Arizona State Treasurer Kimberly Yee (5th from left), Arizona Commerce Authority President & CEO Sandra Watson (4th from right), American Institute in Taiwan Commercial Section Chief Brent Omdahl (4th from left), Greater Phoenix Economic Council President & CEO Chris Camacho (3rd from left), Director Jasmin Liu of the Taiwan Financial Supervisory Commission Representative Office in New York (2nd from left), and TSMC Arizona Treasurer Tricia Y. Chu (1st from left).

2. Results of Implementation of Business Plan and Operating Strategy

Unit: NT\$ Billion; US\$ Billion (for Foreign Exchange)

Major Operation Category \ Year	2022	2021
Deposits	4,458.8	4,185.2
Loans	3,202.8	2,818.0
Guarantees	91.6	95.0
Foreign Exchange (US\$)	397.2	359.2
Precious Metals	125.7	130.7
Government Employees Insurance	22.6	23.6
Trust Business	472.7	448.0
Agency (Insurance Brokerage)	15.9	39.3

3. Budget Implementation

The volume of deposits during the year aggregated to NT\$4.46 trillion, giving a target achievement rate of 108.75%. Loans amounted to NT\$3.20 trillion, for a target achievement rate of 112.38%. Foreign exchange operations undertaken in 2022 totaled US\$397.20 billion, amounting to 124.20% of the target figure, and income after tax reached NT\$17.05 billion, achieving 193.93% of the target.

4. Revenues, Expenditures and Profits

- (1) Net interest income for 2022 amounted to NT\$35.22 billion; non-interest income (net) totaled NT\$7.56 billion; bad debt expenses and reserve for guarantees amounted to NT\$620 million; and operating expenses totaled NT\$22.97 billion. Income before tax reached NT\$19.19 billion; and income tax amounted to NT\$2.14 billion, leaving a net income after tax of NT\$17.05 billion; and after factoring out the NT\$9.71 billion burden of various measures taken in support of government policy (e.g. preferential interest rates paid out on the retirement savings deposits of public employees and veterans, the cost of administering the Labor Pension Fund, the Government Employees Insurance scheme, and the Military Personnel Saving Administration's deposit business), the Bank's 2022 real income before tax would come to NT\$28.90 billion, which was NT\$18.52 billion higher than the figure of NT\$10.38 billion called for in BOT's statutory budget.
- (2) Pre-tax Return on Assets (ROA) for 2022 was 0.33%, pre-tax Return on Risk-Weighted Assets (RORWA) was 0.84%; and after factoring out the burden of various measures taken in support of government policy, pre-tax ROA would amount to 0.49%, pre-tax RORWA would amount to 1.27%.
- (3) Pre-tax Return on Equity (ROE) for 2022 was 4.81%; and after factoring out the burden of various measures taken in support of government policy, pre-tax ROE would amount to 7.25%.

5. Research and Development

In order to further enrich the customer experience and provide better services, the BOT has sought in recent years to move forward with FinTech innovation. The Bank is working actively to file patent applications by tapping into the administrative resources and individual creativity within its various units. In response to changes in the financial environment and the needs of business development, the Bank continued collecting and analyzing information on economic and financial conditions as well as the development of major industries, and compiling analytical reports related to economics, financial markets and major industries as reference in expanding the Bank's business.

II. Business Plans for 2023

1. Business Strategy and Major Operating Policies

BOT will continue improving its operational resilience, and will maintain a "Troika" business strategy designed to ensure a balanced emphasis on public sector lending, corporate lending, and consumer lending, adopting an attitude that emphasizes good faith, pragmatism, and legal compliance as it strives to achieve strong business performance. It has joined hands with enterprises, employees and customers to create economic and social value for Taiwan, and has adopted the following operating policies with a view to achieving sustainable development and maintaining sound business operations:

- (1) Coordinate with the government's pension reform program by gradually reducing time deposits as a share of total deposits, thus optimizing deposit structure, as well as continue promoting the wealth management business in order to increase fee income.
- (2) Continue expanding loans to private enterprises and OBU, and engage in overseas lending and residential lending, to raise average loan profitability and boost BOT's operating revenues.
- (3) Embark on global markets, work actively to enter into cooperative partnerships with world-leading financial institutions, take advantage of business opportunities connected with offshore Taiwanese firms and business activity in offshore markets, and prudently respond to the risks associated with geopolitical and economic changes at the regional level.
- (4) Actively align with the international trend toward sustainable development by incorporating sustainability and responsible finance ESG into our corporate culture and business strategies, and work with customers to co-create sustainable value.
- (5) Enhance digital transformation, cultivate the innovative capabilities of multi-disciplinary digital talent, establish an innovative mindset, utilize systems to integrate digital and physical service channels and marketing tracks, and establish data governance in order to improve business performance.
- (6) Actively complete the AML/CFT mechanism and optimize the information system by continuing to issue (or amend) related in-house by-laws and rules, and upgrade the AML/CFT expertise of employees.

- (7) Comply with cyber security legislation, strengthen cyber security early warning and defense/response capabilities, provide customers with digitally resilient financial services and a trading environment that is stable and reliable.
- (8) Optimize asset structure, control the growth of risk assets, and adjust country and sector exposure limits on a rolling basis; continue enhancing the Bank's climate change risk management measures and gradually bring the Bank's investment and lending positions in line with its net-zero emissions goals in order to expand the influence of sustainable finance.
- (9) Coordinate with business strategies by actively cultivating personnel with inter-disciplinary expertise in such fields as business management, international finance, marketing planning, digital finance, risk management, legal compliance, internal auditing, internal controls, credit, foreign exchange, trusts, wealth management, insurance, legal affairs, information, cybersecurity, industry analysis, and sustainable transition.

2. Business Targets

The following BOT business targets for 2023 were formulated in accordance with the Business Plan approved by the Ministry of Finance, with consideration given to past performance as well as to future trends of development.

- (1) Deposits: NT\$4.19 trillion
- (2) Loans: NT\$2.90 trillion
- (3) Foreign Exchange: US\$319.8 billion
- (4) Income Before Tax: NT\$11.54 billion

III. Development Strategies

- 1. Optimize the Bank's deposit and loan structure, implement the "Troika" business strategy, coordinate with key national policies and industrial development needs by actively promoting government policy-driven loans, and take advantage of the Bank's professionalism and position of leadership in the industry to strengthen the overseas supply chain markets of offshore Taiwanese businesses.
- 2. Maintain a close grasp of regional conditions, strengthen overseas business, prudently respond to the risks associated with geopolitical and economic changes at the international level, take a risk-based approach to strengthen risk management and maintain safe and sound business development.
- 3. Optimize capital allocations, achieve more efficient management of funds, and strengthen funds management and allocations to make more efficient use of free capital.
- 4. Continue integrating internal resources and financial services, provide a diverse range of financial products and professional consulting services, optimize wealth management services, promote full-function trust services, expand cross-industry alliances for trusts, thereby fulfilling the mission of inclusive finance; and strengthen measures to safeguard the interests of elderly and underprivileged financial consumers, thus enhancing the fair treatment of customers.

5. Establish a digital brand image, continue promoting our digital transformation flagship program, and expand the functions of our digital financial products and services; and strengthen data science and technology, improve the user experience and operating procedures.
6. Improve risk management mechanisms, build up operational resilience, improve climate change governance, and gradually bring the Bank's investment and lending positions to net-zero emissions; strengthen credit management, bolster risk assumption capacity, and improve asset quality.
7. Build up the information system architecture, strengthen the information service system's business continuity capability as well as mechanisms for detection and management of cyber threats, and increase cyber defense capabilities.
8. Strengthen legal compliance, introduce innovative Regtech tools, improve AML/CFT/CPF mechanisms, and maintain financial stability.
9. Create well-designed training systems, build up a human resource database, and respond to ESG concepts by actively planning out and setting up a distance learning system as well as a paperless learning environment.
10. Act on the Bank's sustainability strategy map, continue incorporating the concepts of sustainable development into various business policies; and actively promote a corporate culture of treating customers fairly, implement the concepts of ethical management, and form a culture of sustainability.

IV. Impact of Market Competition, the Legal Environment, and the Overall Business Environment

1. Impact of Market Competition

In response to the challenges that financial services firms face due to the rise of digital technology and the global transformation to a net-zero economy, BOT will continue encouraging innovative research and development to build up a bigger body of FinTech patents, accelerate digital transformation, and actively promote sustainable finance-related businesses. BOT will leverage our role in the financial market to guide customers to pay attention to sustainability issues and promote sustainable development of the economy.

2. Impact of the Legal Environment

(1) When the Financial Supervisory Commission (FSC) amended the "Principles for Fair Treatment of Consumers by Financial Services Enterprises" on 12 May 2022, it revised the content of nine major principles and added two new principles (the "Friendly Service Principles" and "Principles of Ethical Management"). In 2022, BOT split its Task Force for Fair Treatment of Consumers into a "Task Force on Products and Sales," a "Task Force on Customer Comments and Complaints," a "Task Force on Assessments and Strategic Planning," and a "Task Force on Support for Fair Treatment of Consumers." Each task force puts forward proposals on a quarterly basis and the Bank's SEVP oversees their work, which is being carried out as follows:

- a. To ensure that the Bank does a better job of upholding the "Principle of the Right to Complain" and the "Friendly Service Principles," BOT has introduced improved customer complaint handling procedures. Complaints from the elderly or particularly vulnerable groups have been assigned priority, and case handling procedures are being reviewed.
 - b. BOT completed amendments of the "Policies and Strategies Regarding the Principles for Fair Treatment of Consumers," and of the strategies for implementation by various units in charge of business at BOT of the "Principles for Fair Treatment of Consumers." As for the "Friendly Service Principles," BOT adopted a set of "Rules Governing Friendly Financial Services." With regard to the "Principles of Ethical Management," BOT hired an outside consultant to assist with the building of a mechanism for assessing the risk of unethical behavior and the establishment of a responsibility map.
 - c. BOT made plans to introduce an ISO 37001 anti-bribery management system and to obtain international third-party certification, held a meeting on 19 December 2022 to announce the launch of the system, then on 28 December 2022 we compared our existing internal anti-bribery rules with ISO 37001 provisions, and presented an explanation of the ISO 37001 system.
- (2) On 7 January 2022, the Bankers Association of the ROC issued a letter instructing financial institutions that, when establishing a business relationship with an enterprise that handles virtual currency platforms or transactions, the financial institution must conduct customer due diligence as well as ongoing customer due diligence. BOT complied with this letter by adopting a set of "Guidelines for the Bank of Taiwan when Accepting Enterprises Handling Virtual Currency Platforms or Transactions as Customers," and by amending standard operating procedures for the opening of deposit and remittance accounts as well as foreign exchange deposit accounts.

3. Impact of the Overall Business Environment

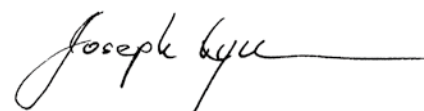
The global economy has continued to grow, and COVID-related restrictions are gradually being relaxed both internally and at international borders. This is bringing a gradual recovery in private consumption. Meanwhile, the Three Major Programs for Investing in Taiwan continue to be implemented, so we can expect steady growth in the Taiwanese economy, and more profit opportunities for banks. However, international political and economic conditions change quickly. Moving forward, BOT would be well advised to pay close attention to a number of factors that could affect global economic activity and financial markets. Such factors include geopolitical conditions, inflation, and deflationary monetary policies in some of the world's major economies.

V. Credit Ratings

Rating Agency \ Items	Rating Date	Assigned Rating		Outlook
		Long-term	Short-term	
Standard & Poor's	Nov. 2022	AA	A-1+	Stable
Moody's Investors Service	Sep. 2022	Aa3	P-1	Stable
Taiwan Ratings Corp.	Nov. 2022	twAAA	twA-1+	Stable

BOT witnessed a number of global political and economic disturbances over the past year, but Bank employees acted under the leadership of top management and supervisors at all levels, earnings have once again hit new highs, while asset quality and risk-bearing capacity remained stable. In 2023, Taiwan's economy can be expected to make steady progress. BOT will prepare to face the age of global sustainable development, to make use of financial core competencies and continue exerting the influence of finance to take advantage of opportunities to achieve sustainable development. By acting upon the corporate vision of "a leading bank with global presence," BOT intends to achieve sustainable development and build a society where everyone enjoys shared prosperity.

Chairman



Acting President





Front Row (left to right):

Senior Executive Vice President | Ou, Shing-Shiang · Chairman | Joseph Jye-Cherng Lyu
Acting President | Lin, Li-Ling

Back Row (left to right):

Senior Executive Vice President | Shih, Che-Yu · Senior Executive Vice President | Tai, Shih-Yuan
Senior Executive Vice President & General Auditor | Lu, Chun-Chen
Senior Executive Vice President | Chan, Chu-Ming
Senior Executive Vice President & Chief Compliance Officer | Chen, Hui-Ping

A Brief Introduction of the Bank

I. Date of Establishment: May 20, 1946

II. Brief History

The Bank of Taiwan Kabushiki-gaisha, the predecessor of Bank of Taiwan, was established in 1899 as Taiwan's Central Bank during the Japanese ruling period. It issued local currency and provided financial resource to enterprises. The Bank of Taiwan (BOT) was established on May 20, 1946 as the first government-owned bank following the island's restoration to the Republic of China in 1945. During much of its operating history, the BOT has been under the administration of the Taiwan Provincial Government. Following the phase-out of the Taiwan Provincial Government on Dec. 21, 1998, the Bank was subsequently taken over by the central government of the Republic of China and placed under the administration of the Ministry of Finance. BOT has been a judicial person under Banking Act since 1985. Effective July 1, 2003, BOT became a corporate organization under Company Act. In accordance with the regulations on financial holding companies, on January 1, 2008, Taiwan Financial Holdings was established on the basis of the share transfer. Meanwhile, the Bank became a subsidiary of Taiwan Financial Holdings. On January 2, 2008 the Bank split its Department of Securities and Department of Life Insurance to organize the other two subsidiaries of Taiwan Financial Holdings, namely, BankTaiwan Securities Co., Ltd. and BankTaiwan Life Insurance Co., Ltd.

During its formative years, the BOT managed the business of the public treasury, issued currency in Taiwan, and carried out many of the functions of a central bank. In the early years following the central government's move to Taiwan in 1949, it acted as agent in carrying out most of the functions of the Central Bank of China (CBC), thus giving it a dual character: that of a central bank, as well as a general commercial bank. Following the restoration of the CBC in Taiwan in July 1961, however, the BOT switched its primary emphasis to general banking. After the passage of the Local Autonomy Law in July 1994, provincial, county, and city governments were given the right to choose the banks in which to deposit their funds. As our bank is a state-owned institution with a long history, excellent credit and stable operations, it is still entrusted with handling various government treasury businesses in areas outside of Taipei City, Kaohsiung City, and Kinmen County. It has also been responsible for the operation of businesses related to the issuance of New Taiwan Dollar currency, the handling of deposits of military and civil servants' retirement funds at preferential interest rates, student loans and other policy-related operations. Meanwhile, BOT has facilitated financial service to critical infrastructure and various industrial innovation and economic revitalization projects to support economic growth and industrial development of Taiwan. The Bank has been strongly supporting Taiwan's economic development with sufficient financial function. Therefore, the position of our bank is highly important in Taiwan's financial system.

Recently, the Bank's new corporate vision has been defined as: "A leading bank with global presence". This vision encompasses a strategy whereby BOT strongly supports the country in moving steadfastly toward a strong and stable economy by providing enterprises with robust and comprehensive financial services. BOT

has continued to pursue innovations in FinTech to enhance and improve its financial services capabilities. In an effort to speed up and widen its global reach, BOT has collaborated with leading international banks and expanded its overseas networks to five major continents, thereby affirming BOT's leading position among all the Taiwanese banks.

BOT is strongly committed to its CSR (Corporate Social Responsibility), and has promoted its affinity credit card programs including "Guide Dog Affinity Card" and "The Lord is My Shepherd Affinity Card". It has also organized "Bank of Taiwan Arts Festival," "Bank of Taiwan Awards for Economic and Financial Research" and various social welfare campaigns aimed at underprivileged groups. Furthermore, BOT has upgraded its CSR to include art, culture and academic research.

BOT has existed under the "Bank of Taiwan" brand now for over 120 years, and is instantly recognizable as a symbol of financial strength and stability which portrays its core values. It is committed to supporting sustainable economic growth. BOT always aims to identify and offer the best possible financial solutions to government and industry, and to support Taiwan in maintaining a robust economy, which thrives on creativity, innovation and technology.

At the end of 2022, the capital of the BOT was NT\$109 billion and its assets amounted to over NT\$6.0 trillion. Its deposits and loans accounted for 9.07% and 9.46%, respectively, of the total figure for domestic banks, occupying the throne of the domestic banking industry leader. According to The Banker magazine's Top 1000 World Banks 2022, as published in its July 2022 issue, the BOT ranked 128th in total assets and 168th in terms of Tier 1 capital in the global banking industry.



On 21 September 2022, Taiwan Financial Supervisory Commission Chairman Tien-Mu Huang (5th from right), National Development Council Minister Ming-Hsin Kung (4th from right), and Director-General Chia-Chi Hsiao of the National Treasury Administration, Ministry of Finance (3rd from right) visited the BOT Songjiang Branch, where they took a group photo together with BOT Chairman Joseph Jye-Cherng Lyu (5th from left) and then-BOT President Chih-Wen Hsu (4th from left). They also praised the BOT for its highly successful promotion of bilingual services.



Corporate Governance Report

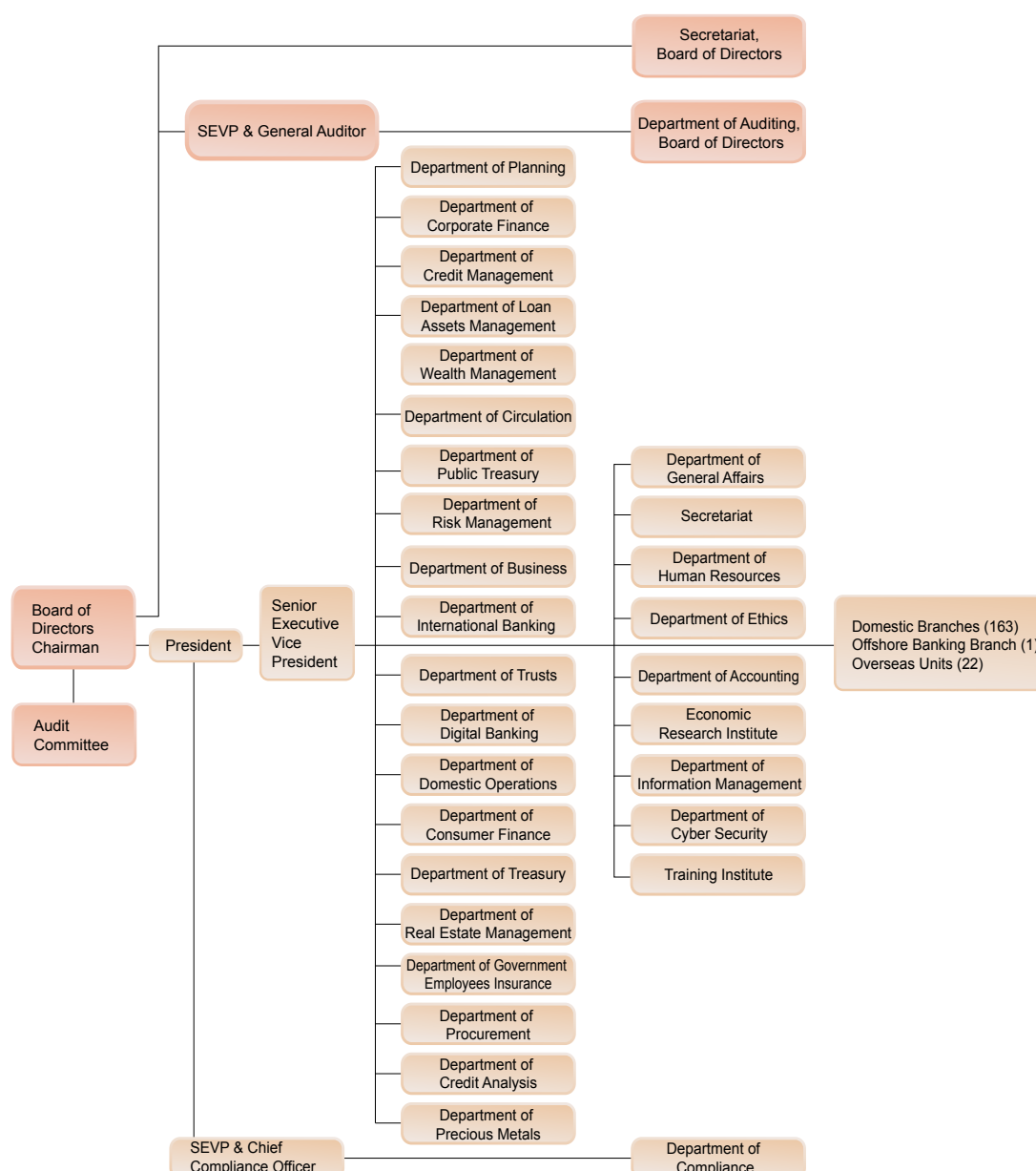
22	I . Organization
24	II . Directors, Supervisors, Top Management, and Advisers
36	III . Implementation of Corporate Governance
57	IV . Number of Shares in the Same Reinvested Enterprises Held by the Bank and Its Directors, Supervisors, President, Senior Executive Vice Presidents, Heads of Departments and Branches, and Enterprises Controlled Directly or Indirectly by the Bank, and Ratios of Consolidated Shareholding

Corporate Governance Report

I. Organization

At the end of Feb. 2023, the Bank's management organization consisted of a Board of Directors, Audit Committee, Secretariat (Board of Directors), Department of Auditing (Board of Directors), 30 departments, 163 domestic branches, one Offshore Banking Branch, and 22 overseas units (including New York Branch, Los Angeles Branch, Hong Kong Branch, Tokyo Branch, Singapore Branch, South Africa Branch, London Branch, Shanghai Branch, Guangzhou Branch, Fuzhou Branch, Sydney Branch, Shanghai JiaDing Sub-Branch, Mumbai Representative Office, Yangon Representative Office, Silicon Valley Representative Office, Bangkok Representative Office, Frankfurt Representative Office, Manila Representative Office, Ho Chi Minh City Representative Office, Jakarta Representative Office, Kuala Lumpur Representative Office and Phoenix Representative Office).

Organizational Chart



Functions of Major Departments

Department	Functions
Secretariat, Board of Directors	Handles important matters and documentary affairs related to the Board of Directors.
Department of Auditing, Board of Directors	Takes care of planning, implementation, and examination of internal auditing matters, and participates in the formulation and revision of operating and management regulations.
Department of Planning	Responsible for articles of incorporation, organization regulations, annual operating plans, evaluation of departments, public relations and legal affairs.
Department of Corporate Finance	Handles matters of designing new products, planning for and promoting corporate finance business, and the supply of consulting assistance services to operating branches.
Department of Credit Management	Handles planning, supervision, examination, consulting assistance services, and management for loan business.
Department of Loan Assets Management	Takes care of planning, examination, supervision, and management related to non-performing loans, loans for collection, and the clearing up of bad loans.
Department of Wealth Management	Handles planning, marketing, evaluation, administration and training of wealth management.
Department of Circulation	Handles the collection and payment, transport, adjustment of supply and demand, and the recovery of worn bills associated with the issuances of New Taiwan currency.
Department of Public Treasury	Handles agency operations for public treasuries at all levels, and direction and supervision of the business of branch treasuries.
Department of Risk Management	Responsible for the planning and revision of risk management, and the formulation and integration of risk management regulations.
Department of Business	Takes care of general deposit, loan, remittance, and agency businesses.
Department of International Banking	Takes care of foreign exchange operations, foreign banking and overseas branch businesses, correspondent banking relations, and operational planning and management for the foreign exchange business.
Department of Trusts	Controls trust businesses and auxiliary businesses.
Department of Digital Banking	Responsible for planning, research and development, marketing, integration, supervision, management, examination, data science, UX/UI and FinTech facilitation of the digital banking business.
Department of Consumer Finance	Takes care of planning, promotion, management, and consultation assistance services for the consumer finance, credit card, and bank card business.
Department of Treasury	Handles allocation, planning, and utilization of New Taiwan Dollar and foreign currency, and securities investment.
Department of Real Estate Management	Takes care of maintenance of buildings and general management of real estate.
Department of Procurement	Handles procurement matters under concentrated system for government institutions, public schools and public enterprises.
Department of Domestic Operations	Handles matters related to deposit business, ATMs, planning and evaluation of domestic branches, and customer complaints.
Department of Government Employees Insurance	Handles, under the Government's authorization, the general life insurance for civil servants and teachers.
Department of Precious Metals	Handles the precious metals and customs quotas business.
Department of Credit Analysis	Responsible for the collection, surveying, and editing of data related to the credit investigation, as well as overseas credit investigation services.
Department of General Affairs	Handles general affairs, cashier affairs, and procurement of articles and appliances in office.
Secretariat	Takes care of important affairs, documentation, chop management, meetings, and editing.
Department of Human Resources	Carries out the planning, study, and implementation of personnel affairs.
Department of Ethics	Looks after the propagation of ethics laws and regulations, and the formulation and revision of ethics regulations.
Department of Accounting	Responsible for the planning and formulation of accounting systems, budgets, statistics, internal auditing, and inter-branch settlement.
Economic Research Institute	Carries out domestic and overseas economic and financial analysis, and the compilation of "Quarterly Review of the Bank of Taiwan."
Department of Information Management	In charge of research, analysis, planning and implementation of information operations, and development and establishment of information systems.
Department of Compliance	Handles the planning, management, and execution of the regulatory compliance system, anti-money laundering, and countering terrorism.
Department of Cyber Security	Responsible for the formulation, planning and implementation of cyber security systems.
Training Institute	Responsible for the planning and implementation of personnel training and advanced training.

II. Directors, Supervisors, Top Management, and Advisers

1. Directors and Supervisors

(1) Information on Directors and Supervisors (a)

Feb. 28, 2023

Title	Name	Gender Age	Date Elected	Date First Elected	Education and Career	Positions Currently Held in the Bank and Other Companies
Chairman	JOSEPH JYE-CHERNG LYU	Male Age: 61~70	Oct. 7, 2021	Aug. 31, 2016	Master of Management, Kellogg School, Northwestern University, U.S.A. Bachelor of Commerce in Money & Banking, National Chengchi University Minister without Portfolio, Executive Yuan Minister, Ministry of Finance Board of Director, Central Bank of the Republic of China Chairman, Taiwan Financial Holding Co., Ltd. Chairman of the Board, Mega International Commercial Bank Chairman of the Board, Bank of Taiwan President & CEO, Land Bank of Taiwan Vice Chairman, State-owned Enterprise Commission, Ministry of Economic Affairs Vice President, Bank of New York, New York Headquarters Chairman of the Board, The Bankers Association of the Republic of China Board Director, Taiwan Stock Exchange Board Director, Taiwan Futures Exchange Board Director, Joint Credit Information Center Board Director & Executive Vice President, Chunghwa Telecom Co., Ltd. Board Director, China Steel Corporation Board Director, Taiwan Academy of Banking & Finance Distinguished Chair Professor, School of Management, National Sun Yat-Sen University Adjunct Professor, School of Technology Management, National Tsing Hua University	Managing Director, The Bankers Association of the Republic of China Board Director, Joint Credit Information Center Distinguished Chair Professor, School of Management, National Sun Yat Sen University Adjunct Professor, School of Technology Management, National Tsing Hua University Board Director, National Culture and Arts Foundation Standing Supervisor, Chung-Hua Institution for Economic Research Chairman, Supervisory Committee, College of Global Banking & Finance, National Chengchi University
Independent Managing Director	TSAI, MING-FANG	Male Age: 41~50	Oct. 7, 2021	Aug. 3, 2018	Ph.D. in Industrial Economics, National Central University Adjunct Professor, Dept. of International Business, Soochow University Independent Director, BankTaiwan Securities Co., Ltd. Independent Director, First Life Insurance Co., Ltd.	Joint-appointment Professor, Dept. of Industrial Economics & Economics, Tamkang University Adjunct Professor, Graduate Institute of Industrial Economics, National Central University Independent Director, Taiwan Financial Holding Co., Ltd. Director, Audit Committee, Bank of Taiwan Independent Director, United Renewable Energy Co., Ltd. Director, Eminent II Venture Capital Corporation Director, Grand Cathay Venture Capital Co., Ltd. Director, CDIB Capital Healthcare Ventures Co., Ltd. Independent Director, Choice Development Inc.
Managing Director	JUAN, CHING-HWA	Male Age: 61~70	Oct. 7, 2021	Aug. 3, 2018	B.A. of Dept. of Law, National Taiwan University B.A. of Dept. of Business Management, National Chengchi University Administrative Deputy Minister, Ministry of Finance Director-General, National Treasury Administration, Ministry of Finance Director-General, National Taxation Bureau of the Central Area, Ministry of Finance Chief Secretary, Ministry of Finance	Political Deputy Minister, Ministry of Finance Director, Taiwan-Hong Kong Economic and Cultural Co-operation Council Director, China Aviation Development Foundation

Title	Name	Gender Age	Date Elected	Date First Elected	Education and Career	Positions Currently Held in the Bank and Other Companies
Managing Director	CHANG, JUIN-JEN	Male Age: 51~60	Oct. 7, 2021	Aug. 3, 2018	Ph.D. in Economics, National Chung-Hsing University Research Fellow, Institute of Economics, Academia Sinica Associate Research Fellow, Institute of Economics, Academia Sinica Joint-appointment Professor, Fu Jen Catholic University	Research Fellow and Deputy Director, Institute of Economics, Academia Sinica Managing Director, Taiwan Economic Association
Independent Director	CHEN, YEHNING	Male Age: 51~60	Oct. 7, 2021	Oct. 7, 2021	Ph.D. in Management, University of California, Los Angeles, U.S.A. Associate Dean, College of Management, National Taiwan University Chairperson, Dept. of Finance, National Taiwan University Director, Financial Ombudsman Institution Supervisor, Financial Ombudsman Institution Director, Central Deposit Insurance Corporation	Professor, Dept. of Finance, National Taiwan University Member, Audit Committee, Bank of Taiwan Associate Director, Center for the Advancement of the Humanities and Social Sciences, National Taiwan University
Independent Director	LAI, HUNG-NENG	Male Age: 51~60	Oct. 7, 2021	Oct. 7, 2021	Ph.D. in Finance, The London School of Economics and Political Science, UK Independent Director, Land Bank of Taiwan Co., Ltd. Assistant Professor, Dept. of Finance, National Central University Assistant Professor, Dept. of Quantitative Finance & Dept. of Economics, National Tsing Hua University	Associate Professor, Dept. of Finance, National Central University Member, Audit Committee, Bank of Taiwan
Director	CHEN, NAN-KUANG	Male Age: 51~60	Oct. 7, 2021	Mar. 22, 2018	Ph.D. in Economics, University of Minnesota, U.S.A. Professor, Associate Professor, Assistant Professor, Dept. of Economics, National Taiwan University Instructor, Dept. of Economics, University of Minnesota, U.S.A.	Deputy Governor, Central Bank of the Republic of China (Taiwan) Alternate Governor for the ROC Central American Bank for Economic Integration Alternate Governor for the ROC Asian Development Bank Director, Taiwan Institute of Economic Research
Director	LEE, GUO-SHIN	Male Age: 51~60	Oct. 7, 2021	Oct. 7, 2021	B.A. of Dept. of Accounting, Tamkang University Director, Mega Financial Holding Co., Ltd. Director, Taiwan Cooperative Financial Holding Co., Ltd. Deputy Minister, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan) Controller and Director, Department of General Fund Budget, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan)	Deputy Secretary-General, Executive Yuan, R.O.C. (Taiwan) Supervisor, National Defense Industrial Development Foundation

Title	Name	Gender Age	Date Elected	Date First Elected	Education and Career	Positions Currently Held in the Bank and Other Companies
Director	HUANG, SHU-JUAN	Female Age: 51~60	Oct. 7, 2021	Feb. 20, 2020	M.A. in Graduate Institute of National Development, National Taiwan University Chief Secretary, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan) Director, Department of Planning, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan) Supervisor, Taiwan Tobacco and Liquor Corporation	Director, Department of Special Fund Budget, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan) Supervisor, Small and Medium Enterprise Credit Guarantee Fund of Taiwan Committee Member, State-owned Enterprise Commission, Ministry of Economic Affairs, R.O.C.
Director	CHANG, WEN-HSI	Male Age: 51~60	Oct. 7, 2021	May 28, 2020	Ph.D. in Information Management, Tamkang University Director, Dept. of Information Management, Ministry of Labor Director, Information Technology Division, National Archives Administration, National Development Council	Director-General, Fiscal Information Agency, Ministry of Finance
Director	HSU, HUI-FENG	Male Age: 51~60	Oct. 7, 2021	Aug. 3, 2018	J.S.D., Washington University in St. Louis U.S.A. Director, School of Continuing Education, Chinese Culture University Dean, College of Law, Chinese Culture University Director, Dept. of Law, Chinese Culture University	Professor, Dept. of Law, Chinese Culture University Chief Senior Counselor/Taiwan Lawyer/ Arbitrator, Washington Group & Associates Commissioner, Central Election Commission Director, Dachang Venture Capital Co., Ltd. Director, IIH Biomedical Venture Fund I Co., Ltd.
Director	WU, TE-JEN	Male Age: 61~70	Oct. 7, 2021	Aug. 3, 2018	Master of Finance, Dayeh University Senior Banking Officer, Employee Benefits Committee, Bank of Taiwan Senior Banking Officer & Assistant General Manager, Department of Information Management, Bank of Taiwan	Assistant Vice President, Employee Benefits Committee, Bank of Taiwan
Director	TSAI, NENG-SUNG	Male Age: 41~50	Oct. 7, 2021	Oct. 7, 2021	B.A. of Dept. of Navigation Technology, National Taiwan Ocean University Banking Officer & Deputy Manager, Boai Branch, Bank of Taiwan	Senior Banking Officer & Manager, Gaorong Branch, Bank of Taiwan

Notes: 1. All directors are assigned by the Taiwan Financial Holding Co., Ltd.

- Taiwan Financial Holding Co., Ltd. holds 100% of shares of the Bank of Taiwan (10.9 billion shares). The Ministry of Finance holds 100% of shares of the Taiwan Financial Holding Co., Ltd. (10.3125 billion shares).
- No director is the spouse of, or related within the second degree of kinship to, any head of department, director, or supervisor.
- The position of chairperson, president, or another equivalent position (highest managerial position) is neither held by the same person nor by spouses or relatives within the first degree of kinship.
- The terms of all directors will expire on October 6, 2024.
- All directors are of R.O.C. nationality.

(2) Major Shareholders of the Institutional Shareholders

Feb. 28, 2023

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Taiwan Financial Holding Co., Ltd.	Ministry of Finance

(3) Information on Directors and Supervisors (b)

A. Professional Qualifications and Independence Analysis of Directors and Supervisors

Name	Criteria	Professional Qualification and Experience (Note 1)	Independence Circumstance (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
JOSEPH JYE- CHERNG LYU		Master of Management, Kellogg School, Northwestern University, U.S.A. Bachelor of Commerce in Money & Banking, National Chengchi University He is currently appointed as Chairman of Bank of Taiwan, and previously served as Minister without Portfolio of Executive Yuan, Minister of Ministry of Finance, Board of Director of Central Bank of the Republic of China, Chairman of the Board of Mega International Commercial Bank, President & CEO of Land Bank of Taiwan, Vice Chairman of State-owned Enterprise Commission, Ministry of Economic Affairs, Vice President of Bank of New York, New York Headquarters, Chairman of the Board of The Bankers Association of the Republic of China, Board Director of Taiwan Stock Exchange, Board Director of Taiwan Futures Exchange, Board Director of Joint Credit Information Center, Board Director of Taiwan Academy of Banking and Finance, Distinguished Chair Professor of School of Management, National Sun Yat Sen University, and Adjunct Professor of School of Technology Management, National Tsing Hua University, etc. He is appointed as Chairman of Taiwan Financial Holding Co., Ltd. and the Bank from August 2016 to January 2023 and as Chairman of the Bank since February 2023.		0
TSAI, MING-FANG		Ph.D. in Industrial Economics, National Central University He is currently appointed as Joint-appointment Professor of Dept. of Industrial Economics & Economics, Tamkang University, Adjunct Professor of Graduate Institute of Industrial Economics, National Central University and previously served as Independent Director of BankTaiwan Securities Co., Ltd., and Independent Director of First Life Insurance Co., Ltd., etc. He is appointed as Independent Director of Taiwan Financial Holding Co., Ltd., Independent Managing Director of the Bank, and Director of Audit Committee of the Bank.	Mr. Tsai, his spouse, and relatives by blood within the second degree of kinship do not serve as a director, supervisor, or employee of the Bank or any affiliated enterprise, nor do they hold stock in the Bank. Does not serve as a director, supervisor, or employee of any company with which the Bank has a special relationship, and in the past two years has not provided commercial, legal, financial, or accounting services to the Bank or any of its related enterprises.	3 (Taiwan Financial Holding Co., Ltd.; United Renewable Energy Co., Ltd.; Choice Development Inc.)
JUAN, CHING-HWA		B.A. of Dept. of Law, National Taiwan University B.A. of Dept. of Business Management, National Chengchi University He is currently appointed as Political Deputy Minister of Ministry of Finance, and previously served as Administrative Deputy Minister of Ministry of Finance, Director-General, National Treasury Administration, Ministry of Finance, and previously served as Supervisor of BankTaiwan Insurance Brokers Co., Ltd., and Director & Supervisor of Chang Hwa Commercial Bank, Ltd, etc. He is appointed as Managing Director of the Bank since August 2018.		0

Name	Criteria	Professional Qualification and Experience (Note 1)	Independence Circumstance (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
CHANG, JUIN-JEN		Ph.D. in Economics, National Chung-Hsing University He is currently appointed as Research Fellow and Deputy Director of Institute of Economics, Academia Sinica. He has conducted serious analytical research in the field of economics, for which he has received awards from the Academia Sinica and the National Science Council, and has held such positions as professor or associate professor at National Taiwan University, National Taipei University, National Sun Yat-sen University, National Central University, Fu Jen Catholic University, Soochow University, and Feng Chia University. He is appointed as a Managing Director of the Bank since August 2018.		0
CHEN, YEHNING		Ph.D. in Management, University of California, Los Angeles, U.S.A. He is currently appointed as Professor of Dept. of Finance, National Taiwan University and Associate Director of Center for the Advancement of the Humanities and Social Sciences, National Taiwan University, and previously served as Associate Dean of College of Management, National Taiwan University, Chairperson of Dept. of Finance, National Taiwan University, Director & Supervisor of Financial Ombudsman Institution, and Director of Central Deposit Insurance Corporation, etc. He is appointed as Independent Director of the Bank and Member of Audit Committee of the Bank since October 2021.	Mr. Chen, his spouse, and relatives by blood within the second degree of kinship do not serve as a director, supervisor, or employee of the Bank or any affiliated enterprise, nor do they hold stock in the Bank. Does not serve as a director, supervisor, or employee of any company with which the Bank has a special relationship, and in the past two years has not provided commercial, legal, financial, or accounting services to the Bank or any of its related enterprises.	0
LAI, HUNG-NENG		Ph.D. in Finance, The London School of Economics and Political Science, UK He is currently appointed as Associate Professor of Dept. of Finance, National Central University, and previously served as Assistant Professor of Dept. of Finance, National Central University, Assistant Professor of Dept. of Quantitative Finance & Dept. of Economics, National Tsing Hua University, and Independent Director of Land Bank of Taiwan Co., Ltd., etc. He is appointed as Independent Director of the Bank and Member of Audit Committee of the Bank since October 2021.	Mr. Lai, his spouse, and relatives by blood within the second degree of kinship do not serve as a director, supervisor, or employee of the Bank or any affiliated enterprise, nor do they hold stock in the Bank. Does not serve as a director, supervisor, or employee of any company with which the Bank has a special relationship, and in the past two years has not provided commercial, legal, financial, or accounting services to the Bank or any of its related enterprises.	0
CHEN, NAN-KUANG		Ph.D. in Economics, University of Minnesota, U.S.A. He is currently appointed as Deputy Governor of Central Bank of the Republic of China (Taiwan), and previously served as Professor & Associate Professor of Dept. of Economics, National Taiwan University, etc. He is appointed as Director of the Bank since March 2018.		0

Name	Criteria	Professional Qualification and Experience (Note 1)	Independence Circumstance (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
LEE, GUO-SHIN		B.A. of Dept. of Accounting, Tamkang University He is currently appointed as Deputy Secretary-General of Executive Yuan, and previously served as Deputy Minister of Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan), Controller and Director of Department of General Fund Budget, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan), Director of Mega Financial Holding Co., Ltd., and Director of Taiwan Cooperative Financial Holding Co., Ltd., etc. He is appointed as Director of the Bank since October 2021.		0
HUANG, SHU-JUAN		M.A. in Graduate Institute of National Development, National Taiwan University She is currently appointed as Director of Department of Special Fund Budget, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan), and previously served as Chief Secretary of Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan), Director of Department of Planning, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan), Supervisor of Taiwan Tobacco and Liquor Corporation, etc. She is appointed as Director of the Bank since February 2020.		0
CHANG, WEN-HSI		Ph.D. in Information Management, Tamkang University He is currently appointed as Director-General of Fiscal Information Agency, Ministry of Finance, and previously served as Director of Dept. of Information Management, Ministry of Labor, Director of Information Technology Division, National Archives Administration, National Development Council, etc. He is appointed as Director of the Bank since May 2020.		0
HSU, HUI-FENG		J.S.D., Washington University in St. Louis U.S.A. He is currently appointed as Professor of Dept. of Law, Chinese Culture University, and Chief Senior Counselor/Taiwan Lawyer/ Arbitrator of Washington Group & Associates, and previously served as Director of School of Continuing Education, Chinese Culture University, Dean of College of Law, Chinese Culture University, and Director of Dept. of Law, Chinese Culture University, etc. He is appointed as Director of the Bank since August 2018.		0
WU, TE-JEN		Master of Finance, Dayeh University He is currently appointed as Assistant Vice President of Employee Benefits Committee of the Bank, and has worked for the Bank since 1985, with the banking business experience for over 36 years. He is appointed as Director of the Bank since August 2018.		0
TSAI, NENG-SUNG		B.A. of Dept. of Navigation Technology, National Taiwan Ocean University He is currently appointed as Senior Banking Officer & Manager of Gaorong Branch of the Bank, and has worked for the Bank since 1999, with the banking business experience for over 22 years. He is appointed as Director of the Bank since October 2021.		0

Notes: 1. Not a person of any condition defined in Article 30 of the Company Act.

2. For independent directors, a description of how they meet the independence requirement must be provided.

B. Diversity and independence of the Board of Directors

(a) Board diversity:

The Bank's corporate charter requires that the BOT Board of Directors shall consist of 15 members (including 3 independent directors and 3 labor directors), who shall be appointed by the Taiwan Financial Holding Co., shall have legal capacity to act, and shall meet the qualification criteria adopted by the competent authority.

The "Bank of Taiwan Corporate Governance Best-Practice Principles" set out certain abilities that the Board of Directors as a whole must possess. The members of the BOT Board of Directors have many different types of background and experience, including fields such as business management, innovation, economic matters, finance, accounting, legal affairs, information & communications and climate-related capabilities. They also have the knowledge, skill, and experience necessary to carry out their duties.

BOT directors attend continuing professional education in such fields as corporate governance, internal control and internal auditing, business innovation, anti-money laundering and counter terrorism financing, fair treatment of customers principles, digital transformation, and recent legislative action. The purposes are to enable the Board of Directors to operate more efficiently and improve its corporate governance capabilities, and to strengthen the board's functions.

(b) Independence of the Board of Directors:

Acting in compliance with its corporate charter, the Bank appoints independent directors, who must be no fewer than three in number and no fewer than one-fifth of the total number of directors. BOT's three independent directors all maintain independence in the performance of their duties, they have no direct or indirect conflicts of interest with the Bank, and the descriptions set out in Article 3, paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" neither applied to them during the two years before being elected nor apply to them during their terms of office. None of the three independent directors has served more than three consecutive terms, nor does any of them serve simultaneously as a director (including independent director) or supervisor at more than four TWSE- or TPEx-listed companies.

No member of the BOT Board of Directors (including independent directors) is the spouse of, or related within the second degree of kinship to, another director.

2. Top Management

Feb. 28, 2023

Title	Name	Gender	Date Effective	Education	Other Position
Senior Executive Vice President Acting President	LIN, LI-LING	Female	Nov. 30, 2018	Dept. of Banking, National Chengchi University	Director, United Taiwan Bank S.A. Executive Secretary, Taipei Interbank Money Center, The Bankers Association of the Republic of China Member, Taipei Foreign Exchange Market Development Foundation Commission on Research and Development Director, The Trust Association of the Republic of China
Senior Executive Vice President	OU, SHING-SHIANG	Male	Nov. 22, 2021	Ph.D. in Dept. of Economics, Georgia State University	Senior Executive Vice President, Taiwan Financial Holding Co., Ltd. Director, Taiwan Financial Asset Service Co., Ltd. Director, Taiwan Stock Exchange Co., Ltd.
Senior Executive Vice President	TAI, SHIH-YUAN	Male	Nov. 22, 2021	Dept. of Mechanical Engineering, National Taiwan University of Science and Technology	Group Member, Internal Management Committee on Personnel Benefits, The Bankers Association of the Republic of China Director, First Financial Holdings Co., Ltd.
Senior Executive Vice President	CHAN, CHU-MING	Female	Sep. 5, 2022	Master for Business Administration, Shih Chien University	Director, TAIYI Real Estate management Co., Ltd.
Senior Executive Vice President	SHIH, CHE-YU	Male	Sep. 5, 2022	Dept. of Business Administration, Feng Chia University	Director, Hua Nan Commercial Bank Co., Ltd. Director, Central Motion Picture Co., Ltd. Representative, Enterprise Sustainable Development and Green Financing Working Group, Taiwan Small & Medium Enterprise Counseling Foundation
Senior Executive Vice President & Chief Compliance Officer	CHEN, HUI-PING	Female	Jun. 10, 2022	LL.M., Tulane University	Senior Executive Vice President & Chief Compliance Officer, Taiwan Financial Holding Co., Ltd. Deputy Chairperson, Legal Affairs and Disciplines Committee, The Trust Association of the Republic of China Deputy Chairperson, Financial Regulations and Disciplinary Committee, The Bankers Association of the Republic of China General Manager, Taipei City Financial Ethics and Compliance Association Director, Taiwan Urban Regeneration & Financial Services Co., Ltd. Director, Taiwan Academy of Banking and Finance
Senior Executive Vice President & General Auditor	LU, CHUN-CHEN	Female	Aug. 9, 2021	Master for Eminent Public Administrators, National Chengchi University	Member, Internal Audit Committee, The Bankers Association of the Republic of China

Notes: 1. Taiwan Financial Holding Co., Ltd. holds 100% of shares of the Bank of Taiwan.

2. The Bank's president or a person holding an equivalent post (i.e. the highest executive officer) and its chairperson are not the same person, spouses, or relatives within the first degree of kinship.

3. Remuneration of Directors, Supervisors, President, and Senior Executive Vice Presidents for 2022

(1) Remuneration of Directors

Unit: NT\$1,000

Title	Name	Remuneration						Total Remuneration (A+B+C+D) and the Ratio of Total Remuneration and Net Income After Tax (%)		Relevant Remuneration Received by Directors Who are Also Employees						Total Compensation (A+B+C+D+E+F+G) and the Ratio of Total Compensation and Net Income After Tax (%)		Reinvested Enterprises other than the Bank's Subsidiary or the Parent Company	
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)				Allowances (D)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)					Employee Bonus (G)
		The Bank		Companies in the Consolidated Financial Statements		The Bank		Companies in the Consolidated Financial Statements		The Bank		Companies in the Consolidated Financial Statements		The Bank		Companies in the Consolidated Financial Statements			The Bank
Chairman	JOSEPH JYE-CHERNG LYU	4,037	4,037	None	None	1,920	1,920	5,957 (0.03%)	5,957 (0.03%)	7,365	7,365	463	463	None	13,785 (0.08%)	13,785 (0.08%)	448		
Managing Director	HSU, CHIH-WEN																		
Managing Director	JUAN, CHING-HWA																		
Managing Director	CHANG, JUIN-JEN																		
Director	HUANG, SHU-JUAN																		
Director	HSU, HUI-FENG																		
Director	CHANG, WEN-HSI																		
Director	CHEN, NAN-KUANG																		
Director	LEE, GUO-SHIN																		
Director	TSAI, NENG-SUNG																		
Director	WU, TE-JEN																		
Independent Managing Director	TSAI, MING-FANG	None	None	None	None	720	720	720 (0.004%)	720 (0.004%)	None	None	None	None	None	720 (0.004%)	720 (0.004%)	360		
Independent Director	CHEN, YEHNING																		
Independent Director	LAI, HUNG-NENG																		
1. Please describe policies, standards, and packages for payment of remuneration to independent directors, and describe how the duties, risks, and time spent on the job by each such director are correlated with the amount of remuneration: BOT is a 100% government-owned bank. As such, the standards governing remuneration of its independent directors are adopted in accordance with the rules issued by the Ministry of Finance, and the independent directors exercise their powers in accordance with the provisions of the "Audit Committee Charter of the Bank of Taiwan" and the "Bank of Taiwan Rules Governing the Scope of Powers of Independent Directors." 2. In addition to the disclosures made above, mention any other compensation that was received by company directors during the most recent fiscal year for services rendered (e.g. services rendered, as an advisor with non-employee status, to the parent company, to any company listed in the financial reports, or to any BOT investee enterprise): None.																			

Notes:1. Chairman Joseph Jye-Cherng Lyu was not provided with an official residence; the monthly expense for the chauffeur was NT\$44,127.

2. President Hsu, Chih-Wen was not provided with residences. His subsidies for rent and transportation are included in Column (E), "Salary, Bonuses, and Allowances." The allowance for purchase of a car was NT\$573,604, and the allowance for the chauffeur was NT\$44,127 per month.

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Bank	Companies in the Consolidated Financial Statements	The Bank	The Parent Company and Reinvested Enterprises
Under NT\$1,000,000	HSU, CHIH-WEN JUAN, CHING-HWA CHANG, JUIN-JEN TSAI, MING-FANG CHEN, YEHNING LAI, HUNG-NENG HUANG, SHU-JUAN HSU, HUI-FENG CHANG, WEN-HSI CHEN, NAN-KUANG LEE, GUO-SHIN WU, TE-JEN TSAI, NENG-SUNG	HSU, CHIH-WEN JUAN, CHING-HWA CHANG, JUIN-JEN TSAI, MING-FANG CHEN, YEHNING LAI, HUNG-NENG HUANG, SHU-JUAN HSU, HUI-FENG CHANG, WEN-HSI CHEN, NAN-KUANG LEE, GUO-SHIN WU, TE-JEN TSAI, NENG-SUNG	JUAN, CHING-HWA CHANG, JUIN-JEN TSAI, MING-FANG CHEN, YEHNING LAI, HUNG-NENG HUANG, SHU-JUAN HSU, HUI-FENG CHANG, WEN-HSI CHEN, NAN-KUANG LEE, GUO-SHIN	JUAN, CHING-HWA CHANG, JUIN-JEN TSAI, MING-FANG CHEN, YEHNING LAI, HUNG-NENG HUANG, SHU-JUAN HSU, HUI-FENG CHANG, WEN-HSI CHEN, NAN-KUANG LEE, GUO-SHIN
NT\$1,000,000 ~ NT\$2,000,000			TSAI, NENG-SUNG	TSAI, NENG-SUNG
NT\$2,000,000 ~ NT\$3,500,000			WU, TE-JEN	WU, TE-JEN
NT\$3,500,000 ~ NT\$5,000,000	JOSEPH JYE-CHERNG LYU	JOSEPH JYE-CHERNG LYU	JOSEPH JYE-CHERNG LYU HSU, CHIH-WEN	JOSEPH JYE-CHERNG LYU HSU, CHIH-WEN
NT\$5,000,000 ~ NT\$10,000,000				
NT\$10,000,000 ~ NT\$15,000,000				
NT\$15,000,000 ~ NT\$30,000,000				
NT\$30,000,000 ~ NT\$50,000,000				
NT\$50,000,000 ~ NT\$100,000,000				
Over NT\$100,000,000				
Total (Unit: NT\$1,000)	6,677	6,677	14,505	15,313

(2) Compensation of President and Senior Executive Vice Presidents

Unit: NT\$1,000

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Bonus (D)				Total Compensation (A+B+C+D) and the Ratio of Total Compensation and Net Income After Tax (%)		Reinvested Enterprises other than the Bank's Subsidiary or the Parent Company
		The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements	The Bank	Companies in the Consolidated Financial Statements	Cash	Stock	The Bank	Companies in the Consolidated Financial Statements	
President	HSU, CHIH-WEN													
Senior Executive Vice President	LIN, LI-LING													
Senior Executive Vice President	JU, YEUNG-RONG													
Senior Executive Vice President	WU, MU-YING													
Senior Executive Vice President	OU, SHING-SHIANG													
Senior Executive Vice President	TAI, SHIH-YUAN	15,397	15,397	1,539	1,539	9,082	9,082	None				26,018 (0.15%)	26,018 (0.15%)	1,836
Senior Executive Vice President	YAU, MING-REN													
Senior Executive Vice President	CHAN, CHU-MING													
Senior Executive Vice President	SHIH, CHE-YU													
SEVP & Chief Compliance Officer	CHEN, HUI-PING													
SEVP & General Auditor	LU, CHUN-CHEN													

Note: President Hsu, Chih-Wen was not provided with residences. His subsidies for rent and transportation are included in Column (C), "Bonuses and Allowances." The allowance for purchase of a car was NT\$573,604, and the allowance for the chauffeur was NT\$44,127 per month.

Bracket	Name of President and Senior Executive Vice Presidents	
	The Bank	The Parent Company and Reinvested Enterprises
Under NT\$1,000,000	CHAN, CHU-MING SHIH, CHE-YU	CHAN, CHU-MING
NT\$1,000,000 ~ NT\$2,000,000	WU, MU-YING YAU, MING-REN CHEN, HUI-PING	WU, MU-YING YAU, MING-REN SHIH, CHE-YU
NT\$2,000,000 ~ NT\$3,500,000	LIN, LI-LING JU, YEUNG-RONG OU, SHING-SHIANG TAI, SHIH-YUAN LU, CHUN-CHEN	LIN, LI-LING JU, YEUNG-RONG OU, SHING-SHIANG TAI, SHIH-YUAN CHEN, HUI-PING LU, CHUN-CHEN
NT\$3,500,000 ~ NT\$5,000,000	HSU, CHIH-WEN	HSU, CHIH-WEN
NT\$5,000,000 ~ NT\$10,000,000		
NT\$10,000,000 ~ NT\$15,000,000		
NT\$15,000,000 ~ NT\$30,000,000		
NT\$30,000,000 ~ NT\$50,000,000		
NT\$50,000,000 ~ NT\$100,000,000		
Over NT\$100,000,000		
Total (Unit: NT\$1,000)	26,018	27,854

III. Implementation of Corporate Governance

1. Board of Directors

A total of 10 meetings (A) of the Board of Directors were held in 2022. The attendance of the Directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】 (Note)	Remarks
Chairman	JOSEPH JYE-CHERNG LYU	10	0	100	
President and Managing Director	HSU, CHIH-WEN	10	0	100	
Independent Managing Director	TSAI, MING-FANG	10	0	100	
Managing Director	JUAN, CHING-HWA	9	0	90	Took a leave of absence for one meeting
Managing Director	CHANG, JUIN-JEN	9	1	90	
Independent Director	CHEN, YEHNING	10	0	100	
Independent Director	LAI, HUNG-NENG	10	0	100	
Director	CHEN, NAN-KUANG	9	1	90	
Director	LEE, GUO-SHIN	10	0	100	
Director	HUANG, SHU-JUAN	8	2	80	
Director	CHANG, WEN-HSI	9	1	90	
Director	HSU, HUI-FENG	10	0	100	
Labor Director	WU, TE-JEN	9	0	90	Took a leave of absence for one meeting
Labor Director	TSAI, NENG-SUNG	9	0	90	Took a leave of absence for one meeting

Other mentionable items:

1. The dates of meetings, sessions, contents of motions, all Independent Directors' opinion and the Company's response to Independent Directors' opinion should be specified, if there are (1) circumstances referred to in Article 14-3 of Securities and Exchange Act or (2) resolutions of the Directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing:

- (1) Not applicable as the Bank has established an audit committee.
- (2) None.

2. If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified:

- (1) With respect to a proposal at the 27th meeting of the 7th Board of Managing Directors on 22 April 2022, regarding whether to grant an award to President Chih-Wen Hsu: Apart from President and Managing Director Chih-Wen Hsu, who recused himself, the other attending managing directors agreed to pass the proposal.
- (2) With respect to the proposal at the 32nd meeting of the 7th Board of Managing Directors on 27 May 2022 to extend credit to The Export-Import Bank of the Republic of China: Except for Managing Director Ching-Hwa Juan, who recused himself because as Political Deputy Minister of the Ministry of Finance the borrower was under his supervision, the other attending managing directors agreed to pass the proposal.
- (3) With respect to a proposal at the 7th meeting of the 7th Board of Directors on 10 June 2022, for BOT and its subsidiary BankTaiwan Insurance Brokers Co., Ltd. to carry out a personnel change, and a suggestion that a unit supervisor at BOT be changed: Apart from President and Managing Director Chih-Wen Hsu, who recused himself, the other attending directors agreed to pass the proposal, and handled the matter in accordance with applicable requirements.
- (4) With respect to a proposal at the 11th meeting of the 7th Board of Directors on 30 September 2022 to waive non-compete restrictions against director Hui-Feng Hsu: Except for director Hui-Feng Hsu, who recused himself as an interested party, the other attending directors agreed to pass the proposal.
- (5) With respect to a proposal at the 12th meeting of the 7th Board of Directors on 4 November 2022 to discuss the "2022 Risk Assessment Report for Audited Units" and the "2023 Audit Plan": Apart from President and Managing Director Chih-Wen Hsu (who recused himself) and Labor Directors Te-Jen Wu and Neng-Sung Tsai (who had taken a leave of absence), the other attending directors agreed to pass the proposal.

3. TWSE/TPEX-listed companies are required to disclose the cycles, periods, scope, methods, and content of self-assessments (or peer-to-peer assessments) carried out by their board members, and the state of their implementation: The Bank is not listed on the TWSE or the TPEX, so this item is not applicable.

4. Targets in the current year or the most recent year to upgrade the function of the Board of Directors (e.g. establishment of an audit committee; steps taken to increase information transparency; etc.), and evaluation of targets achievement.
- (1) To coordinate with legislative amendments issued by the competent authority, the Bank has completed amendments to its Charter, its Organization Rules, the Rules of Procedure for Board of Directors Meetings and its Corporate Governance Best-Practice Principles.
 - (2) BOT has established an Audit Committee, the membership of which is composed of the entire number of the Bank's independent directors; the Audit Committee's powers, rules of procedure and matters for compliance are handled in accordance with applicable legislation and the BOT Audit Committee Charter.
 - (3) BOT has appointed a chief corporate governance officer who is responsible for matters related to corporate governance, and for assisting the directors in carrying out their duties.
 - (4) The members of the Board of Directors, in addition to attending the required number of hours of professional development courses, have also taken measures to step up training on AML matters, corporate governance, the Principles for Fair Treatment of Consumers, internal audits, and internal controls in order to ensure effective oversight and administration by the Board.

Note: The actual ratio of attendance (%) is calculated as the ratio of the number of Board of Directors meetings attended to the total number held during the term in office.

2. Audit Committee

A total of 8 Audit Committee meetings (A) were held in 2022. The attendance of the Independent Directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】 (Note)	Remarks
Independent Managing Director	TSAI, MING-FANG	8	0	100	
Independent Director	CHEN, YEHNING	8	0	100	
Independent Director	LAI, HUNG-NENG	8	0	100	

Other mentionable items:

1. The dates of meetings, sessions, contents of motions, resolutions of Audit Committee and the Company's response to Audit Committee's opinion should be specified, if there are: (1) circumstances referred to in Article 14-5 of Securities and Exchange Act or (2) resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all Directors:
 - (1) The Bank adopted an Audit Committee Charter in accordance with Article 28 of its Charter and Article 3 of Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and agenda items are set pursuant to the applicable rules. Please refer to the pages 43 to 45 of the Chinese annual report.
 - (2) None.
2. If there is Independent Directors' avoidance of motions in conflict of interest, the Independent Directors' names, contents of motions, causes for avoidance and voting should be specified: None.
3. Communication between the Independent Directors, internal auditing authorities and CPAs (including major items, mode and results of discussion about the Bank's finance and business):
 - (1) Communication with internal auditing authorities was carried out as follows to reinforce the Bank's internal auditing work: Meetings of the Audit Committee that were held during this fiscal year discussed: (a) a report on auditing work for the second half of 2021; (b) Internal Control Statement in 2021; (c) a report on auditing work for the first half of 2022; and (d) auditing plan for 2023. In addition, the Audit Committee also took part in the 2022 conference of the independent directors and the internal auditors, which was convened by the Board of Directors Department of Auditing and presided over by the Audit Committee chairperson.
 - (2) Communication with CPAs was carried out as follows to reinforce the content of the Bank's external auditing work: Meetings of the Audit Committee that were held during this fiscal year discussed: (a) the internal control auditing report in 2021; (b) financial reports of 2021; (c) the financial report for the first quarter of 2022; (d) the financial report for the second quarter of 2022; and (e) the financial report for the third quarter of 2022. In addition, the Audit Committee also held a conference to discuss the 2021 financial reports.
 - (3) In order to implement corporate governance and strengthen the management structure of the Bank, with respect to specific issues there was communication and exchanges of opinion with relevant units in charge of related activity in order to understand their situation. In addition, with respect to important issues related to Bank business, there were irregular invitations to the relevant units in charge of related activity to come to the offices of the Audit Committee for communication or information was sought by phone.
 - (4) A total of 8 Audit Committee meetings and 1 conference were held during this year.

Note: The actual ratio of attendance (%) is calculated as the ratio of the number of Audit Committee meetings attended to the total number held during the term in office.

3. Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for Banks”

Matters Evaluated	Implementation Status		
	Y	N	Summary Description
1. Shareholding Structure and Shareholders' Rights			
(1) Has the Bank adopted internal procedures for the handling of shareholder suggestions, questions, disputes, and litigation? Does the Bank act in accordance with such procedures?	Y		(1) The Bank is a subsidiary of Taiwan Financial Holding Co., Ltd., which holds 100% of the Bank's stock, and the Bank respects and implements all shareholder suggestions; there have not been any disputes.
(2) Does the Bank know the identities of the main controlling shareholders, and of the ultimate controlling shareholder?	Y		(2) The Bank is a subsidiary of the state-owned Taiwan Financial Holding Co., Ltd. (whose sole owner is the Ministry of Finance).
(3) Has the Bank established a risk management mechanism and "firewall" between the Bank and its affiliates? Is it implementing them?	Y		(3) Business having to do with related enterprises is all carried out in accordance with the provisions of the Banking Act and the regulations of the competent authority as well as the Bank's own internal control charter.
2. Composition and Responsibilities of the Board of Directors			
(1) Has the Board of Directors adopted a diversity policy and specific management goals?	Y		(1) The members of the BOT Board of Directors are appointed by its parent company, Taiwan Financial Holding Co., which selects appointees from among persons who meet the qualification criteria set out in the "Directions for Appointment by the Ministry of Finance of Responsible Persons, Managerial Officers, Directors, and Supervisors at Public and Private Enterprises" and the "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks." The "Bank of Taiwan Corporate Governance Best-Practice Principles" expressly set out the abilities that the Board of Directors as a whole must possess, and their main duties and functions. These include specific management goals.
(2) In addition to the Remuneration Committee and the Audit Committee, is the Bank willing to establish other function-specific committees?		Y	(2) The Bank established an Audit Committee on July 31, 2009 and formulated an Audit Committee Charter. The Committee is made up of all the Bank's Independent Directors. The Bank is a 100% government-owned bank. As such, its employees' salary points are handled in accordance with regulations issued by the Ministry of Finance, and it does not have a Remuneration Committee or other function-specific committees.
(3) Does a TWSE/TPEX listed company adopt board performance evaluation rules, set out requirements on the evaluation method, conduct annual performance evaluations, report the performance evaluation results to the Board of Directors, and use the results as reference when setting the remuneration of individual directors and nominating them for extension of appointment?	Y		(3) The Bank is not listed on either the TWSE or the TPEX. Director performance evaluations and their remuneration are handled in accordance with the "Directions for Appointment by the Ministry of Finance of Responsible Persons, Managerial Officers, Directors, and Supervisors at Public and Private Enterprises." BOT arranges for its directors to prepare self-assessments of their performance within two months of the end of each accounting year. The self-assessments, which are submitted to the parent company for secondary review, address such matters as: (a) number of directors meetings attended; (b) participation in important discussions at board meetings and other related meetings; (c) the degree of their participation in and contribution to management of the institution (e.g. whether they have put forward concrete suggestions regarding mid- and long-term business strategies, operational objectives, annual plans, annual budgets, management performance, risk management, legal compliance, internal controls, and internal audit systems); and (d) evidence of other instances of outstanding performance. The results of director performance evaluations serve as important reference for the parent company when it decides whether to renew director appointments.

Matters Evaluated	Implementation Status		
	Y	N	Summary Description
(4) Does the Bank carry out regular evaluations of CPA independence?	V		(4) The Bank, acting in accordance with the Government Procurement Act and related legislation, retained KPMG Certified Public Accountants to conduct the 2022 audit. An assessment was carried out regarding the independence of two CPAs who conducted the audit —Wu, Lin and Chen, Fu-Jen — and no problems were found. The results of their audit were reported on February 25, 2022 to the 4th meeting of the 7th Board of Directors.
3. Does the Bank have an adequate number of corporate governance personnel with appropriate qualifications and appoint a chief corporate governance officer as the most senior officer to be in charge of corporate governance affairs?	V		1. The Bank assigns appropriate corporate governance personnel to all units in charge of bank business, and moreover has appointed a chief corporate governance officer since May 10, 2019. The chief corporate governance officer is Li, Ming-Hua, who serves concurrently in this position along with his role as Secretary-General of the Secretariat. 2. Corporate governance affairs include the following: Handling matters related to holding meetings of the Board of Directors and shareholders in accordance with the law; producing minutes of meetings of the Board of Directors and shareholders; assisting directors and members of the Audit Committee with taking office, continued professional development, legal compliance, and provision of information needed for undertaking bank business; and other matters determined by the corporate charter or contracts.
4. Has the Bank established a communication channel with interested parties? Does it provide a designated section for stakeholders on the company website, and respond appropriately when stakeholders raise concerns about important issues relating to corporate social responsibility?	V		1. The Bank maintains a mailbox for complaints and suggestions on its website, as well as a customer service telephone hotline, providing materially interested persons with a diversity of communication channels. Its internal website also contains a Chairman's Mailbox, President's Interchange, and employees' discussion area as channels for employee suggestions. 2. The BOT website has special areas for corporate governance and sustainable development, provides contact information for the Bank's spokesperson and a contact window for stakeholders, and discloses the BOT Sustainability Report; the Bank responds appropriately to relevant issues raised.
5. Information Disclosure			
(1) Has a corporate website been established to disclose information regarding the Bank's financial, business, and corporate governance status?	V		(1) The Bank's website (https://www.bot.com.tw) regularly discloses information on finance, business, and corporate governance.
(2) Has the Bank established other information disclosure channels?	V		(2) An English version of the Bank's website that provides information on bank finances, business, and governance on a real-time basis, and the Bank has designated a specialized unit to handle the collection and disclosure of information that is required by regulations to be reported or announced. The Bank has also adopted the "Bank of Taiwan News Issuance and News Liaison Guidelines," and has designated a spokesperson for handling all external information disclosure.
(3) Does the Bank, acting within the prescribed period of time after the end of each fiscal year, comply with the applicable provisions of the Banking Act and the Securities and Exchange Act by announcing and filing an annual financial report? And does it publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?	V		(3) As a publicly held bank, BOT announces and files its financial reports in accordance with the provisions of the "Regulations Governing the Applicable Scope of Special Circumstances for the Public Announcement and Filing of Financial Reports and Operational Status Reports by Public Companies."

Matters Evaluated	Implementation Status		
	Y	N	Summary Description
6. Does the Bank have other important information that would contribute to a better understanding of the Bank's corporate governance operations (e.g., including but not limited to employee rights, employee wellness, investor relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, purchasing liability insurance for Directors and Supervisors, and donations to political parties, stakeholders, and charity organizations)?	V		1. Employee rights, employee well-being: The Bank is a government-run financial enterprise, and handles employee rights in accordance with the Labor Standards Act and relevant regulations of the Competent Authority. There are systems in place and they are implemented for such matters as employee transfers, assessments, benefits, and retirement care. 2. Investor relations, stakeholder interests: (1) Taiwan Financial Holding Co. (100% owned by the Ministry of Finance) is BOT's sole shareholder. BOT periodically provides shareholders with its latest financial information, reports its business performance, and maintains open channels of communication. (2) The BOT Department of Compliance accepts whistleblower complaints and acts as the staff unit for the Whistleblower Complaint Review Committee. The Bank has a whistleblowing mailbox, a whistleblowing hotline, a whistleblowing fax number, and a whistleblowing email address, and has established a whistleblower protection system that ensures the confidentiality of whistleblower identity, protects whistleblowers' employment rights, and provides for recusal by persons with conflicts of interest. (3) The Bank's corporate charter and its rules for discussion of affairs at meetings of the Board of Directors both require directors who are parties of material interest to a proposal to recuse themselves from discussion or voting if this status could be harmful to the interests of the company. (4) BOT's systems for the prevention of unethical behavior, and measures for their implementation, include the following: a. For business activities within our business scope which are at a higher risk of involving unethical conduct, BOT adopts preventive measures. b. BOT provides information disclosure channels to prevent conflicts of interest. c. BOT carries out campaigns to raise employee's awareness of legal compliance issues. d. BOT abides by "Ethics Guidelines for Civil Servants" and properly implement registration procedures. e. BOT actively encourages and recommends employees to enter in contests for the selection of "models of integrity" by Ministry of Finance. f. BOT conducts property declarations by public servants, and improves the mechanism for their substantive review. 3. Advanced study by directors and supervisors: The Bank provides information about advanced study courses on specialized legal, financial, and accounting knowledge related to corporate governance to directors at irregular times, and arranges for their participation in a variety of courses. 4. Director attendance at board meetings, and attendance by supervisors as non-voting participants: BOT directors attend meetings of the Board of Directors (and managing directors meetings) in accordance with the provisions of the Bank's corporate charter, the "Rules of Procedure for Board of Directors Meeting," and the "Bank of Taiwan Rules Governing the Scope of Powers of Independent Directors." Information on meeting attendance is reported each year to the Ministry of Finance, and serves as reference for decisions on whether to renew director appointments.

Matters Evaluated	Implementation Status		
	Y	N	Summary Description
			5. Risk management policies and risk evaluation standards: (1) The Bank has established a Risk Management Committee, set out risk policies and conducted various types of risk monitoring. The Bank has also set up an independent dedicated risk control unit, and carries out matters such as risk identification and assessment, and submits regular reports on the status of implementation to the Risk Management Committee. (2) The Bank has worked out a risk management policy, as well as standards and regulations including regulations governing the establishment of a Risk Management Committee, internal criteria for capital adequacy management, criteria for credit risk management, criteria for market risk management, criteria for operational risk management, criteria for national risk quota management, criteria for liquidity risk management, regulations for the disclosure of risk management information, and regulations governing risk evaluation and management for anti-money laundering and countering the financing of terrorism. 6. The implementation of customer relations policies: (1) To improve service quality, the BOT Customer Service Center remains in operation round-the-clock and 365 days a year. Communicating with customers online, the Center quickly responds to questions and solves problems. (2) To better implement the Fair Treatment of Customers (FTC) Principles, the Bank holds quarterly meetings of the BOT Task Force for Fair Treatment of Consumers, the members of which are the supervisors of the Department of Domestic Operations, the Department of Wealth Management, the Department of Compliance, and 18 other head office units. The Task Force members report on FTC performance in their respective units. Matters addressed at the Task Force meetings include the adoption of internal rules, the adoption of measures or systems designed to achieve innovation or improvements, and the conduct of awareness and training programs. The Department of Compliance then summarizes the meeting proceedings and reports to the Board of Directors. BOT split its "Task Force for Fair Treatment of Consumers" into a "Task Force on Products and Sales," a "Task Force on Customer Comments and Complaints," a "Task Force on Assessments and Strategic Planning," and a "Task Force on Support for Fair Treatment of Consumers." The Bank's Senior Executive Vice President & Chief Compliance Officer chairs each task force. For employees who are deemed to have performed especially well, these task forces will recommend that they receive special recognition in their job performance reviews. (3) When carrying out corporate credit operations, BOT has to consider whether borrowers properly discharge their obligations in such areas as environmental protection, ethical business practices, and social responsibility, and for each credit transaction must fill out the "Checklist for ESG Performance by Bank of Taiwan Corporate Credit Customer" (in the case of domestic companies) or the "Checklist for Performance by Bank of Taiwan Corporate Credit Customer in Fulfilling its Corporate Social Responsibilities" (in the case of offshore companies)." (4) On 6 May 2022 BOT signed on to the Equator Principles and joined the Equator Principles Association, and in order to assess the environmental and social risks associated with loans to be made in line with the Equator Principles, beginning from 28 September 2022, loans have been examined individually and then re-checked by a dedicated unit to ensure that BOT properly carries out its authentication and management of Equator Principles loans.

Matters Evaluated	Implementation Status		
	Y	N	Summary Description
			(5) To help customers overcome business difficulties caused by the COVID-19 pandemic, and to align with the government's principles of "leniency, quickness, and simplicity" in processing applications for COVID relief loans, the Bank adopted a set of simplified procedures for handling relief and stimulus loans to facilitate faster loan application reviews and comply with the government's call for such loans to be "timely and in sufficient amounts." 7. Arrangement by BOT of liability insurance for directors and supervisors: The Bank does not currently purchase liability insurance policies for its directors; also, the Bank has an Audit Committee rather than supervisors. 8. Donations to political parties, interested parties, and public interest groups: (1) The Bank has not made any donations to political parties or interested parties. (2) Donations by the Bank to public interest groups: To assist and show concern for the underprivileged, BOT donates to the Bethlehem Foundation's Children's Development Center and the Mustard Seed Mission's New Taipei City Children's Home. We are taking concrete action to fulfill our corporate social responsibilities.

4. Information on Members of the Remuneration Committee and Nominations Committee, and Their Operations

The Bank has not established a remuneration committee or a nominations committee.

5. Sustainable Development Efforts and Deviations from “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies”

Focal points	Implementation Status		
	Y	N	Summary Description
1. Has the Bank established a governance framework for promotion of sustainable development? Has it established a unit that is tasked (whether exclusively or otherwise) with promoting sustainable development? Are sustainability matters handled by a member of senior management who acts on the authority and under the oversight of the Board of Directors?	V		1. In 2020 the Bank established a Committee for Corporate Sustainability, which is chaired by the Bank's Chairman and co-chaired by the Presidents of the Taiwan Financial Holding Co. and the Bank of Taiwan. The Bank's various SEVPs as well as its General Auditor, Chief Compliance Officer, Chief Corporate Governance Officer, and the heads of the six administrative task forces of the Committee for Corporate Sustainability are ex officio members of the Committee, while the supervisors of several head office units are also members. The Committee is in overall charge of sustainability policies and measures, and the direction thereof. 2. A number of executive subcommittees have been established under the Committee, such as those for responsible finance, environmental sustainability, social engagement, corporate governance, care of employees, and customer rights. Each subcommittee must formulate plans to address related proposals, instructions from Committee members, and subcommittee duties, and must submit these plans to the Committee for deliberations; the chair of each subcommittee must appoint a staff unit to take responsibility for: (a) handling liaison duties; (b) coordinating, and promoting plans; (c) exercising management and control over implementation results; and (d) reporting implementation results to the Committee. 3. The Committee for Corporate Sustainability met twice in 2022, and agenda items included: a review of the 2021 Sustainability Report; the state of the Bank's implementation of plans to begin extending loans in conformance with the Equator Principles; the timetable for adoption of the TCFD recommendations; assessment of the feasibility of expediting the completion of an ESG advocacy platform; and reports by each subcommittee on its work over the past year and its plans for the future. In addition, the Bank continued to optimize the website's sustainable development section to share information of the Bank's ESG actions. 4. In addition to reporting each year to the Board of Directors or the Board of Managing Directors on accomplishments achieved through pursuit of sustainable development, the Bank also continues to incorporate CSR and sustainability concepts into BOT's corporate culture and its business strategies in order to create a valuable business that yields an "everyone wins" situation for customers, the Bank, employees, and society, and to build a society with prosperity for all.

Focal points	Implementation Status		
	Y	N	Summary Description
2. Does the Bank conduct risk assessments and risk management policies or strategies related to environmental, social, and corporate governance issues in accordance with the materiality principle? Has it adopted related risk assessments and risk management policies or strategies?	V		1. The Bank identifies and analyzes material issues based on the principles of stakeholder inclusiveness, sustainability context, materiality, and completeness. The Bank also collects information on issues of concern to peer institutions and various types of stakeholders, and after comprehensive review of this information the Bank identifies operating performance and other material issues of concern, which various units at the head office evaluate in order to set an order of priority. On the basis thereof, units at the head office and at branches adopt management strategies for maintaining good communications, then they review how implementation of the strategies has benefited the Bank. 2. Out of concern for climate change issues, and to improve its mechanisms for managing climate change risks, the BOT Board of Directors on 4 November 2022 passed the "Bank of Taiwan Rules for Climate Change Risk Management." These Rules are intended to further improve the Bank's climate change risk management framework. The Bank's Board of Directors is responsible for overseeing and reviewing climate risk-related policies and management, while the Committee for Corporate Sustainability and the Risk Management Committee manage the risks and opportunities associated with climate change. 3. In 2022, BOT did a carbon emissions analysis based on the Taiwan EPA's National GHG Registry, drew up a list of the 15 biggest carbon-intensive industries, and classified them into six main sectors (electricity, steel, basic chemicals, petroleum refining, semiconductors, and cement). In addition to disclosing the Bank's exposures in these sectors and allowing for adjustment factors that were in place when sector limits were adopted, with respect to companies in these six sectors that are among companies financed by or invested in by BOT, the proper units in charge of business at BOT will make reference in the future to these companies when conducting engagement work with investee companies or financing targets. 4. BOT is currently using a TCFD project to inventory and identify climate risks, to determine and rank their severity, and to create a process that can be followed in the future to identify the climate risks that pose relatively large risks to the Bank each year. Key short-term, mid-term, and long-term risks discovered in 2022 that pose relatively large risks to the Bank are: higher costs for GHG emissions (carbon pricing mechanism); higher costs for raw materials (materials for infrastructure); and rising sea levels.
3. Environmental Issue (1) Has the Bank established an appropriate environmental management system that is suited to the characteristics of the banking industry?	V		(1) The Bank has adopted a set of bank property sanitation rules, and has entered into a sanitation services agreement with a sanitation firm to ensure an attractive and clean environment.

Focal points	Implementation Status		
	Y	N	Summary Description
(2) Does the Bank make efforts to enhance the efficiency of energy utilization, and use recyclable materials with a low environmental burden?	√		(2) a. Acting on the basis of a letter from Taiwan's Ministry of Finance, the Bank notifies the various relevant units to conduct green purchasing operations in accordance with requirements, implement the applicable provisions of the "Government Procurement Act," and the "Resource Recycling Act" in order to increase the benefits generated through green procurements, and a specially tasked employee carries out ongoing and follow-up checks of procurements. In 2022, the Bank conducted green purchasing for 96.28% of designated items, surpassing the year's target figure of 95%, so that the evaluation grade was "outstanding." b. Acting in accordance with the government's General Plan for National Energy Conservation, the Bank has replaced old lighting fixtures, air conditioning and cooling equipment, elevators, and other energy-inefficient equipment. The Bank also improved its power use management, and at meetings of the task force for energy conservation and carbon reduction it reviewed the success of its energy conservation measures.
(3) Does the Bank evaluate the impact of climate change upon its current and future potential risks and opportunities? Has it adopted related response measures?	√		(3) a. In response to climate change, and to align with international sustainability initiatives, the Bank has signed on to the Financial Stability Board's "Recommendations of the Task Force on Climate-related Financial Disclosures" (TCFD Recommendations), thus declaring the Bank's firm intention to align with international standards and implement sustainable business practices and help reach the goal of mitigating global warming. b. Acting on the basis of the Taiwan Financial Supervisory Commission's "Guidelines for Domestic Banks' Climate Risk Financial Disclosure," the Bank adopted the "Bank of Taiwan Rules for Climate Change Risk Management" to improve its climate risk management mechanisms. c. Acting in line with the TCFD Recommendations, the Bank continues to carry out risk recognition and risk impact assessment exercises with respect to physical risks and transition risks, and once each quarter the results of a climate change risk assessment and the related response measures are addressed in the Bank's risk monitoring reports, and are reported to the Risk Management Committee and the Board of Directors.

Focal points	Implementation Status											
	Y	N	Summary Description									
(4) Does the Bank compile statistics on greenhouse gas emissions, water consumption, and total weight of waste over the past two years? Has it adopted policies on reduction of greenhouse gas emissions, reduction of water consumption, and management of other types of waste?	Y		(4) a. Greenhouse gas emissions: <table><tr><th>Type of energy source</th><th>2021</th><th>2022</th></tr><tr><td>Scope 1 (kgCO2e)</td><td>786,907</td><td>783,913</td></tr><tr><td>Scope 2 (kgCO2e)</td><td>20,842,234</td><td>20,143,046</td></tr></table> Note:1. The main source of scope 1 emissions is primarily the company itself (company vehicle fuel consumption). Carbon emission factors ("CO2e factors") are taken from the National Greenhouse Gas Registry v. 6.0.4 released by the Environmental Protection Administration on 27 June 2019. The main source of scope 2 emissions is the company's own power usage, expressed in units of kWh, and the electricity emission factor here is based on the electricity emission factor of 0.509 kgCO2e/kWh as announced on 22 July 2021 by the Ministry of Economic Affairs Bureau of Energy. 2. The Bank's 2022 inventory of GHG emissions and third-party verification for all domestic business locations (head office and branches) are scheduled to be completed in 2023 by the end of May. b. Water consumption: The Bank used 310.99 million liters of water in 2021, and 306.66 million liters of water in 2022. c. Total weight of waste: Ordinary waste generated at the Bank's headquarters building is hauled away by a contracted waste handling firm. The total weight was 102 tonnes in 2021 and 106.4 tonnes in 2022. (For the purpose of energy conservation and carbon reduction, all lights at the head office have been replaced with LED lamps. This project, as well as some minor maintenance and repair work, caused an increase in total waste.) d. Acting in accordance with the Executive Yuan's "Program for Management of Energy Use Efficiency at Government Agencies and Schools" and taking 2015 as the baseline, the Bank adopted a target of using 10% less energy in 2022 than in 2015, and the actual energy savings came to 15.5%. The Bank will continue to promote the government's energy-saving and carbon-reduction programs in order to fulfill its corporate social responsibility.	Type of energy source	2021	2022	Scope 1 (kgCO2e)	786,907	783,913	Scope 2 (kgCO2e)	20,842,234	20,143,046
Type of energy source	2021	2022										
Scope 1 (kgCO2e)	786,907	783,913										
Scope 2 (kgCO2e)	20,842,234	20,143,046										
4. Community Issue												
(1) Has the Bank adopted policies and procedures in accordance with applicable legislation and international human rights conventions?	Y		(1) In order to safeguard the rights and interests of both management and labor, the Bank has adopted work rules in compliance with the Labor Standards Act and other legislation governing civil servants, and has signed a collective agreement with the Bank of Taiwan Labor Union.									

Focal points	Implementation Status		
	Y	N	Summary Description
(2) Has the Bank adopted and implemented reasonable employee benefit measures (including salary and compensation, leave, and other benefits)? Does it appropriately reflect operating performance or results in employees' salary and compensation?	Y		(2) The rights and interests of the Bank's employees are handled in accordance with the provisions of the Labor Standards Act, other labor legislation, and regulations issued by the competent authorities. There are good systems in place for dealing with such matters as employee transfers, assessments, benefits, and retirement care. The Bank's employee salaries are handled in accordance with the "Directions for Management of Personnel Expenditures and Salaries at Enterprises and Institutes Run by the Ministry of Finance" and the "Rules Governing Salary Adjustments for Employees of Government-Owned Banks Under the Ministry of Finance." In addition, the Bank has adopted rules governing the issuance of performance bonuses, which ensure that operating results will be appropriately reflected in employees' salary and compensation.
(3) Does the Bank provide a safe and healthy working environment for its employees, and offer them regular safety and health education?	Y		(3) The Bank, acting in accordance with the provisions of the "Occupational Safety and Health Act," has adopted an "Occupational Safety and Health Management Program and Self-Inspection Program" and the "BOT Best Practice Principles for Occupational Safety and Health," has appointed occupational safety and health administrators and first-aid staff in its various units, and provides occupational health and safety education and training to both newly hired and existing personnel to ensure the safety and health of all employees. In 2022, there were 8 occupational accidents at the Bank involving 8 employees, or 0.095% of the Bank's 8,390 total employees. In addition to conducting on-the-job training and awareness raising campaigns to prevent the occurrence of occupational accidents, nurses from the health clinic also do follow-up checks on people who have had occupational accidents, and provide them with related counseling.
(4) Has the Bank established a career skills development program for its employees?	Y		(4) The Bank adopts an employee training program each year, which includes courses and lectures focusing on various professional and managerial topics. In addition, the Bank also dispatches employees to attend external professional trainings. In 2022, the Bank conducted 226 in-house training programs for a total of 20,843 participants, and sent 1,740 participants to outside training programs.
(5) In its marketing and labeling of products and services, does the Bank comply with applicable legislation and international standards regarding customer health, safety, and privacy? Has the Bank adopted policies regarding the protection of consumer or clients' interests? Has it established complaint procedures?	Y		(5) a. In order to safeguard the right of customers to conduct derivatives transactions with the Bank, the Bank has adopted a set of "Guidelines for Protection of the Interests of Financial Derivatives Customers," which provides that if anything occurs which affects customer rights and interests, it must be appropriately handled in accordance with the Guidelines. b. To regulate its advertising, business solicitation, and sales promotion activities, and to safeguard the interests of financial consumers, the Bank has adopted a set of "Management Instructions for Engaging in Advertising, Business Solicitation, and Sales Promotion Activities" on the basis of the "Regulations Governing the Advertising, Solicitation, and Sales Promotion Activities of Financial Services Enterprises."

Focal points	Implementation Status		
	Y	N	Summary Description
(6) Has the Bank adopted supplier management policies that require suppliers to comply with legal requirements governing such matters as environmental protection, occupational safety and health, and labor rights? What is the state of implementation of these policies?	✓		c. The Bank has adopted various measures to implement consumer protection including "Policies and Strategies Regarding the Principles for Fair Treatment of Consumers," the "Manual of Customer Rights for the Sale of Financial Products," and the "Manual of Customer Rights for the Conduct of Wealth Management Business." These measures have increased customer confidence in the Bank. d. The Bank has adopted the "Operational Guidelines for the Handling of Customer Complaints and Disputes," to ensure proper handling of disputes between financial consumers and the Bank in connection with products or services. e. The Bank has adopted "Guidelines for the Handling of Customer Disputes Related to the Sale of Financial Products" and "Guidelines for the Handling of Wealth Management Customer Disputes" to safeguard customer interests. f. The Bank has adopted a set of "Operational Guidelines Regarding Exercise by Customers of Rights Under the Personal Data Protection Act," which governs the procedures to be followed by the various BOT business units when customers exercise their rights as set out in Article 3 of the Personal Data Protection Act. g. Before designing, updating, and marketing its products, and before adopting standard form contracts, the Bank first arranges for its Department of Compliance to conduct a compliance review and a consumer protection self-evaluation to ensure compliance with the applicable provisions of the Consumer Protection Act. h. As for complaint procedures, a customer can call the Bank's complaint hotline or information hotline, or can go directly to a service counter at a place of business and make inquiries. The Bank's website also provides a messaging function via which a customer can submit complaints or comments (suggestions). (6) BOT manages its suppliers in accordance with standard form procurement contracts issued by the Public Construction Commission. The Bank's procurement contracts expressly provide that "if the supplier violates legal requirements governing environmental protection or occupational health and safety," BOT has the right to terminate or rescind the contract. The procurement contracts also include "protection of labor rights" provisions that require suppliers to perform their duty to safeguard labor rights in accordance with contractual stipulations.
5. Does the Bank follow internationally recognized standards or guidelines when preparing and publishing reports (such as its corporate sustainability report) that disclose non-financial information of the company? Does the Bank obtain a third-party verification institution's confirmation or guarantee for such reports?	✓		The Bank since 2012 has voluntarily issued annual CSR reports, and since 2016 has prepared reports in line with the GRI Standards: Core option. And the 2020 report published in September 2021 was prepared in accordance with the GRI Standards and certified by the British Standards Institution (BSI). The Bank on 4 August 2022 completed and released its 2021 Sustainability Report, which was prepared in accordance with the SASB and TCFD disclosure frameworks and was accorded AA1000 Type II High Assurance and ISAE 3000 (3 items) limited assurance reports.

Focal points	Implementation Status		
	Y	N	Summary Description
6. If the Bank has compiled its own corporate sustainable development rules in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please explain their operation and their divergences: The Bank is not a TWSE/GTSM listed company, and has not compiled its own corporate sustainable development rules. The Bank has adopted a set of "Rules Governing the Establishment of the Bank of Taiwan Committee for Corporate Sustainability" and in 2020 established a Committee for Corporate Sustainability. The Bank complies with the "Taiwan Financial Holding Company Sustainable Finance Policy" and together with the other members of the corporate group does its part to implement the group's sustainable business principles and directions.			
7. Other important information that would aid in understanding the operation of corporate sustainable development: The Bank's website has a special sustainable development section that discloses information on actions taken by the Bank to promote sustainable development.			

6. Status of the Bank's Ethical Management and Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Matters Evaluated	Implementation Status		
	Y	N	Summary Description
1. Establishment of Ethical Management Policies and Programs			
(1) Does the Bank have a Board-approved ethical management policy? Is an ethical management policy clearly expressed in the Bank's charter and public documents? Are its Board of Directors and top management committed to vigorous implementation of that policy?	V		(1) The "Bank of Taiwan Ethical Best Practice Standards" was approved at the 13th session of the 7th Board of Directors on 6 January 2023. The Standards include provisions governing policies, practices, and implementation of ethical business management by the Bank.
(2) Does the Bank have a mechanism for assessing the risk of unethical behavior? Does the Bank periodically analyze and assess business activities that pose a relatively high risk of unethical behavior? Has it adopted a program for the prevention of unethical behavior, and does the program include the preventive measures set out in Article 7, paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	V		(2) a. The Bank has completed its "Assessment Report on the Risk of Unethical Behavior" (period of assessment: 1 July 2021 to 30 June 2022), completed a risk mitigation plan for those residual risks which exceed risk appetite, and submitted it to the Board of Directors in November 2022. b. Acting in accordance with the "Ethics Guidelines for Civil Servants" and the "Directions for the Registration of Incidents Involving Lobbying of the Ministry of Finance or its Agencies or Institutions," the Bank has set out prescribed procedures that employees must observe when they experience an incident with ethical implications—e.g. when someone approaches them with a request, seeks to influence them, gives a gift, or treats them to a meal or drinks.
(3) Has the Bank adopted a program for the prevention of unethical behavior? Does the program expressly set out operating procedures and a code of conduct, provide for punishment of unethical behavior, and establish a system for lodging complaints? Is the program being properly implemented?	V		(3) On the education and training section of its intranet, the Bank has placed teaching materials regarding the "Ethics Guidelines for Civil Servants," and the Bank uses various means (text messages, awareness activities, etc.) to occasionally remind employees of the Ethics Rules and the need to comply with them.

Matters Evaluated	Implementation Status		
	Y	N	Summary Description
2. Implementation of Ethical Management			
(1) Does the Bank evaluate the ethics track record of parties with which it does business? Do the contracts that it enters into with such parties expressly set out provisions governing ethical conduct?	√		(1) The Bank conducts its purchasing operations in accordance with the provisions of the "Government Procurement Act" as well as related secondary regulations and legislative interpretations. To avoid awarding procurement contracts to unethical firms, before opening bid packages the Bank always visits the website of the Executive Yuan's Public Construction Commission to check whether bidders have been blacklisted and are therefore prohibited by law from taking part in public tenders or receiving a contract award. The Bank has also adopted penal provisions governing what to do when unethical behavior occurs.
(2) Does the Bank have a dedicated unit that reports to the Board of Directors and is responsible for promoting ethical business practices? If so, does this unit report periodically (at least once per year) to the Board of Directors on the status of its work to oversee implementation of the ethical management policy and the program for the prevention of unethical behavior?	√		(2) The Committee for Corporate Sustainability is the Bank's unit responsible for promoting ethical business practices, has a sufficient quantity of resources and qualified personnel, and reports periodically (once per year) to the Board of Directors.
(3) Has the Bank adopted a conflict-of-interest policy, and provided an appropriate complaint channel? Is the policy being properly implemented?	√		(3) The Bank's "Charter," "Audit Committee Charter," and "Rules of Procedure for Board of Directors Meeting" all set out provisions regarding director recusal.
(4) Has the Bank established effective accounting and internal control systems designed to achieve ethical management? Has its internal audit unit, based on the results of its assessment of the risk of unethical behavior, adopted a related audit plan? Based on such audit plan, does the Bank audit its compliance with the program for the prevention of unethical behavior, or retain a certified public accountant to carry out audits?	√		(4) a. The Bank has adopted an accounting system in accordance with legal requirements and reported it to the Ministry of Finance for forwarding to the Executive Yuan for approval. The Bank has also contracted with KPMG Certified Public Accountants to audit its 2022 financial report and its internal control systems. b. In order to establish a fully adequate internal audit system, the Bank adopts an annual audit plan that complies with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" and is based on the risk assessment results generated by the Bank's risk-based internal audit system.
(5) Does the Bank periodically hold in-house or out-of-house education and training sessions that focus on business ethics?	√		(5) A number of different training courses at the Bank of Taiwan Training Institute in 2022 included units that focused on "legal compliance and case histories (including civil service ethics legislation)." These courses attracted a total participation of 593.
3. The Operation of Whistleblower System			
(1) Has the Bank established a whistleblower system that provides for whistleblower incentives? Is there a convenient channel for whistleblowers to raise their concerns? Does the Bank assign appropriate personnel who are exclusively tasked with responsibility for interfacing with the persons against whom whistleblowers lodge complaints?	√		(1) a. The Bank's Department of Ethics accepts whistleblower complaints in accordance with the provisions of the Executive Yuan's "Anti-Corruption Informant Rewards and Protection Regulation." In addition to using its website to advise the public of its whistleblower hotline, whistleblower fax number, whistleblower post office box address and email address, the Bank also assigns case officers to handle specific complaints.

Matters Evaluated	Implementation Status		
	Y	N	Summary Description
(2) Has the Bank adopted a standard operating procedure for investigations launched in response to whistleblower complaints? For completed investigations, has the Bank prescribed required follow-up measures and a confidentiality regime?	Y		b. The Bank has adopted the "Bank of Taiwan Whistleblower Program Rules," and has established various whistleblower channels. The Bank's Department of Compliance serves as a window for accepting cases raised by whistleblowers, and assigns case officers to handle specific complaints. In addition, Article 11 of the "Whistleblower Program Rules" provides as follows: "If a whistleblower complaint is found to have merit, the complainant will be deemed to have made a significant contribution to the Bank, and if the complainant is a Bank employee, then the matter shall be referred to the head office's Human Resources Evaluation Committee for deliberations on whether to confer an award." (2) a. The Bank's Department of Ethics investigates whistleblower complaints in accordance with the "Procedures for Handling Whistleblower Complaints and Providing Whistleblower Incentives and Protections (including Confidentiality)," which are in the "Anti-Corruption Manual" issued by the Agency Against Corruption, Ministry of Justice. Documents related to whistleblower complaints are classified as confidential, and handled in accordance with the document confidentiality rules set out in the Executive Yuan Document Processing Manual. If an investigation reveals that any employee has engaged in administrative irregularities, disciplinary action shall be taken in accordance with applicable provisions, and the violator's business unit shall be instructed to take corrective action. If illegal activity has occurred, the matter shall be referred to judicial organs for investigation. b. The Bank has adopted a set of "Whistleblower Program Standard Operating Procedures," which set out procedures for each stage, including accepting, investigating, and deliberation of cases raised by whistleblowers. Moreover, in accordance with regulations Bank personnel have a duty to preserve confidentiality regarding relevant information they may learn during the process of handling cases raised by whistleblowers and the identity of the whistleblower.
(3) Has the Bank adopted measures to protect whistleblowers from retaliation?	Y		(3) Article 13 of the BOT "Whistleblower Program Rules" provides that the Bank shall not, on account of a whistleblower case, fire or demote a whistleblower, reduce his/her pay, harm the interests to which he/she is entitled by law, contract, or custom, or take any action that is otherwise prejudicial to the whistleblower.
4. Strengthening of Information Disclosure Does the Bank disclose the content of its ethical best practice standards, and the state of their implementation, on its website and the Market Observation Post System (MOPS) website?	Y		The "Regulations Governing Information to be Published in the Annual Reports of Banks" require the Bank to use its annual reports to disclose its ethical best practice standards and the state of their implementation, and to post its annual reports on its website and the Market Observation Post System (MOPS) website.

Matters Evaluated	Implementation Status		
	Y	N	Summary Description
5. Please describe any differences in operations and rules of ethical management regulations that the Bank has established in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies": The Bank is not a TWSE/GTSM listed company, but it has adopted the "Bank of Taiwan Ethical Best Practice Standards" with reference to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."			
6. Other important information that would aid in understanding the Bank's ethical management operations (such as the Bank's review and revision of ethical management regulations): Now that a "principle of ethical management" has been added to the Fair Treatment of Customers (FTC) Principles, the Bank has responded by hiring an outside consultant to help set up related mechanisms. For example, the Bank has adopted the "Bank of Taiwan Ethical Best Practice Standards," built a mechanism for assessing the risk of unethical behavior and established a responsibility map, and made plans to introduce an ISO 37001 anti-bribery management system and to obtain international third-party certification.			

7. Corporate Governance Guidelines and Regulations

Please refer to the Bank's website at <https://www.bot.com.tw>, and click on "Corporate Governance."

8. Internal Control System

(1) Internal Control Statement

Please refer to page 54 and 55 of the Chinese annual report.

(2) Independent Auditors' Report

Please refer to page 56 of the Chinese annual report.

9. Major Resolutions of Board Meetings

Date	Session	Major Resolutions
Jan. 7, 2022	the 3rd meeting of the 7th Board of Directors	- The Bank's 2023 Business Plan (including subsidiaries) was approved. - Approval was given to waive the non-compete clause that would have otherwise prohibited Lin, Li-Ling (BOT Senior Executive Vice President) and Hu, Shin-Tzu (a manager in the BOT Department of Planning) from serving as directors in a BOT investee enterprise. - Approval was given to apply to the Financial Supervisory Commission for permission to conduct securities investment consulting business dealing with foreign securities. - Approval was given to establish a representative office in Phoenix, Arizona (USA) in order to expand the Bank's overseas business network, stay abreast of economic growth and high-tech development, serve the needs of Taiwan-invested firms in that area, and support the development of Taiwan's most critically important industries. - Approved a proposal to allow the Ministry of Culture's Bureau of Cultural Heritage to continue for two more years borrowing property (not including the tennis court) owned by the Bank (the Datong House national historic site in Taipei City, Zhongzheng District, Chongqing South Road Section 2 No. 2, and the Freedom House national historic site in Taipei City, Zhongzheng District, Aiguo West Road No. 16) to carry out interior renovations and landscape work at former President Yen Chia-Kan's residence. - Approved a proposal to lease four plots of land totaling 360 square meters owned by the Bank (in Taipei City, Zhongzheng District, Nanhai Section, Subsection 1, lots 708, 708-1, 709, and 709-1, all of which are located within the perimeter of an urban renewal project being carried out by Dong Da Chung Development Co., Ltd.) and to take part in the urban renewal project in order to earn a better return on assets.

Date	Session	Major Resolutions
Jan. 14, 2022	the 16th meeting of the 7th Board of Managing Directors	Reported the "Positive results achieved in 2021 through incorporation of ESG strategies into the overall business strategy."
Jan. 28, 2022	the 18th meeting of the 7th Board of Managing Directors	Approved a proposal to construct a building on Bank-owned land in Kaohsiung City, Lingya District, Wuquan Section, lot No. 47 to house the Bank's Wufu Branch.
Feb. 11, 2022	the 19th meeting of the 7th Board of Managing Directors	Reported the "2021 Table of Funding (Donations) from the Bank of Taiwan to Private Organizations and How the Funds Have Been Used" and the "2021 Table of Funding (Donations) from the Bank of Taiwan to Municipal Governments and How the Funds Have Been Used."
Feb. 17, 2022	the 20th meeting of the 7th Board of Managing Directors	1. Reported BOT's renewal of a contract (Agreement for Outsourced Custody and Digital Archivization of BOT Documents from the Japanese Colonial Period) with Academia Sinica's Institute of Taiwan History and Institute of Modern History. 2. Reported on BOT's implementation in 2021 of civic group donations related to the Bank's lending business, and the resulting benefits.
Feb. 25, 2022	the 4th meeting of the 7th Board of Directors	1. Approved an amendment to the Bank of Taiwan Organization Rules. 2. Passed the Bank's 2021 Statement of Internal Control. 3. Passed the Bank's 2021 Statement of Internal Controls for AML/CFT Compliance. 4. Approved the 2023 business budget for the Bank (including its subsidiaries).
Mar. 11, 2022	the 22nd meeting of the 7th Board of Managing Directors	1. Approved a proposal for the Maintenance Office of the Public Works Bureau of the Kaohsiung City Government to act on the Bank's behalf in conducting beautification and use of a plot of the Bank's land located at Kaohsiung City, Qianzhen District, Xiande Section, Subsection 2, lot No. 34 pending the plot's eventual development. 2. Approved a proposal to take part in a donation campaign by government-invested enterprises under the Ministry of Finance to care for the needs of Ukrainian citizens put in danger by the Russia-Ukraine conflict. The Bank donated NT\$2.4 million.
Mar. 18, 2022	the 5th meeting of the 7th Board of Directors	1. The Independent Assessment Report on the 2021 Test of the Bank of Taiwan AML/CFT System was presented. 2. The "Summary Table on the Status of Implementation in 2021 of the Bank of Taiwan Information Operations Development Blueprint" and "Bank of Taiwan 2022–2026 Information Operations Development Blueprint" were submitted. 3. The audited 2021 Individual and Consolidated Financial Statements, Business Report, and Statement of Earnings Appropriation were passed. 4. The audited 2021 Internal Control System Recommendations were passed. 5. The 2021 Bank-wide Compliance Risk Assessment was passed. 6. The "Form for Assessment of Implementation by Financial Institution of the 'Principles for Fair Treatment of Consumers' in 2022" was passed. 7. Approval was given to waive non-compete restrictions against Ou, Shing-Shiang (BOT Senior Executive Vice President), Tai, Shih-Yuan (BOT Senior Executive Vice President), manager Wang, Wei-Hsin, manager Yao, Li-Ling and manager Hu, Shin-Tzu. 8. Approval was given for Li, Ming-Hua to serve concurrently as Chief Corporate Governance Officer along with his role as Secretary-General of the Secretariat. 9. Approved a proposal to allow the Kaohsiung City Government — in order to carry out its "Kaohsiung Multi-purpose Economic and Trade Park Bank of Taiwan 4-Plot Transit-Oriented Development (TOD) Urban Renewal Promotion Project" — to take the Bank's plot of land located at Kaohsiung City, Qianzhen District, Xiande Section, Subsection 2, lot No. 34 and integrate it with neighboring lots No. 32 and No. 33 into a single unit for the purposes of urban renewal planning. 10. Approved a proposal to prepare a 2021 report on compliance with the New York State Department of Financial Services Cybersecurity Requirements.

Date	Session	Major Resolutions
Mar. 18, 2022	the 23rd meeting of the 7th Board of Managing Directors	1. Approved a proposal to report the Bank's building at New Taipei City, Xindian District, Quchi Road, Boyuan Lane No. 2-1 for condemnation, and following demolition of the building, return of the land to the Ministry of Finance. 2. Approved a plan to lease property that will house the Bank's representative office in Phoenix, Arizona, and set the terms of the lease.
Apr. 1, 2022	the 25th meeting of the 7th Board of Managing Directors	The "2021 Special Audit Report on the Bank of Taiwan's Personal Data Protection Regime (CPA Assurance Report)" was presented.
Apr. 15, 2022	the 26th meeting of the 7th Board of Managing Directors	Approved the Bank's mainland China risk management report.
Apr. 22, 2022	the 27th meeting of the 7th Board of Managing Directors	Approved a proposal to set up one educare center each near the Bank's Taipei headquarters, Taoyuan Branch, Fengshan Branch, and Annan Branch.
May 6, 2022	the 6th meeting of the 7th Board of Directors	1. The Audit Committee's audit report on the Bank's 2021 final accounting documents was reported. 2. The "BOT 2020 Internal Self-Assessment Report on Internal Audit Quality" and "Corrective Action Plan Based on BOT 2020 Internal Self-Assessment of Internal Audit Quality" were presented. 3. The "Bank of Taiwan 2021 Bank-wide ML/FT Risk Assessment" and "Bank of Taiwan 2022 AML/CFT Regime Improvement Plan" were reported. 4. The "Matters to be Reported Concerning Compliance by the Bank of Taiwan with Supervisory Review Principles," for filing with the Financial Supervisory Commission was passed. 5. Approved BOT's implementation in 2022 of NT\$217,356,706 worth of donations to civic groups related to the Bank's lending business, with the donations funded through budgetary allocations for donations to civic groups. 6. Approved a proposal to apply with the Taiwan Futures Exchange (TAIFEX) to become an OTC derivatives clearing member.
Jun. 10, 2022	the 34th meeting of the 7th Board of Managing Directors	The Proposal to comply with the provisions of the UK's "Modern Slavery Act 2015" by instructing the Bank's London Branch to issue a Slavery and Human Trafficking Statement for year ended Dec. 31, 2021 was passed. This Statement would confirm that the London Branch and its supply chain had not been involved in any cases of human trafficking or slavery in 2021.
Jun. 23, 2022	the 36th meeting of the 7th Board of Managing Directors	Approved a proposal for the Bank's Linkou Branch to lease additional space on the third floor of the same building.
Aug. 15, 2022	the 43rd meeting of the 7th Board of Managing Directors	The Bank's 2021 audited net income statement, audited statement on appropriation of profit or coverage of loss, cash flow statement based on audited profit/loss figures, and balance sheet (all based on audited final accounts) were passed.
Aug. 19, 2022	the 9th meeting of the 7th Board of Directors	1. The "Summary Table on the Status of Implementation in 2022 of the Bank of Taiwan Information Operations Development Blueprint" and "Bank of Taiwan 2022–2026 Information Operations Development Blueprint" (revised edition) were submitted. 2. The audited Individual and Consolidated Financial Statements for first half of 2022 were passed.
Sep. 1, 2022	the 10th meeting of the 7th Board of Directors	Approval was given for Shih, Che-Yu (manager in the BOT Department of Loan Assets Management) and Chan, Chu-Ming (manager in the BOT Department of Credit Management) to be promoted to serve as BOT SEVPs.
Sep. 23, 2022	the 49th meeting of the 7th Board of Managing Directors	Approved a proposal for the Bank to apply to cooperate with the Taiwan Depository & Clearing Corporation (TDCC) to begin providing consumer data queries as part of the second phase of the Open Banking Initiative.

Date	Session	Major Resolutions
Sep. 30, 2022	the 11th meeting of the 7th Board of Directors	1. Approved to waive non-compete clause against Director Hsu, Hui-Feng. 2. Approval was given to waive non-compete restrictions against Ou, Shing-Shiang (BOT Senior Executive Vice President), Tai, Shih-Yuan (BOT Senior Executive Vice President), Liu, Hsiu-Shiang (Executive Vice President & Secretary General in Secretariat, Board of Directors), and Hwang, Hsiow-Yu (Senior Vice President & General Manager in Dept. of Compliance). 3. With respect to 8 plots of land owned by the Bank — measuring 302 square meters in total, located in Taipei City, Datong District, Shuanglian Section, Subsection 2, lot No. 208, all of which are located within a "55-plot urban renewal project located at Taipei City, Datong District, Shuanglian Section, Subsection 2, lot No. 208 and nearby lots", with said project to be carried out by Hong Yuan Construction Company — the Bank approved a proposal to apply in accordance with applicable regulations to select which properties will be allocated to the Bank once the urban renewal project has been completed.
Nov. 4, 2022	the 12th meeting of the 7th Board of Directors	1. Reported completion of the Bank's "Assessment Report on the Risk of Unethical Behavior" (period of assessment: 1 July 2021 to 30 June 2022). 2. Approved the "2022 Risk Assessment Report for Audited Units" and the "2023 Audit Plan" (including the Securities Firm Business Inspection Plan). 3. Passed the Bank's "2023 Compliance/AML/CFT Plan." 4. Approved a proposal for continued provision of "outsourced information system services" in 2023 to Taiwan Financial Holding Co., BankTaiwan Life Insurance Co., BankTaiwan Securities Co., and BankTaiwan Insurance Brokers Co., and authorized management to handle related matters moving forward. 5. Approved a proposal for the Bank's Luodong Branch to be moved to Yilan County, Luodong Township, Linsen Road, No. 68 and No. 70, 1F and 2F, to continue doing business there.
Nov. 18, 2022	the 57th meeting of the 7th Board of Managing Directors	In order to execute a take-profit strategy that takes advantage of the US Dollar exchange rate when it hits high points, the Bank approved a proposal to authorize the Bank's Department of Treasury to apply in a carefully timed manner, as dictated by exchange rate fluctuations, with the Taiwan Central Bank to convert US Dollars into NT Dollars in batches.
Dec. 2, 2022	the 59th meeting of the 7th Board of Managing Directors	1. Approved a proposal to construct a building on the Bank-owned land in Hualien City at Beibin Section, lot No. 1051 to house a Hualien branch of the Bank. 2. Passed the filing of the "2021 UK Tax Strategy Declaration." (Note: The BOT London Branch is required by Her Majesty's Revenue and Customs, the tax authority of the UK government, to file this declaration.) 3. When investee company Cathay Financial Holding Co., Ltd. carried out a cash capital increase in 2022, the Bank's Board of Directors approved a proposal for the Bank to subscribe for shares in Cathay Financial Holding Co. in proportion to the number of shares already held by the Bank, which required an expenditure of NT\$187,700,000 and prior adoption of the Bank's 2024 budget.
Dec. 23, 2022	the 62nd meeting of the 7th Board of Managing Directors	Reported the Bank's 2023 Training Program.
Jan. 6, 2023	the 13th meeting of the 7th Board of Directors	The Bank's 2024 Business Plan (including subsidiaries) was approved.
Feb. 3, 2023	the 67th meeting of the 7th Board of Managing Directors	Reported the "2022 Table of Funding (Donations) from the Bank of Taiwan to Private Organizations and How the Funds Have Been Used" and the "2022 Table of Funding (Donations) from the Bank of Taiwan to Government Agencies (Organizations), How the Funds Have Been Used, and the Resulting Benefits."
Feb. 17, 2023	the 69th meeting of the 7th Board of Managing Directors	Reported on BOT's implementation in 2022 of civic group donations related to the Bank's lending business, and the resulting benefits.

Date	Session	Major Resolutions
Feb. 20, 2023	the 2nd interim meeting of the 7th Board of Directors	Reported that the Bank's President Hsu, Chih-Wen resigned on 20 February 2023 and his vacant position was temporarily filled by the Bank's Senior Executive Vice President Lin, Li-Ling.
Feb. 24, 2023	the 14th meeting of the 7th Board of Directors	1. Passed The Bank's 2022 Statement of Internal Control. 2. Passed The Bank's 2022 Statement of Internal Controls for AML/CFT Compliance. 3. Approved the 2024 business budget for the Bank (including its subsidiaries).

10. Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

None

11. Resignation or Dismissal of Personnel Related to the Bank

Feb. 28, 2023

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Vice President and Deputy General Manager in Dept. of Planning, acting concurrently as Chief Corporate Governance Officer	CHEN, HAN-KUO	Sep. 1, 2021	Mar. 17, 2022	Dismissed from concurrent position
Senior Executive Vice President	WU, MU-YING	Jun. 1, 2021	Jul. 16, 2022	Retirement
Senior Executive Vice President	YAU, MING-REN	Jun. 1, 2021	Jul. 16, 2022	Retirement
Senior Executive Vice President	JU, YEUNG-RONG	Jul. 5, 2019	Jan. 16, 2023	Retirement
President	HSU, CHIH-WEN	Nov. 19, 2020	Feb. 20, 2023	Resignation

Note: "Personnel related to the Bank" refers to the chairman, president, finance executive, accounting executive, chief internal auditor and chief corporate governance officer.

IV. Number of Shares in the Same Reinvested Enterprises Held by the Bank and Its Directors, Supervisors, President, Senior Executive Vice Presidents, Heads of Departments and Branches, and Enterprises Controlled Directly or Indirectly by the Bank, and Ratios of Consolidated Shareholding

Consolidated Shareholding Ratios

Dec. 31, 2022

Unit: Share; %

Reinvested Enterprise (Note)	Investment by the Bank		Investment by Directors, Supervisors, President, Senior Executive Vice Presidents, Heads of Departments and Branches, and Enterprises Directly or Indirectly Controlled by the Bank		Consolidated Investment	
	No. of Shares	Ratio of Shareholding	No. of Shares	Ratio of Shareholding	No. of Shares	Ratio of Shareholding
First Financial Holding Co., Ltd.	985,785,492	7.45	257,719,280	1.95	1,243,504,772	9.40
Taiwan Business Bank	1,301,907,315	16.21	119,042	0.00	1,302,026,357	16.21
Cathay Financial Holding Co., Ltd.	71,069,018	0.44	34,322,746	0.21	105,391,764	0.65
Mega Financial Holding Co.	343,325,163	2.46	108,696	0.00	343,433,859	2.46
Taiwan Fire & Marine Insurance Co., Ltd.	64,608,278	17.84	0	0.00	64,608,278	17.84
China Development Financial Holding Corporation	286,941,073	1.56	84,090	0.00	287,025,163	1.56
Yuanta Financial Holding Co., Ltd.	273,237,476	2.19	74,949	0.00	273,312,425	2.19
CTBC Financial Holding Co., Ltd.	307,475,426	1.53	78,932,231	0.39	386,407,657	1.92
Taiwan Sugar Corporation	16,658,992	0.30	8,006,499	0.14	24,665,491	0.44
Taiwan Power Company	865,191,972	2.62	148,281,465	0.45	1,013,473,437	3.07
Taiwan Stock Exchange Corporation	102,640,419	10.01	30,756,180	3.00	133,396,599	13.01
China Trade & Development Corp.	1,250,110	1.91	0	0.00	1,250,110	1.91
China Daily News	62,882	0.14	0	0.00	62,882	0.14
Central Motion Picture Corporation	15,869,677	14.39	0	0.00	15,869,677	14.39
United Taiwan Bank S.A.	146,250	4.99	0	0.00	146,250	4.99
Taipei Forex Inc.	1,400,000	7.06	700,000	3.53	2,100,000	10.59
Taiwan Futures Exchange Corporation	23,214,305	4.85	17,204,869	3.59	40,419,174	8.44
Taiwan Asset Management Corporation	60,000,000	5.68	120,000,000	11.35	180,000,000	17.03
BankPro E-Service Technology Co., Ltd.	600,000	3.33	0	0.00	600,000	3.33
Taiwan Financial Asset Service Corporation	10,000,000	5.88	5,000,000	2.94	15,000,000	8.82
Financial Information Service Co., Ltd.	15,143,965	2.90	6,553,156	1.26	21,697,121	4.16
Financial eSolution Co., Ltd.	1,268,688	5.77	404,936	1.84	1,673,624	7.61
Sunny Asset Management Corporation	15,531	0.26	69,740	1.16	85,271	1.42
International Property & Finance Co., Ltd.	14,658	0.92	0	0.00	14,658	0.92

Reinvested Enterprise (Note)	Investment by the Bank		Investment by Directors, Supervisors, President, Senior Executive Vice Presidents, Heads of Departments and Branches, and Enterprises Directly or Indirectly Controlled by the Bank		Consolidated Investment	
	No. of Shares	Ratio of Shareholding	No. of Shares	Ratio of Shareholding	No. of Shares	Ratio of Shareholding
Taiwan Mobile Payment Co., Ltd.	1,200,000	2.00	600,000	1.00	1,800,000	3.00
Taiwania Capital Management Corporation	1,000,000	0.40	0	0.00	1,000,000	0.40
Taiwan Urban Regeneration & Financial Services Co., Ltd.	2,500,000	5.00	10,000,000	20.00	12,500,000	25.00
Hua Nan Financial Holdings Co., Ltd.	2,896,525,649	21.23	524,334,896	3.84	3,420,860,545	25.07
Tang Eng Iron Works Co., Ltd.	74,802,414	21.37	16,074,512	4.59	90,876,926	25.96
Taiyi Real Estate Management Co., Ltd.	1,500,000	30.00	0	0.00	1,500,000	30.00
BankTaiwan Insurance Brokers Co., Ltd.	2,000,000	100.00	0	0.00	2,000,000	100.00

Note: Investment according to Article 74 of the Banking Act.



Capital Overview

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61	II . Issuance of Financial Bonds
65	III . Comments on Implementation of Capital Allocation Plan

Capital Overview

I. Capital and Shares

1. Source of Capital

Month/ Year	Par Value	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Sources of Capital	Others
Feb. 2023	NT\$10	10.9 billion	NT\$109 billion	10.9 billion	NT\$109 billion	Appropriation from the National Treasury, and a capital increase of NT\$5 billion due to a merger with the Central Trust of China. A capital increase of NT\$25 billion was carried out in 2010, and another NT\$25 billion capital increase (from capital surplus) was carried out in 2014. In 2019, the Bank again carried out a capital increase of NT\$14 billion, using real estate as its capital contribution.	

Note: In 2019, the Bank carried out a capital increase via private placement of NT\$42 billion worth of common shares, using real estate as its capital contribution (i.e. a land-backed capital increase). Each share was issued at a premium price of NT\$30 per share, resulting in an NT\$42 billion private placement, of which NT\$14 billion was booked to share capital and NT\$28 billion was booked to capital surplus.

2. Net Worth, Earnings, and Dividends Per Share

Unit: NT\$; Share

Items		Year	2022	2021
Net Worth Per Share	Before Distribution		36.28	36.90
	After Distribution		35.98	36.61
Earnings Per Share	Weighted Average Issued Shares		10,900,000,000	10,900,000,000
	Earnings Per Share (After Tax)		1.56	1.40
Dividends Per Share	Cash Dividends		0.30	0.29

Note: Figures for 2021 are approved by the National Audit Office; figures for 2022 are CPA approved.

3. Dividend Policy and Implementation Status

(1) Dividend Policy

The BOT Charter stipulates that if the final annual accounts show a profit, the profit will be distributed as follows:

- Payment of the income tax;
- Make up of losses for previous years;
- Allocation of 30% for legal reserve;
- Allocation of 20~40% of the surplus, and allocation of special reserve according to the rule.

Any remaining profits will be distributed, together with undistributed profits from the previous year, in accordance with the relevant laws and regulations.

Until the legal reserve reaches the total amount of capital, the maximum distribution of profits in the form of cash may not exceed 15% of the Bank's paid-in capital.

(2) Current Distribution of Stock Dividends

Following the write-down or offset of losses [losses from disposal of investments in equity instruments measured at fair value through other comprehensive income] through allocation of legal reserve and special reserve from the audited after-tax profit for 2022, the Bank decided to distribute cash dividends totaling NT\$3.3 billion, or NT\$0.30 per share. Under Article 50 of the Audit Act, however, the final determinant of the BOT's profit is the National Audit Office. Since the Bank's 2022 final budget is still under examination by the National Audit Office, the actual amount of cash dividends distributed will be determined after the National Audit Office completes its final examination.

II. Issuance of Financial Bonds

1. NTD Bank Debentures

Types of Financial Bonds	Bank of Taiwan's Series 102-1 Unsecured Subordinated Debentures	Bank of Taiwan's Series 103-1 Unsecured Subordinated Debentures
Date and Serial No. Approved by Authority	Aug. 9, 2013 Letter No. (FSC) Gin-Guan-Ying Kong 10200215390	Aug. 9, 2013 Letter No. (FSC) Gin-Guan-Ying Kong 10200215390
Issue Date	Dec. 2, 2013	1. A Issue: Bonds issued on June 25, 2014 2. B Issue: Bonds issued on June 27, 2014 3. C Issue: Bonds issued on June 27, 2014
Par Value	NT\$10 million	NT\$10 million
Currency	TWD	TWD
Offering Price	Offered at full face value	Offered at full face value
Issue Amount	NT\$16 billion	NT\$9 billion
Interest Rate	The annual rate is a floating rate of the benchmark rate plus 0.15%. The benchmark rate is the Bank's (general) floating interest rate on one-year time deposits.	1. A Issue: The annual interest rate is a simple floating rate equal to the benchmark rate plus 0.3%. 2. B Issue: Annual interest rate — Fixed 1.70% simple rate. 3. C Issue: The annual interest rate is a simple floating rate equal to the benchmark rate plus 0.15%.
Term	10-year term Maturity date: Dec. 2, 2023	1. 10-year term 2. A Issue: Bonds to mature on June 25, 2024 B Issue: Bonds to mature on June 27, 2024 C Issue: Bonds to mature on June 27, 2024
Mortgage Priority	Subordinate to all BOT depositors and other ordinary creditors	Subordinate to all BOT depositors and other ordinary creditors
Guarantor	None	None
Trustee	None	None
Underwriting Organization	None	None

Types of Financial Bonds	Bank of Taiwan's Series 102-1 Unsecured Subordinated Debentures	Bank of Taiwan's Series 103-1 Unsecured Subordinated Debentures
Verification Lawyer	None	None
CPA-Auditor of the Financial Report	None	None
Verification Financial Institution	None	None
Settlement Method	Annual retirement of medium- and long-term loans, or rolled over through the issuance of new bonds	Annual retirement of medium- and long-term loans, or rolled over through the issuance of new bonds
Unsettled Balance	NT\$16 billion	NT\$9 billion
Paid-In Capital for the Previous Year	NT\$70 billion	NT\$70 billion
Net Worth Following its Final Budget for the Previous Year	NT\$247,962,981,000	NT\$244,475,322,000
Exercise	Normal	Normal
Conditions and Terms for Redemption or Early Settlement	None	None
Conversion and Exchange Terms	None	None
Restriction Terms	Subordinated Debentures	Subordinated Debentures
Capital Investment Plans	Development of consumer loan and corporate loan	Development of consumer loan and corporate loan
Ratio of Reported Issue Amount and Balance of Outstanding to the Net Worth Following its Final Budget for the Previous Year (%)	6.45%	10.23%
Counting in Net Capital (Risk-Based Capital Ratio) and Its Tier	Listed as the Bank's Tier II capital	Listed as the Bank's Tier II capital
Credit Rating Agency, Rating Date and Rating	Taiwan Ratings: twAA (Nov. 19, 2013) twAA+ (Sep. 30, 2014)	Taiwan Ratings: twAA (June 16, 2014) twAA+ (Sep. 30, 2014)

Types of Financial Bonds	Bank of Taiwan 110-1 Senior Unsecured Financial Debentures
Date and Serial No. Approved by Authority	Aug. 23, 2016 Letter No. (FSC) Gin-Guan-Ying Kong 10500198980 Nov. 21, 2017 Letter No. (FSC) Gin-Guan-Ying Kong 10600272640 Sep. 6, 2018 Letter No. (FSC) Gin-Guan-Ying Kong 10701155740
Issue Date	Aug. 27, 2021
Par Value	NT\$10 million
Currency	TWD
Offering Price	Offered at full face value
Issue Amount	NT\$1 billion
Interest Rate	Annual interest rate — Fixed 0.39% simple rate
Term	5-year term Maturity date: Aug. 27, 2026
Mortgage Priority	Same priority as that enjoyed by other ordinary unsecured creditors
Guarantor	None
Trustee	None
Underwriting Organization	None
Verification Lawyer	None
CPA-Auditor of the Financial Report	None
Verification Financial Institution	None
Settlement Method	Annual retirement of medium- and long-term loans, or rolled over through the issuance of new bonds
Unsettled Balance	NT\$1 billion
Paid-In Capital for the Previous Year	NT\$109 billion
Net Worth Following its Final Budget for the Previous Year	NT\$383,144,455,000
Exercise	Normal
Conditions and Terms for Redemption or Early Settlement	None
Conversion and Exchange Terms	None
Restriction Terms	None
Capital Investment Plans	Loans to support green investment projects
Ratio of Reported Issue Amount and Balance of Outstanding to the Net Worth Following its Final Budget for the Previous Year (%)	10.18%
Counting in Net Capital (Risk-Based Capital Ratio) and Its Tier	No
Credit Rating Agency, Rating Date and Rating	None

2. USD Bank Debentures

Types of Financial Bonds	Bank of Taiwan 107-1 Unsecured USD Callable Bonds
Date and Serial No. Approved by Authority	Aug. 23, 2016 Letter No. (FSC) Gin-Guan-Ying Kong 10500198980 Nov. 21, 2017 Letter No. (FSC) Gin-Guan-Ying Kong 10600272640 Sep. 6, 2018 Letter No. (FSC) Gin-Guan-Ying Kong 10701155740
Issue Date	1. A Issue: Bonds issued on Feb. 26, 2018 2. B Issue: Bonds issued on Feb. 26, 2018
Par Value	US\$10 million
Currency	USD
Offering Price	Offered at full face value
Issue Amount	US\$620 million
Interest Rate	1. A Issue: Coupon rate of 0%, with an implicit interest rate of 4.15% per annum 2. B Issue: Coupon rate of 0%, with an implicit interest rate of 4.07% per annum
Term	1. 30-year term 2. A Issue: Bonds to mature on Feb. 26, 2048 B Issue: Bonds to mature on Feb. 26, 2048
Mortgage Priority	Same priority as that enjoyed by other ordinary unsecured creditors
Guarantor	None
Trustee	None
Underwriting Organization	None
Verification Lawyer	None
CPA-Auditor of the Financial Report	None
Verification Financial Institution	None
Settlement Method	Annual retirement of medium- and long-term loans, or rolled over through the issuance of new bonds
Unsettled Balance	US\$470 million (A Bonds have been redeemed, while B Bonds have not been redeemed yet)
Paid-In Capital for the Previous Year	NT\$95 billion
Net Worth Following its Final Budget for the Previous Year	NT\$288,442,760,000
Exercise	Normal
Conditions and Terms for Redemption or Early Settlement	1. A Issue: Once two years have passed since the date of a bond issuance, each year on Feb. 26 the Bank can exercise repurchase rights at full price plus interest accrued, including implied interest. (If Feb. 26 falls on a weekend or holiday, the repurchase will be postponed to the next business day but not, in principle, past the end of the month.) 2. B Issue: Once five years have passed since the date of a bond issuance, each year on Feb. 26 the Bank can exercise repurchase rights at full price plus interest accrued, including implied interest. (If Feb. 26 falls on a weekend or holiday, the repurchase will be postponed to the next business day but not, in principle, past the end of the month.)
Conversion and Exchange Terms	None
Restriction Terms	None

Types of Financial Bonds	Bank of Taiwan 107-1 Unsecured USD Callable Bonds
Capital Investment Plans	1. Provide for the medium- and long-term funding needs of the Bank's overseas branches. 2. Fund the medium- and long-term corporate loans (both domestic and overseas syndicated loans). 3. Replace some of the Bank's borrowings made through the money market and through bond repo transactions.
Ratio of Reported Issue Amount and Balance of Outstanding to the Net Worth Following its Final Budget for the Previous Year (%)	13.24%
Counting in Net Capital (Risk-Based Capital Ratio) and Its Tier	No
Credit Rating Agency, Rating Date and Rating	None

III. Comments on Implementation of Capital Allocation Plan

Year	2017	2018
Description of Plan	To support the implementation of the New Southbound Policy, the Bank will actively seek to open additional overseas business locations while building up its international finance operations in order to meet the medium- and long-term foreign exchange needs as well as working capital needs of its offshore banking business. With these goals in mind, the Bank filed a debt issue plan with the competent authority, which approved the plan on November 21, 2017 [per Nov. 21, 2017 Letter No. (FSC) Gin-Guan-Ying Kong 10600272640]. Under the plan, BOT could issue US\$500 million (or other foreign currencies or New Taiwan Dollar of equivalent value) in revolving debt.	To meet the Bank's own medium- and long-term credit capital needs as well as the working capital needs of the Bank's overseas branches, and to expand the Bank's capital raising channels, BOT filed a US\$500 million (or other foreign currencies or New Taiwan Dollar of equivalent value) debt issue plan with the competent authority, which approved the plan on September 16, 2018 [per Sep. 16, 2018 Letter No. (FSC) Gin-Guan-Ying Kong 10701155740].
Status of Implementation	On February 26, 2018, the Bank issued US\$470 million in its 107-1 Unsecured USD Callable Bonds (B Issue). The debentures have a 30-year term, a coupon rate of 0% (with an implicit internal rate of return of 4.07% per annum, NC5*1), and the bonds will all be retired at maturity.	On August 27, 2021, the Bank issued NT\$1 billion in its 110-1 Senior Unsecured Financial Debentures, which have a coupon rate of 0.39% and will all be retired at maturity.
Date of Announcement on Market Observation Post System	February 26, 2018: Posted bond issue data for Bank of Taiwan's 107-1 Unsecured USD Callable Bonds.	August 23, 2021: Posted bond issue data for Bank of Taiwan's 107-1 Unsecured USD Callable Bonds.
Effect of Implementation	BOT raised US\$500 million in 2018 through the issue of USD Debentures, all of which was used to meet medium- and long-term credit capital needs of the overseas business units expansion, and off-shore banking business, and to fund the working capital needs of the overseas branches.	BOT raised NT\$1 billion in 2021 through the issue of NTD Senior Unsecured Financial Debentures. The proceeds were used to fund loans to support the Bank's lending to support green investment projects.



Operational Highlights

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Operational Highlights

I. Business Activities

1. Main Areas of Business Operations

(1) Deposits

Unit: NT\$ Billion

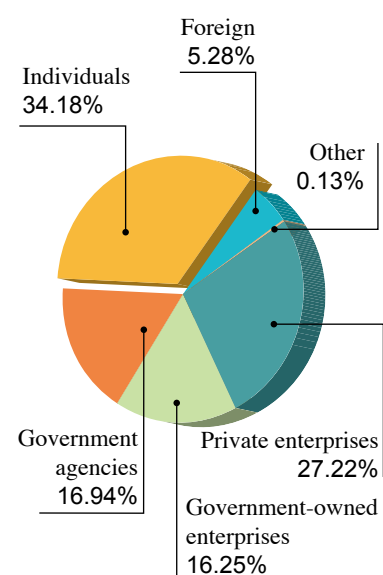
Year end Items	end-2022		end-2021		Amount of increase (decrease)	Percent increase (decrease)
	Amount	%	Amount	%		
Demand deposits (including foreign currency deposits)	1,825.8	40.95	1,740.5	41.59	85.3	4.90
Time deposits (including foreign currency deposits)	2,265.4	50.81	2,109.2	50.39	156.2	7.41
Public treasury deposits	367.6	8.24	335.6	8.02	32.0	9.54
Totals	4,458.8	100	4,185.2	100	273.6	6.54

(2) Loans

Unit: NT\$ Billion

Year end Items		end-2022		end-2021		Amount of increase (decrease)	Percent increase (decrease)
		Amount	%	Amount	%		
Category of borrower	Private enterprises: Large	488.9	14.12	397.5	13.33	91.4	22.99
	Private enterprises: Small and medium	453.5	13.10	429.0	14.38	24.5	5.71
	Government-owned enterprises	562.6	16.25	226.6	7.60	336.0	148.28
	Government agencies	586.3	16.94	635.6	21.31	(49.3)	(7.76)
	Individuals	1,183.3	34.18	1,140.5	38.24	42.8	3.75
	Foreign	182.9	5.28	149.1	5.00	33.8	22.67
	Other	4.5	0.13	4.4	0.14	0.1	0.02
Term of loans	Short-term loans	704.8	20.36	738.7	24.77	(33.9)	(4.6)
	Medium-term loans	1,363.6	39.39	907.2	30.41	456.4	50.31
	Long-term loans	1,393.6	40.25	1,336.8	44.82	56.8	4.25
Totals		3,462.0	100	2,982.7	100	479.3	16.07

2022 Structure of Loans



Note: According to statistical data from the Refinitiv rankings of Taiwan's syndicated loan market, in 2022 BOT again held first place in the rankings for the categories of "Mandated Lead Arranger" and "Bookrunner", so it is clear that BOT enjoys the deep trust of its customers and peer institutions, and is a leader in the syndicated loan market.

(3) Foreign Exchange and International Banking

Unit: US\$ Billion

Items \ Year	2022		2021		Amount of increase (decrease)	Percent increase (decrease)
	Amount	%	Amount	%		
Exports	2.999	0.76	3.233	0.90	(0.234)	(7.24)
Imports	9.072	2.28	8.176	2.28	0.896	10.96
Foreign exchange	385.131	96.96	347.770	96.82	37.361	10.74
Totals	397.202	100	359.179	100	38.023	10.59

(4) Digital Banking

Items \ Year	2022 (Number of transactions: x10,000)	end-2022 (Number of accounts: x10,000)	end-2021 (Number of accounts: x10,000)	Percent increase in number of accounts
Online banking	2,360	435.20	411.50	5.76
Corporate e-Banking	793	10.60	10.00	6.00
Electronic payment acceptance	1,733	0.76	0.72	5.56

(5) Trust Business

Unit: NT\$ Billion

Items \ Year	2022	2021	Amount of increase (decrease)	Percent increase (decrease)
Trust business (average annual balance of trust principal)	472.739	448.033	24.706	5.51
Custodial business (year-end balance of total assets in custody)	1,553.637	1,619.022	(65.385)	(4.04)

(6) Investment

A. Volume of trading and underwriting of domestic bills

Unit: NT\$ Billion

Items \ Year end	end-2022	end-2021	Amount of increase (decrease)	Percent increase (decrease)
Amount of bills transactions	8,706.148	11,784.281	(3,078.133)	(26.12)
Amount of bills underwritten	92.811	134.881	(42.070)	(31.19)

B. Balance of investments in bonds and stocks

Unit: NT\$ Billion

Items \ Year end	end-2022	end-2021	Amount of increase (decrease)	Percent increase (decrease)
Bonds (in both NT\$ and foreign currency)	483.819	325.412	158.407	48.68
Stocks (short-term investments)	22.832	19.909	2.923	14.68
Long-term share investments	71.132	74.851	(3.719)	(4.97)

(7) Business Derived from the Issuance of NT Dollar Currency for the Central Bank

Unit: NT\$ Billion

Items \ Year	2022	2021	Amount of increase (decrease)	Percent increase (decrease)
Average amount of currency issued and outstanding for the year	3,132.4	2,810.1	322.3	11.47
Highest amount of currency issued and outstanding during the year (business day before Lunar New Year's Eve)	3,390.0 (2022/1/28)	3,065.0 (2021/2/9)	325.0	10.60
Amount of currency issued and outstanding (year-end)	3,356.8	2,948.4	408.4	13.85

(8) Government Employees Insurance

Unit: NT\$ Billion

Item \ Year	2022	2021	Amount of increase (decrease)	Percent increase (decrease)
Income from insurance premiums	22.626	23.628	(1.002)	(4.24)

Note: 2022 premium revenue was down by NT\$1.002 billion (4.24%) from 2021, primarily because premium rates were required by law to be lowered. The optimal premium rates for Government Employees Insurance were jointly set and announced by the Executive Yuan and the Examination Yuan. From 1 January 2022, based on the eighth actuarial result, for those not meeting the annuity requirements the premium rate was reduced from 8.28% to 7.83%, while for those meeting the annuity requirements the premium rate was reduced from 12.53% to 10.16%.

(9) Procurement Business

Unit: NT\$ Billion

Item \ Year	2022	2021	Amount of increase (decrease)	Percent increase (decrease)
Procurement business	51.086	37.668	13.418	35.62

(10) Wealth Management Service

Unit: NT\$ Million

Items	2022	Target figure for the year	Target completion rate
Income from processing fees for funds	222	250	88.80
Income from processing fees for insurance	386	528	73.11
Income from processing fees for Gold Passbooks	70	77	90.91
Totals	678	855	79.30

(11) Precious Metals Business

Unit: NT\$ Million

Items	Year	2022	2021	Amount of increase (decrease)	Percent increase (decrease)
Precious metals business (business volume)		125,731.83	130,711.15	(4,979.32)	(3.81)
Income from processing fees for handling tariff-rate quotas		46.37	45.79	0.58	1.27
Totals		125,778.20	130,756.94	(4,978.74)	(3.81)

(12) Proportion of income from various kinds of business and changes therein

Unit: NT\$1,000

Items	2022		2021		Amount of increase (decrease)	Percent increase (decrease)
	Amount	%	Amount	%		
Net interest income	35,222,164	82.33	29,638,043	75.91	5,584,121	18.84
Service fees, net	4,070,368	9.51	4,519,121	11.57	(448,753)	(9.93)
Gain (loss) on financial assets or liabilities at fair value through profit or loss	(61,355,261)	(143.42)	50,909,669	130.40	(112,264,930)	(220.52)
Realized gains from financial assets measured at fair value through other comprehensive income	4,588,552	10.73	4,455,998	11.41	132,554	2.97
Gain (loss) from derecognition of financial assets measured at amortized cost	1,727	0.00	0	0.00	1,727	-

Items	Year	2022		2021		Amount of increase (decrease)	Percent increase (decrease)
		Amount	%	Amount	%		
Share of profit (loss) of associates and joint ventures accounted for using equity method		3,633,028	8.49	3,997,933	10.24	(364,905)	(9.13)
Foreign exchange gain (loss)		16,234,086	37.95	(2,002,749)	(5.13)	18,236,835	(910.59)
Gain on reversal (provision) of impairment loss on assets		(19,224)	(0.04)	6,435	0.02	(25,659)	(398.74)
Other non-interest net profit or loss		40,404,340	94.45	(52,482,139)	(134.42)	92,886,479	(176.99)
Net revenue		42,779,780	100.00	39,042,311	100.00	3,737,469	9.57

Note: This table has been compiled based on the consolidated financial report.

2. Operating Plans for 2023

(1) Deposits

The Bank will continue working actively to optimize deposit structure and provide corporate customers with NT Dollar demand deposits, automatic salary payment services, transfer of funds from cashed checks, transfer of stock dividend and bond interest payments, conduct ACH & direct debit services; improve risk management, strengthen employee education and training, use information system monitoring and control to strengthen the internal audit system and reduce operational risks; continue to implement cross-selling mechanisms, and upgrade operational effectiveness; continue actively seeking to provide agent bank and collection & payment services to government agencies at all levels, and to optimize the Bank of Taiwan's Public Treasury website and the Public Treasury Deposit and Fee Accounts Management System, in order to improve the quality and efficiency of agent bank services.

(2) Loans

A. Corporate Banking

Loans to private enterprises will be promoted continuously and loan risk controls will be reinforced. The Bank will seek opportunities to lead or participate in syndicated loans at home and abroad; strengthen OBU services and actively expand overseas credit business; promote e-Loan and factoring businesses; actively pursue lending for the purpose of renovating or rebuilding hazardous and old buildings; and actively participate in the Project for Provision of Special Loans and Credit Guarantees to assist in the innovation and development of small and medium enterprises. To coordinate with the government's Program for Promoting Six Core Strategic Industries, the Bank will actively undertake related lending business, and to coordinate with the government's Action Plan for Welcoming Overseas Taiwanese Businesses to Return to

Invest in Taiwan, the Bank will actively lend to such firms to fund their construction or purchase of factory sites and facilities. And in response to the government's New Southbound Policy (NSP), the Bank will expand lending to firms in countries targeted by the NSP. The Bank will also continue to implement all types of economic stimulus loan programs, encourage and guide customers to value and act upon ESG concerns, and — for customers that work to reduce energy consumption, lower pollution, or install environmentally friendly equipment — the Bank gives an appropriate degree of assistance and preferential loan conditions.

B. Consumer Banking

The Bank will continue to promote high-quality loans for the purchase of owner-occupied homes, actively help non-homeowners to purchase homes, and appropriately adjust lending strategies to deal with changing market conditions. The Bank website's "special section for personal loans" provides one-stop shopping for loans and the digital process has been streamlined. The Bank will actively undertake "Young Entrepreneur and Start-up Loans" and "Micro-business Start-up Phoenix Loans" and will step up cooperation with city and county governments to promote lending to young entrepreneurs and small & medium businesses. It will coordinate with the government's promotion of digital finance by pro-actively promoting mobile payment services. It will continue to familiarize the public with the Bank's "Guide Dog Affinity Card" and "The Lord is My Shepherd Affinity Card" to enhance the competitive edge enjoyed by the Bank's credit card brand.

(3) Foreign Exchange and International Banking

The Bank will continue developing its foreign exchange deposits business, actively add to the range of electronic financial services available through digital foreign exchange deposit accounts, and provide a diverse range of foreign exchange services, thereby providing customers with one-stop shopping for financial services. The Bank will take advantage of business opportunities arising from the restructuring of global supply chains, coordinate with the international expansion plans of Taiwanese companies, and support the development of important Taiwanese industries; will continue expanding overseas branches' core business, work actively to enter into cooperative partnerships with world-leading financial institutions; prudently respond to the risks associated with geopolitical and economic changes, strengthen risk management and implement legal compliance, and maintain safe and sound business development.

(4) Digital Financial Services

The Bank is planning to launch "smart financial management services" (Bank of Taiwan e-financial management) to provide online financial consulting and investment management services; planning to allow customers to use the machines at convenience stores to execute the verification service, which will be applicable to digital transactions. We will promote our "Digital Transformation Flagship Program" and "Training Program to Develop Seed Personnel for a Digital Transformation" to develop employees' digital capabilities and step up business exchanges; will use the Bank's official LINE account to continue providing customers with increased access to credit card

account queries, student loan account queries, and push notifications; will optimize the cloud-based banking function for online applications for personal loans, and add functions that allow for online applications to supplement an existing application with a guarantor or additional supporting documentation; and expand the Bank's intelligent customer service system website functionality to allow for "transfer to online real-person agent" functions, thereby providing more customer-friendly service.

(5) Trust Business

The Bank will continue to launch blue-chip, sustainable offshore bond products and add domestic and overseas fund products and ETFs to increase the operating scale of fund and trust management products; will carry out Phase 2 of the Financial Supervisory Commission's Trust 2.0 "Comprehensive Trust" Implementation Plan; will continuously develop old-age (cognitive impairment) trust products and property management trust of the disabled; will actively develop the Bank's real estate development trust and escrow businesses and continue promoting its real estate transaction escrow service; will coordinate with the government policy of promoting urban development and rebuilding of dangerous old buildings, while using tailor-made financing projects and trust frameworks to provide comprehensive and professional services; will seize opportunities to manage securities investment trust funds and discretionary investment accounts, thereby growing the Bank's custodial business; and will achieve outstanding performance through management and investment of reserve funds for the old Labor Pension Fund and Government Employees Insurance scheme.

(6) Investment

In addition to the purchase of Central Bank negotiable certificates of deposit in its bills finance business, the Bank will purchase commercial papers on the primary market in order to support the Bank's business units in their certification and underwriting of guaranteed issues of commercial paper. To increase the fee income, the Bank will carry out bond investment under the principle of buying in batches in times of yield rebounds; actively seek opportunities to lead or participate in the underwriting of international bonds and NTD-denominated bonds and continue expanding into markets where government bonds, bank debentures and corporate bonds are relatively highly rated (investing primarily in bonds with international credit ratings of A- or higher); continue with the appropriate management of the reinvestment business; and continue to focus stock portfolio investment on blue chips, high cash dividend stocks, and ETFs. The principle of risk-control will be observed, and hedging transactions will be used to lower market risk. Most investments in overseas markets will be made via ETFs and foreign-denominated equity fund beneficial certificates. The Bank will diversify its investments to spread its risks, will screen different types of strongly performing funds and buy them in tranches, and will engage in technical trading to increase investment returns.

(7) Government Employees Insurance

The Bank will carry out periodic actuarial estimates of premiums for Government Employees Insurance to ensure that Government Employees Insurance is run in a safe and sound manner,

and provide the estimates to the competent authority for its rate-making reference; will actively carry out annuity-related business to provide for the economic needs of persons covered by Government Employees Insurance in their later years; will continue holding Government Employees Insurance seminars, and will step up efforts to familiarize employees with legislation and business operations; will continue to promote the digitization of the Government Employees Insurance services environment, will increase the benefits of paperless systems; will improve the management of Government Employees Insurance finances, and act in a timely manner to adjust asset allocation ratios and investment strategies in order to increase the returns on investment of Government Employees Insurance reserve.

(8) Wealth Management Service

With a strong brand image, wealth management channel deployment will be reinforced to expand the service network of wealth management; the integrated marketing effect will be maximized to create a diversified financial products sales platform through holding company products and sales channels; professional manpower training will be strengthened to deeply implant wealth management capability; the Bank will optimize the information system to monitor a wider range of behavioral patterns of wealth management officers, and to do it more efficiently; and the Bank will continue holding financial planning seminars and provide professional advisory services; and will protect consumer interests and implement legal compliance.

(9) Precious Metals Business

The Bank will optimize its Gold Passbook product to provide diversified and differentiated services superior to those offered elsewhere in the financial industry, in order to maintain the Bank's leading position in the domestic market. The Bank will also serve as the main domestic issuing bank and clearing bank for the Gold Passbook, to facilitate the initiation of this business by cooperating banks, so that together we can provide gold assets disposition services to citizens. The Bank will join with the proper business units in visiting corporate customers with a need to use precious metals as raw materials, so as to seek business opportunities involving wholesale sales of physical precious metals as well as credit and foreign exchange business, and will ensure plentiful quantities of physical gold in stock and adequate availability to customers. The Bank will keep putting out diversified precious metal products, in order to seize the business opportunities from retail and wholesale sales of physical precious metals.

3. Financial Product R&D and Business Development

Please refer to page 77-79 of the Chinese annual report.

4. Long-term and Short-term Development

(1) Short-term Development Plan

- A. Coordinate with government policies, implement financial inclusion.
- B. Focus on core businesses, improve the Bank's business prowess.
- C. Establish data governance, enhance the Bank's transition strategy.

- D. Maintain a close grasp of regional conditions, strengthen overseas business.
- E. Move toward net-zero emissions, achieve sustainability.
- F. Optimize asset allocations, improve capital efficiency.
- G. Introduce RegTech tools, promote fair treatment of customers.
- H. Expand information architecture, improve cyber defense.
- I. Enhance risk management mechanisms, strengthen operational resilience.
- J. Cultivate diverse talent, build up the Bank's corporate culture.

(2) Long-term Development Plan

The BOT has succeeded in working in line with the principles of "Integrity, Care, Efficiency, and Prudence" to achieve greater depth and breadth in its lineup of services. In line with its vision of "A Leading Bank with Global Presence," the Bank will continue strengthening its international presence, expanding overseas branches' core business, seizing upon the business opportunities arising in connection with the restructuring of global supply chains, and planning out overseas business development strategies. To coordinate with the government's various policies, the Bank will optimize its policies, plan and operate many different lines of business, expand the scope of its financial services, and improve overall business performance.

II. Human Resources

Employee Statistics

Items \ Year		2021	2022	As of Feb. 28, 2023
Number of Employees	Staff	7,422	7,440	7,336
	Guards	165	159	159
	Janitors	619	626	608
	Total	8,206	8,225	8,103
Average Age		45.70	45.57	45.50
Average Years of Service		18.06	17.83	17.76
Education (%)	Ph.D.	0.07	0.07	0.07
	Master's Degree	22.37	23.14	23.32
	Bachelor's Degree	70.85	70.80	70.78
	Senior High School	6.00	5.42	5.26
	Below Senior High School	0.71	0.57	0.57

Note: The above numbers do not include contract salespersons, contract workers, and overseas locally recruited staff.

III. Corporate Responsibility and Ethical Behavior

The BOT makes every effort to attain the budget targets set by the government, coordinates with the government's major construction plans and participates actively in the financing of infrastructure projects as well as large private investment projects, and joins programs to help financially distressed small and medium-sized enterprises and stimulate the economy, all in order to promote overall

national economic development. The Bank acts in line with international sustainability initiatives by addressing ESG concerns in its investment, financing and product reviews, with an eye to encouraging companies to attach proper importance to sustainable development. At the same time, the Bank will also participate in public welfare activities to pay back to the public and fulfill corporate social responsibility. In addition, the Bank has further raised the level of its participation in corporate social responsibility activities by holding the "Bank of Taiwan Arts Festival" and the "Bank of Taiwan Awards for Economic and Financial Research" to solicit academic papers. Such activities encourage citizens to undertake research and creative artistic work, and it is hoped that the influence of academia and art will help people make the transition to the post-pandemic era.

IV. Number of Full-Time Non-Supervisory Employees, Average and Median Salary of Full-Time Non-Supervisory Employees, and How These Differ from the Preceding Year's Figures

Unit: Person; NT\$1,000/ Person

Year	2022	2021	+/-
Full-Time Non-Supervisory Employees			
Number	8,157	8,128	29
Average Salary	1,422	1,429	(7)
Median Salary	1,143	1,138	5

Note: To calculate the median figure above, the first step was to count the number of employees at end-December of the current year and note their occupational grades and ranks, and use the table of employee salaries to calculate the median salary, then on the basis of this number a median salary that includes bonuses and overtime pay is estimated.



On 3 November 2022, at the awards ceremony for the Painting Division and the Photography Division of the 2022 Bank of Taiwan Arts Festival, BOT Chairman Joseph Jye-Cheng Lyu (back row, 6th from left), Painting Division judge Hsien-Fa Su (back row, 7th from left), and Photography Division judges Ting-Hua Wong (back row, 5th from left) and Ding-Sheng Huang (back row, 4th from left) take a group photo together with the award winners.

V. Information Equipment

1. Installation and Maintenance of Hardware and Software for Major Information Systems

The Bank's core accounts system and overseas system consist of an exclusive server platform for deposit, foreign exchange, loan, gold, accounting, and remittance account transactions; an open-system server for the trust, credit card, bonds, and notes businesses; and an operations management support system to make up a comprehensive back-office system for financial operations. The Bank builds up a comprehensive financial service network that, in addition to traditional teller operations, has an user-end system that includes a global information network, ATM system, internet bank, mobile banking, cloud banking, EasyGo, corporate e-banking site, financial EDI, SuperPay, and so on.

2. Future Development or Procurement Plans

(1) Develop a cloud infrastructure

- A. The Bank will introduce a microservice containerization platform technology as well as agile development and maintenance management processes, allow for more flexible utilization and efficient scaling of IT infrastructure, shorten the time required to set up information systems for various lines of business in order to support the promotion of future lines of business.
- B. Using standardized resources to integrate various operating procedures, the Bank will establish an automated procedure for installing, updating, and deploying software in order to improve operating efficiency.
- C. The Bank will set up a platform for software-defined virtualized networking, conduct real-time monitoring of network traffic and allocate network resources in order to quickly transfer application service workloads.

(2) Strengthen the information service system's business continuity

- A. The Bank will set up a dual network environment for important equipment such as core switches, firewalls, and load balancer switches, in order to optimize the usage of network resources, reduce network layering, and simplify management and maintenance.
- B. The Bank plans to convert its remote backup center into a second information center in order to support business continuity so as to provide a range of financial services.

(3) In response to the developmental strategy of simplifying the core of the banking system (small core, large periphery), the Bank will set up an open application system services platform in order to steadily strengthen the information architecture, continue ensuring system stability, reduce short-term impacts, and respond to long-term development.

3. Emergency Back-up and Security Measures

(1) Emergency Backup

The Bank has an integrated remote backup center in Taoyuan to serve as a backup mechanism for the core accounting servers. The Bank has smoothly completed "open network equipment and wiring" and 26 other infrastructure systems, as well as disaster recovery drills for its "core

accounting server system" and 137 other application systems. These measures are intended to ensure continuity in the Bank's key business operations.

(2) Safety Protection

- A. The Bank smoothly passed follow-up audits by the British Standards Institution (BSI) in 2022, thus maintaining the following certifications: ISO 20000, ISO 27001, BS 10012, and ISO 22301. In coordination with the Financial Supervisory Commission's Financial Cyber Security Action Plan, the Bank has obtained TAF certification for its ISO 27001 information security management system.
- B. To enhance information security control, and better protect sensitive information, the Bank has made continued use of an "Internal Information Network Architecture and Equipment," an "IP Workstation Maximum Authorization Management System," an "Email Sensitive-Information Detection and Protection System," a "Data Endpoint Protection System," a "Security Incident and Event Management (SIEM) system," and a "Cyber Security Threat Detection Management System."

VI. Cyber Security Management

1. Cyber Security Risk Management Architecture, Cyber Security Policy, Specific Management Plan, and Resources Invested in Information and Cyber Security Management

(1) Cyber security risk management architecture

- A. Acting in accordance with Article 38-1 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," the Bank has appointed an SEVP to serve as its chief cyber security officer, and at its head office has established a Department of Cyber Security that is responsible for the Bank's cyber security operations, which include planning, monitoring, and implementation of cyber security management.
- B. The Bank has established a Cyber Security Team that is chaired by its chief cyber security officer. This Team is in charge of coordinating and setting the Bank's cyber security policies, plans, and resource allocations. It convenes periodic Meetings on Computer Security (three meetings in 2022) to ensure the confidentiality, integrity, and availability of the Bank's information.
- C. The Bank has adopted cyber security-related management systems. It has obtained ISO 27001 certification for its cyber security management system, ISO 22301 certification for its business continuity management system, and BS 10012 certification for its personal information management system. The Bank obtains validations by an impartial third party each year to keep these certifications current, to keep the Bank in line with the latest international trends in cyber security management, and to meet international management standards.

(2) Cyber Security Policy

The Bank has adopted a Cyber Security Policy which sets out the Bank's cyber security targets and cyber security work plans. The Cyber Security Policy is re-evaluated at least once per year to ensure that it complies with applicable laws and regulations, to check whether recent changes in technology or the business environment require that it be updated.

(3) Resources invested in information and cyber security management

- A. The Bank adopts and implements a cyber security maintenance plan every year, conducts a stocktaking of core and non-core business operations, adopts cyber security-related management systems and gets them approved by certification bodies, classifies its information and communication system defense requirements and sets system defense standards, and conducts business continuity exercises, security tests, and email social engineering drills.
- B. The Bank has built a layered defense-in-depth system, which employs multiple technologies to defend against different types of attacks, thereby reducing security threats from the internet or an intranet and maintaining the confidentiality, integrity, and availability of important assets.
- C. The Bank has set up mechanisms for detection and management of cyber threats, and promptly identify and deal with risks, in order to prevent problems before they occur.
- D. The Bank conducts periodic vulnerability scans, system penetration tests, and information system security assessments, and carries out system security vulnerability assessments, repairs, re-testing, and follow-up tracking. Carrying out compensatory control measures prior to the repair of a vulnerability serves to lower risk to an acceptable level.
- E. Every year, the Bank uses training, internal conferences, posters, and other such methods to raise employee awareness of cyber security incidents and information regarding cyber security trends. The Bank also conducts periodic "Cyber Security Management Training Courses," "Workshops on Information Equipment and Cyber Defense," "Cyber Security Incident Response Workshops" and other such training programs to raise employees' cyber security consciousness. In addition, dedicated cyber security personnel must attend at least 15 hours of professional-level cyber security coursework to strengthen their cyber security expertise.
- F. The Bank has established a cyber security incident notification mechanism, formulated related emergency response procedures, and periodically conducts drills and discusses how to make improvements. If the Bank experiences any major cyber security incidents, the Chief Cyber Security Officer, who also chairs the Bank's Cyber Security Incident Response Team (CSIRT), takes charge of emergency response.



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Financial Information

I. Five-Year Financial Summary

1. Condensed Balance Sheets and Comprehensive Income Statements

Condensed Consolidated Balance Sheets

Unit: NT\$1,000

Items	Year	2022	2021	2020	2019	2018
Cash, cash equivalents, placement with Central Bank and call loans to banks		747,319,647	772,223,584	747,558,149	704,899,680	700,995,809
Financial assets measured at fair value through profit or loss		287,624,682	355,533,269	326,438,433	244,193,929	236,408,718
Financial assets measured at fair value through other comprehensive income		1,138,542,241	995,955,988	991,067,914	1,013,078,126	1,117,727,277
Debt investments measured at amortized cost		276,063,085	164,929,574	156,093,052	177,206,775	167,824,692
Financial assets for hedging		9,467	-	-	1,071	41,693
Bills and bonds purchased under resell agreements		-	-	-	-	-
Receivables, net		55,471,096	58,784,555	53,456,959	58,510,274	59,274,333
Current income tax assets		175,241	1,497,521	2,104,852	1,126,655	1,113,134
Assets held for sale, net		-	-	-	-	-
Loans and discounts, net		3,418,227,678	2,940,449,487	2,869,204,520	2,676,141,224	2,557,027,294
Investments under equity method, net		40,484,622	43,880,527	41,133,360	41,109,486	38,007,840
Other financial assets, net		27,441,000	30,159,160	37,763,270	40,158,445	46,040,182
Property and equipment, net		139,164,541	138,885,078	139,164,914	138,128,918	96,226,027
Right-of-use asset, net		1,279,796	1,421,474	1,447,075	1,603,487	-
Investment property, net		15,238,207	15,238,207	15,238,207	15,238,207	15,238,207
Intangible assets, net		1,134,142	1,053,368	980,867	873,797	764,936
Deferred tax assets, net		335,415	455,074	623,816	903,797	312,291
Other assets		29,872,334	27,941,301	16,514,844	11,556,583	8,989,113

Items		Year	2022	2021	2020	2019	2018
Total assets	Before distribution		6,178,383,194	5,548,408,167	5,398,790,232	5,124,730,454	5,045,991,546
	After distribution		6,176,083,194	5,546,226,191	5,396,664,320	5,124,730,454	5,045,991,546
Deposits of Central Bank and other banks			273,183,040	301,575,853	268,447,708	229,253,533	221,756,139
Financing from Central Bank and banks			253,840,625	36,170,330	15,849,400	-	-
Financial liabilities measured at fair value through profit or loss			25,066,050	19,678,531	32,337,278	60,283,847	50,554,317
Financial liabilities for hedging			-	16,241	49,894	25,537	12,973
Bills and bonds sold under repurchase agreements			23,857,909	3,987,215	6,418,088	21,564,871	25,078,047
Payables			47,327,496	42,483,843	41,653,884	43,850,744	45,790,114
Current income tax liabilities			1,448,625	1,666,707	1,090,936	1,291,140	291,444
Liabilities related to assets held for sale			-	-	-	-	-
Deposits and remittances			4,670,905,961	4,209,597,116	4,172,738,840	3,971,785,851	4,025,739,102
Financial bonds payable			25,999,370	25,999,058	24,999,085	24,998,820	24,998,566
Preferred stock liabilities			-	-	-	-	-
Other financial liabilities			548,381	423,216	924,671	962,539	678,843
Provision			432,704,782	476,726,992	420,237,839	361,821,599	315,020,626
Lease liabilities			1,218,855	1,319,965	1,323,312	1,479,132	-
Deferred tax liabilities			18,489,863	18,373,243	18,360,527	18,233,421	18,191,904
Other liabilities			8,321,581	8,199,245	11,216,748	10,694,256	7,750,426
Total liabilities	Before distribution		5,782,912,538	5,146,217,555	5,015,648,210	4,746,245,290	4,735,862,501
	After distribution		5,783,912,538	5,147,217,555	5,015,648,210	4,747,045,290	4,736,662,501
Equity attributable to owners of the parent	Before distribution		395,470,656	402,190,612	383,142,022	378,485,164	310,129,045
	After distribution		392,170,656	399,008,636	381,016,110	377,685,164	309,329,045
Capital stock	Before distribution		109,000,000	109,000,000	109,000,000	109,000,000	95,000,000
	After distribution		109,000,000	109,000,000	109,000,000	109,000,000	95,000,000

Items		Year	2022	2021	2020	2019	2018
Capital surplus			108,453,043	108,453,043	108,453,043	108,453,043	80,453,043
Retained earnings	Before distribution		135,347,749	122,270,667	110,958,000	101,706,372	92,761,664
	After distribution		132,047,749	119,088,691	108,832,088	100,906,372	91,961,664
Other equity			42,669,864	62,466,902	54,730,979	59,325,749	41,914,338
Treasury stock			-	-	-	-	-
Non-controlling interests			-	-	-	-	-
Total equity	Before distribution		395,470,656	402,190,612	383,142,022	378,485,164	310,129,045
	After distribution		392,170,656	399,008,636	381,016,110	377,685,164	309,329,045

Note: Figures for 2018 to 2021 are approved by the National Audit Office; figures for 2022 are CPA approved.

Condensed Consolidated Statements of Comprehensive Income

Unit: NT\$1,000

Items	Year	2022	2021	2020	2019	2018
Interest income		70,057,905	48,288,746	54,052,768	66,034,226	63,883,640
Less: Interest expense		34,835,741	18,650,703	26,564,755	39,355,028	38,258,281
Net interest income		35,222,164	29,638,043	27,488,013	26,679,198	25,625,359
Non-interest income, net		7,557,616	9,404,268	6,649,238	15,491,645	13,823,128
Net revenue		42,779,780	39,042,311	34,137,251	42,170,843	39,448,487
Bad debt expense and commitment and reserve for guarantees		624,714	261,249	310,089	7,345,228	7,302,488
Operating expenses		22,965,493	21,817,820	21,483,757	21,614,459	20,669,664
Income before tax from continuing operations		19,189,573	16,963,242	12,343,405	13,211,156	11,476,335
Income tax (expenses) revenues		(2,143,696)	(1,682,081)	(828,055)	(1,820,743)	(1,231,129)
Net income from continuing operations		17,045,877	15,281,161	11,515,350	11,390,413	10,245,206
Gain (Loss) from discontinued operations		-	-	-	-	-
Net income		17,045,877	15,281,161	11,515,350	11,390,413	10,245,206
Other comprehensive income		-	-	-	-	-
Other comprehensive income (net of tax)		(20,583,857)	5,893,341	(6,058,492)	15,765,706	3,365,802
Total comprehensive income		(3,537,980)	21,174,502	5,456,858	27,156,119	13,611,008
Net income attributable to owners of the parent company		17,045,877	15,281,161	11,515,350	11,390,413	10,245,206
Net income attributable to non-controlling interests		-	-	-	-	-
Total comprehensive income attributable to owners of the parent company		(3,537,980)	21,174,502	5,456,858	27,156,119	13,611,008
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-
Earnings per share		1.56	1.40	1.06	1.15	1.08

Note: Figures for 2018 to 2021 are approved by the National Audit Office; figures for 2022 are CPA approved.

Condensed Individual Balance Sheets

Unit: NT\$1,000

Items \ Year		2022	2021	2020	2019	2018
Cash, cash equivalents, placement with Central Bank and call loans to banks		747,319,617	772,223,554	747,558,119	704,899,650	700,995,779
Financial assets measured at fair value through profit or loss		287,624,682	355,533,269	326,438,433	244,193,929	236,408,718
Financial assets measured at fair value through other comprehensive income		1,138,542,241	995,955,988	991,067,914	1,013,078,126	1,117,727,277
Debt investments measured at amortized cost		276,063,085	164,929,574	156,093,052	177,206,775	167,824,692
Financial assets for hedging		9,467	-	-	1,071	41,693
Bills and bonds purchased under resell agreements		-	-	-	-	-
Receivables, net		55,465,656	58,763,314	53,437,162	58,497,703	59,258,329
Current income tax assets		167,560	1,497,504	2,100,741	1,126,655	1,113,134
Assets held for sale, net		-	-	-	-	-
Loans and discounts, net		3,418,227,678	2,940,449,487	2,869,204,520	2,676,141,224	2,557,027,294
Investments under equity method, net		40,822,662	44,259,229	41,512,229	41,546,887	38,434,590
Other financial assets, net		27,441,000	30,159,160	37,763,270	40,158,445	46,040,182
Property and equipment, net		139,161,331	138,881,762	139,161,426	138,125,216	96,222,499
Right-of-use asset, net		1,279,796	1,421,474	1,447,075	1,603,487	-
Investment property, net		15,238,207	15,238,207	15,238,207	15,238,207	15,238,207
Intangible assets, net		1,133,286	1,052,853	980,334	873,217	764,829
Deferred tax assets, net		330,178	449,836	618,378	898,143	308,336
Other assets		29,869,296	27,938,284	16,511,833	11,553,574	8,986,040
Total assets	Before distribution	6,178,695,742	5,548,753,495	5,399,132,693	5,125,142,309	5,046,391,599
	After distribution	6,176,395,742	5,546,571,519	5,397,006,781	5,125,142,309	5,046,391,599
Deposits of Central Bank and other banks		273,183,040	301,575,853	268,447,708	229,253,533	221,756,139
Financing from Central Bank and banks		253,840,625	36,170,330	15,849,400	-	-
Financial liabilities measured at fair value through profit or loss		25,066,050	19,678,531	32,337,278	60,283,847	50,554,317
Financial liabilities for hedging		-	16,241	49,894	25,537	12,973
Bills and bonds sold under repurchase agreements		23,857,909	3,987,215	6,418,088	21,564,871	25,078,047
Payables		47,314,847	42,465,523	41,636,403	43,827,118	45,769,665

Items \ Year		2022	2021	2020	2019	2018
Current income tax liabilities		1,448,625	1,662,239	1,090,936	1,273,649	262,675
Liabilities related to assets held for sale		-	-	-	-	-
Deposits and remittances		4,671,239,835	4,209,976,571	4,173,100,442	3,972,246,112	4,026,190,539
Financial bonds payable		25,999,370	25,999,058	24,999,085	24,998,820	24,998,566
Preferred stock liabilities		-	-	-	-	-
Other financial liabilities		548,381	423,216	924,671	962,539	678,843
Provision		432,695,316	476,714,994	420,235,522	361,813,702	315,017,702
Lease liabilities		1,218,855	1,319,965	1,323,312	1,479,132	-
Deferred tax liabilities		18,489,863	18,373,243	18,360,527	18,233,421	18,191,904
Other liabilities		8,322,370	8,199,904	11,217,405	10,694,864	7,751,184
Total liabilities	Before distribution	5,783,225,086	5,146,562,883	5,015,990,671	4,746,657,145	4,736,262,554
	After distribution	5,784,225,086	5,147,562,883	5,015,990,671	4,747,457,145	4,737,062,554
Equity attributable to owners of the parent	Before distribution	395,470,656	402,190,612	383,142,022	378,485,164	310,129,045
	After distribution	392,170,656	399,008,636	381,016,110	377,685,164	309,329,045
Capital stock	Before distribution	109,000,000	109,000,000	109,000,000	109,000,000	95,000,000
	After distribution	109,000,000	109,000,000	109,000,000	109,000,000	95,000,000
Capital surplus		108,453,043	108,453,043	108,453,043	108,453,043	80,453,043
Retained earnings	Before distribution	135,347,749	122,270,667	110,958,000	101,706,372	92,761,664
	After distribution	132,047,749	119,088,691	108,832,088	100,906,372	91,961,664
Other equity		42,669,864	62,466,902	54,730,979	59,325,749	41,914,338
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	395,470,656	402,190,612	383,142,022	378,485,164	310,129,045
	After distribution	392,170,656	399,008,636	381,016,110	377,685,164	309,329,045

Note: Figures for 2018 to 2021 are approved by the National Audit Office; figures for 2022 are CPA approved.

Condensed Individual Statements of Comprehensive Income

Unit: NT\$1,000

Items	Year	2022	2021	2020	2019	2018
Interest income		70,057,905	48,288,746	54,052,768	66,034,226	63,883,640
Less: Interest expense		34,836,467	18,651,099	26,565,093	39,355,438	38,258,657
Net interest income		35,221,438	29,637,647	27,487,675	26,678,788	25,624,983
Non-interest income, net		7,478,759	9,295,609	6,540,043	15,345,157	13,668,495
Net revenue		42,700,197	38,933,256	34,027,718	42,023,945	39,293,478
Bad debt expense and commitment and reserve for guarantees		624,714	261,249	310,089	7,345,228	7,302,488
Operating expenses		22,886,751	21,725,962	21,391,282	21,507,754	20,563,400
Income before tax from continuing operations		19,188,732	16,946,045	12,326,347	13,170,963	11,427,590
Income tax (expenses) revenues		(2,142,855)	(1,664,884)	(810,997)	(1,780,550)	(1,182,384)
Net income from continuing operations		17,045,877	15,281,161	11,515,350	11,390,413	10,245,206
Gain (Loss) from discontinued operations		-	-	-	-	-
Net income		17,045,877	15,281,161	11,515,350	11,390,413	10,245,206
Other comprehensive income		-	-	-	-	-
Other comprehensive income (net of tax)		(20,583,857)	5,893,341	(6,058,492)	15,765,706	3,365,802
Total comprehensive income		(3,537,980)	21,174,502	5,456,858	27,156,119	13,611,008
Net income attributable to owners of the parent company		17,045,877	15,281,161	11,515,350	11,390,413	10,245,206
Net income attributable to non-controlling interests		-	-	-	-	-
Total comprehensive income attributable to owners of the parent company		(3,537,980)	21,174,502	5,456,858	27,156,119	13,611,008
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-
Earnings per share		1.56	1.40	1.06	1.15	1.08

Note: Figures for 2018 to 2021 are approved by the National Audit Office; figures for 2022 are CPA approved.

2. CPA-Auditor of Financial Report

Year	Name of Accounting Firm	Name of CPA		Audit Opinion
2018	KPMG Certified Public Accountants	Lee, Feng-Hui	Wu, Lin	Unqualified Opinion
2019	KPMG Certified Public Accountants	Lee, Feng-Hui	Wu, Lin	Unqualified Opinion
2020	KPMG Certified Public Accountants	Lee, Feng-Hui	Wu, Lin	Unqualified Opinion
2021	KPMG Certified Public Accountants	Lee, Feng-Hui	Wu, Lin	Unqualified Opinion
2022	KPMG Certified Public Accountants	Wu, Lin	Chen, Fu-Jen	Unqualified Opinion

II. Five-Year Financial Analysis

Consolidated Financial Analysis

Unit: NT\$1,000; %

Items		Year	2022	2021	2020	2019	2018
Operating Ability	Ratio of Loans to Deposits		72.57	70.87	69.77	68.42	64.39
	Non-Performing Loan Ratio (Note 4)		0.09	0.11	0.15	0.18	0.21
	Ratio of Interest Cost to Annual Average Deposits (Note 4)		0.84	0.58	0.81	1.07	1.10
	Ratio of Interest Income to Annual Average Loans Outstanding		1.52	1.26	1.32	1.60	1.68
	Total Assets Turnover (Times)		0.73	0.71	0.65	0.83	0.79
	Average Revenue per Employee		5,105	4,677	4,082	5,064	4,729
	Average Profit per Employee (Note 4)		2,034	1,831	1,377	1,368	1,228
Profitability	Return on Tier 1 Capital		6.40	5.82	4.50	5.62	5.62
	Return on Assets (Note 4)		0.29	0.28	0.22	0.22	0.21
	Return on Equity (Note 4)		4.27	3.89	3.02	3.31	3.42
	Net Income Ratio (Note 4)		39.85	39.14	33.73	27.01	25.97
	Earnings per Share (NT\$) (Note 4)		1.56	1.40	1.06	1.15	1.08
Financial Structure	Ratio of Liabilities to Assets		93.58	92.73	92.88	92.60	93.84
	Ratio of Property and Equipment to Equity		35.19	34.53	36.32	36.92	31.03
Growth Rate	Rate of Asset Growth		11.35	2.77	5.35	1.56	2.39
	Rate of Profit Growth		13.12	37.43	(6.57)	15.12	1.60
Cash Flow	Cash Flow Ratio		0.00	0.00	0.00	7.05	0.00
	Cash Flow Adequacy Ratio (Note 4)		(2,051.95)	(2,251.06)	204.21	547.94	581.82
	Cash Flow Satisfied Ratio		0.00	0.00	0.00	2,113.09	0.00
Liquidity Reserve Ratio			22.11	32.68	34.27	37.41	44.82
Loans to Parties with Material Relationship with the Bank			29,352,134	30,111,946	26,577,119	26,622,691	25,393,089
Ratio of Loans to Parties with Material Relationship with the Bank to Total Loans			0.82	0.98	0.88	0.94	0.94
Operating Scale	Market Share of Assets		8.87	8.53	8.78	8.98	9.22
	Market Share of Net Worth		8.79	8.98	8.82	9.05	8.01
	Market Share of Deposits		8.66	8.41	8.98	9.36	10.04
	Market Share of Loans		8.93	8.36	8.71	8.57	8.52

Notes: 1. Figures for 2018 to 2021 are approved by the National Audit Office; figures for 2022 are CPA approved.

2. The BOT capital increase was approved by the Financial Supervisory Commission on July 17, 2019 [Ref: Letter No. (FSC) Gin-Guan-Yin Kong 10801305311] and by the Ministry of Economic Affairs on October 31, 2019 [Ref: Letter No. (MOEA) Jing-Shou-Shang 10801140660]. The date of record for the capital increase is September 25, 2019.

3. To reasonably express average interest rate, excess interest paid on preferential-rate deposits was added back into total interest expenditures for 2022, 2021, 2020, 2019 and 2018 in the amounts of NT\$5,810,891,000, NT\$6,842,192,000, NT\$8,469,704,000, NT\$8,781,167,000, and NT\$9,584,098,000, respectively.
4. Reasons why the ratio changed during the previous two years by 20% or more:
 - (1) Due primarily to increases in income before tax and net income, the Bank's return on Tier 1 Capital, return on assets, return on equity, average profit per employee, and earnings per share all rose from 2021 to 2022.
 - (2) The increases in both interest expense and interest income were due to the growth of deposit and loan business, and the growth rate of loans was larger than that of deposits.
 - (3) The decline in the cash flow adequacy ratio was primarily due to an increase in net cash outflow from operating activities, mainly as a result of rise in loan business.
 - (4) The lower NPL ratio was primarily due to the fact that NPLs fell in number and the growth of loan business.
5. Formulae used in calculations:
 - (1) Operating Ability
 - a. Ratio of loans to deposits = Total loans / Total deposits
 - b. Non-performing loan ratio = Non-performing loans / Total loans outstanding
 - c. Ratio of interest cost to annual average deposits = Interest cost related to deposits / Annual average deposits
 - d. Ratio of interest income to annual average loans outstanding = Interest income related to loans outstanding / Annual average amount of loans outstanding
 - e. Total assets turnover (times) = Net revenue / Average total assets
 - f. Average revenue per employee = Net revenue / Total number of employees
 - g. Average profit per employee = Net income / Total number of employees
 - (2) Profitability
 - a. Return on Tier 1 capital = Net income before tax / Net average Tier 1 capital
 - b. Return on assets = Net income / Average total assets
 - c. Return on equity = Net income / Average total equity
 - d. Net income ratio = Net income / Net revenue
 - e. Earnings per share = (Net income attributable to owners of the parent company – Preferred stock dividend) / Weighted average number of shares issued
 - (3) Financial Structure
 - a. Ratio of liabilities to assets = Total liabilities / Total assets
 - b. Ratio of property and equipment to equity = Net property and equipment / Net equity
 - (4) Growth Rate
 - a. Rate of asset growth = (Total assets for current year – Total assets for previous year) / Total assets for previous year
 - b. Rate of profit growth = (Before-tax profit or loss for current year – Before-tax profit or loss for previous year) / Before-tax profit or loss for previous year
 - (5) Cash Flow
 - a. Cash flow ratio = Net cash flow from operating activities / (Call loans and overdrafts from banks + Commercial paper payable + Financial liabilities measured at fair value through profit or loss + Bills and bonds sold under repurchase agreements + Current portion of payables)
 - b. Cash flow adequacy ratio = Net cash flow from operating activities for the past five years / (Capital expenditures + Cash dividends) for the past five years
 - c. Cash flow satisfied ratio = Net cash flow from operating activities / Net cash flow from investing activities
 - (6) Liquidity reserve ratio = Liquid assets specified by the Central Bank / Debt items for which liquidity reserves should be allocated
 - (7) Operating Scale
 - a. Market share of assets = Total assets / Total assets of the major financial institutions
 - b. Market share of net worth = Net worth / Total net worth of the major financial institutions
 - c. Market share of deposits = Total deposits / Total deposits of the major financial institutions
 - d. Market share of loans = Total loans / Total loans of the major financial institutions
 - (8) Other
 - a. The total amount of liabilities is net of reserve for guarantees and contingency funds.
 - b. The term "revenues" means the sum total of interest income and non-interest income.
 - c. Cash dividends include cash dividends on common and preferred shares.

Individual Financial Analysis

Unit: NT\$1,000; %

Items		Year	2022	2021	2020	2019	2018
Operating Ability	Ratio of Loans to Deposits		72.57	70.86	69.76	68.41	64.38
	Non-Performing Loan Ratio (Note 4)		0.09	0.11	0.15	0.18	0.21
	Ratio of Interest Cost to Annual Average Deposits (Note 4)		0.84	0.58	0.81	1.07	1.10
	Ratio of Interest Income to Annual Average Loans Outstanding		1.52	1.26	1.32	1.60	1.68
	Total Assets Turnover (Times)		0.73	0.71	0.65	0.83	0.79
	Average Revenue per Employee		5,095	4,664	4,069	5,046	4,711
	Average Profit per Employee (Note 4)		2,034	1,831	1,377	1,368	1,228
Profitability	Return on Tier 1 Capital		6.40	5.82	4.49	5.61	5.59
	Return on Assets (Note 4)		0.29	0.28	0.22	0.22	0.21
	Return on Equity (Note 4)		4.27	3.89	3.02	3.31	3.42
	Net Income Ratio (Note 4)		39.92	39.25	33.84	27.10	26.07
	Earnings per Share (NT\$) (Note 4)		1.56	1.40	1.06	1.15	1.08
Financial Structure	Ratio of Liabilities to Assets		93.59	92.74	92.88	92.60	93.83
	Ratio of Property and Equipment to Equity		35.19	34.53	36.32	36.92	31.01
Growth Rate	Rate of Asset Growth		11.35	2.77	5.35	1.56	2.39
	Rate of Profit Growth		13.23	37.48	(6.41)	15.26	1.52
Cash Flow	Cash Flow Ratio		0.00	0.00	0.00	7.05	0.00
	Cash Flow Adequacy Ratio (Note 4)		(2,057.99)	(2,258.89)	195.81	548.71	582.64
	Cash Flow Satisfied Ratio		0.00	0.00	0.00	2,116.17	0.00
Liquidity Reserve Ratio			22.11	32.68	34.27	37.41	44.82
Loans to Parties with Material Relationship with the Bank			29,352,134	30,111,946	26,577,119	26,622,691	25,393,089
Ratio of Loans to Parties with Material Relationship with the Bank to Total Loans			0.82	0.98	0.88	0.94	0.94
Operating Scale	Market Share of Assets		8.87	8.53	8.78	8.98	9.22
	Market Share of Net Worth		8.79	8.98	8.82	9.05	8.01
	Market Share of Deposits		8.66	8.41	8.98	9.36	10.04
	Market Share of Loans		8.93	8.36	8.71	8.57	8.52

Notes are the same as page 88 ~ 89.

Adequacy of Capital

Unit: NT\$1,000

Year			2022	2021	2020	2019	2018
Items							
Regulatory Capital	Common Stocks Equity		305,202,251	294,229,293	288,306,427	260,398,368	209,451,511
	Other Total Tier 1 of Non-Common Stocks Equity						
	Tier 2 Capital		54,483,022	33,023,120	40,361,717	37,174,652	41,031,241
	Regulatory Capital		359,685,273	327,252,413	328,668,144	297,573,020	250,482,752
Total Risk-Weighted Assets	Credit Risk	Standardized Approach	2,255,525,803	1,983,680,458	2,062,529,245	1,955,312,649	1,818,059,477
		Internal Ratings-Based Approach					
		Securitization	431,336	560,578	439,884	291,897	438,445
	Operational Risk	Basic Indicator Approach					
		Standardized Approach/ Alternative Standardized Approach	62,008,213	63,048,988	64,279,938	63,628,550	64,333,363
		Advanced Measurement Approach					
	Market Risk	Standardized Approach	81,314,025	98,239,575	70,603,450	82,580,325	112,738,688
		Internal Model Approach					
	Total Risk-Weighted Assets		2,399,279,377	2,145,529,599	2,197,852,517	2,101,813,421	1,995,569,973
	Capital Adequacy Ratio (%)			14.99	15.25	14.95	14.16
Ratio of Tier 1 Capital to Risk Assets (%)			12.72	13.71	13.12	12.39	10.50
Ratio of Common Stocks Equity to Risk Assets (%)			12.72	13.71	13.12	12.39	10.50
Leverage Ratio (%)			5.02	5.48	5.46	5.08	4.12

Notes: 1. Figures for 2018 to 2022 are CPA approved.

2. The definition of Regulatory capital, Total risk-weighted assets and Exposure measure hereby shall be in compliance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Methods for Calculating Bank's Regulatory Capital and Risk-Weighted Assets."

3. Formulae used in calculations:

(1) Regulatory capital = Common stocks equity + Other total Tier 1 of non-common stocks equity + Tier 2 capital

(2) Total risk-weighted assets = Credit risk-weighted assets + (Operational risk + Market risk) Capital requirement $\times$ 12.5

(3) Capital adequacy ratio = Regulatory capital / Total risk-weighted assets

(4) Ratio of Tier 1 capital to risk assets = (Common stocks equity + Other total Tier 1 of non-common stocks equity) / Total risk-weighted assets

(5) Ratio of common stocks equity to risk assets = Common stocks equity / Total risk-weighted assets

(6) Leverage ratio = Net Tier 1 capital / Exposure measurement

III. Statement by the Audit Committee

Please refer to page 98 of the Chinese annual report.

IV. Financial Statements of Recent Years, and Independent Auditors' Report

Independent Auditors' Report

To the Board of Directors of Bank of Taiwan:

Opinion

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

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the the Bank and subsidiary as at December 31, 2022 and 2021, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China ("FSC").

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Ruling No. 10802731571 issued by the FSC 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 Bank and subsidiary in accordance with the Norm of Professional Ethics for Certified Public Account of 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 of our opinion.

Emphasis of Matter

In accordance with the auditing regulations in Taiwan, the financial statements of the Bank and subsidiary are required to be audited by the Ministry of Audit (the "MoA"). The financial statement for the financial year ended December 31, 2021 has been audited and approved by the MoA. The adjustments made by the MoA are reflected in the financial statement. For further information, please see note 16(b). Our opinion is not modified in respect of this matter.

Other Matter

As stated in note 6(j) of the consolidated financial statements, we did not audit the financial statements of Hua Nan Financial Holdings Co., Ltd. and Tai Yi Real Estate Co., Ltd. of investments in associates accounted for using equity method of the Bank and subsidiary amounting to NT\$39,263,825 thousand and NT\$42,633,917 thousand as of December 31, 2022 and 2021, respectively, constituting 0.64% and 0.77% of the related consolidated total assets; nor the related shares of investment profit in associates accounted for using equity method of NT\$3,681,099 thousand and NT\$3,658,951 thousand for the years then ended, respectively, constituting 8.60% and 9.37% of the related consolidated net revenue. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts includes above, is based solely on the report of the other auditors.

We have also audited the separated financial statements of Bank of Taiwan as of 2022 and 2021, and have issued an unmodified 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. The assessment of impairment of financial assets

Please refer to Note 4(l) “Impairment of assets” for related accounting policy, Note 5(c) “The evaluation of financial asset impairments” for the uncertainty of accounting assumptions and estimations, and Note 8 “Financial risk management” for the details of the evaluation of financial asset impairments.

Description of key audit matters

When assessing whether there is any indication that the financial assets other than measured at fair value through profit or loss may be impaired based on IFRS 9, the Bank and subsidiary rely on management for considering all kinds of observable data and using the expected credit loss model, including probability of default, loss of default, exposure at default and prospective economic factors, to calculate the impairment loss. The calculation process is complicated and involves the exercise of judgment. Eventually, the assumptions used may also affect the estimated amount significantly. Furthermore, the amount of financial assets which required impairment tests is material to the Bank and subsidiary as of December 31, 2022. Therefore, the assessment of impairment of financial assets has been identified as a key audit matter in our audit.

How the matter was addressed in our audit

Our principal audit procedures included (i) inspecting the internal guidelines of impairment assessment of credit and investment business, understanding the Bank's and subsidiary's procedures of the assessment of impairment of financial assets, and testing related internal control procedures; (ii) performing analytical procedures; (iii) assessing the reasonableness of the Bank's and subsidiary's assessment of impairment of financial assets and, if necessary, acquiring assistance from internal specialists; (iv) verifying the accuracy of loan loss provision based on “Regulations Governing the Procedures for Enterprises Engaging in Insurance to Evaluate Assets and Deal with Non performing/Non accrual Loans”; (v) assessing whether the impairment of financial assets is presented and disclosed fairly.

2. The valuation of financial instruments

Please refer to Note 4(f) “Financial instrument” for related accounting policy, Note 5(b) “The fair value valuation of non-active market or non-quoted financial instruments” for major sources of uncertainty for assumptions and estimation, and Note 7 “The fair value and fair value hierarchy of the financial instruments” for the details of valuation of financial instruments.

Description of key audit matters

The Bank and subsidiary hold the value of financial assets and liabilities, which shall be calculated by a model are classified as level 2 and level 3 except for which shall be calculated by an observable for active market are classified as level 1. The parameters of inputs which often involve the exercise of judgment in valuation process. The valuation of financial instruments may be misstated due to the use difference of valuation techniques and assumptions. The amount of financial asset and liabilities the Bank and subsidiary hold as of December 31, 2022 were significant. Therefore, the valuation of financial instruments has been identified as a key audit matter in our audit.

How the matter was addressed in our audit

Our main audit procedures included (i) reviewing accounting policy about the fair value of financial instruments measurement and disclosure, and performing an assessment over the investment cycle of its initial recognition, subsequent measurement and disclosures on financial statement; (ii) for the financial instruments measured at fair value with active market, sampling test of prices are quoted in an active market; (iii) sampling to test whether the fair value of the financial instruments measured at fair value without an active market are appropriate by re-calculating and obtaining the quoted price from counter parties or independent third parties, as well as appointing our valuation specialists to assess the reasonableness of the models and parameters the Bank used when deemed necessary; (iv) assessing whether the disclosure of financial instruments in accordance with International Financial Reporting Standards.

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 Budget Law, Account Settlement Law, Regulations Governing the Preparation of Financial Reports by Public Banks and with the IFRSs, IASs, interpretations as well as related guidance 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 Bank and subsidiary’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 and subsidiary 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 Bank's and subsidiary'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 auditor's 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 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 Bank's and subsidiary'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 and subsidiary'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 Bank 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 Bank and subsidiary 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.

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 audit resulting in this independent auditors' report are Lin Wu and Fu-Jen Chen.



KPMG

Taipei, Taiwan (Republic of China)
March 10, 2023

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

BANK OF TAIWAN AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2021		
		Amount	%	Amount	%	Amount	%	Amount	%	
11000	Cash and Cash Equivalents (notes 6(a), 8 and 10)	\$ 152,030,876	2	130,046,869	2	\$ 273,183,040	4	301,575,853	5	
11500	Placement with Central Bank and Call Loans to Banks (notes 6(b), 8, 10 and 11)	595,288,771	10	642,176,715	12	253,840,625	4	36,170,330	1	
12000	Financial Assets Measured at Fair Value through Profit or Loss (notes 6(c), 7, 8 and 10)	287,624,682	5	355,533,269	6	25,066,050	-	19,678,531	-	
12100	Financial Assets Measured at Fair Value through Other Comprehensive Income (notes 6(d), (q), 7, 8 and 11)	1,138,542,241	18	995,955,988	18	-	-	16,241	-	
12200	Debt Investments Measured at Amortized Cost (notes 6(i), (q), 7, 8 and 11)	276,063,085	4	164,929,574	3	23,857,909	-	3,987,215	-	
12300	Hedging Derivative Financial Assets, net (notes 6(e), 7 and 8)	9,467	-	-	-	47,327,496	1	42,483,843	1	
13000	Receivables, net (notes 6(g), 8 and 10)	55,471,096	1	58,784,555	1	1,448,625	-	1,666,707	-	
13200	Current Income Tax Assets	175,241	-	1,497,521	-	4,670,905,961	76	4,209,597,116	76	
13500	Loans and Discounts, net (notes 6(h), 8 and 10)	3,418,227,678	55	2,940,449,487	52	25,999,370	-	25,999,058	-	
15000	Investments under Equity Method, net (note 6(j))	40,484,622	1	43,880,527	1	548,381	-	423,216	-	
15500	Other Financial Assets, net (notes 6(g), (k), (q), 8 and 10)	27,441,000	-	30,159,160	1	432,704,782	8	476,726,992	10	
18500	Property and Equipment, net (notes 6(l), (q) and 8)	139,164,541	3	138,885,078	3	1,218,855	-	1,319,965	-	
18600	Right-of-use assets (note 6(m))	1,279,796	-	1,421,474	-	18,489,863	-	18,373,243	-	
18700	Investment Property (note 6(n))	15,238,207	-	15,238,207	-	8,321,581	-	8,199,245	-	
19000	Intangible Assets, net (notes 6(o) and 8)	1,134,142	-	1,053,368	-	5,782,912,538	93	5,146,217,555	93	
19300	Deferred Tax Assets (note 6(ad))	335,415	-	455,074	-	109,000,000	2	109,000,000	2	
19500	Other Assets, net (notes 6(p), (q), 8 and 10)	29,872,334	1	27,941,301	1	108,453,043	2	108,453,043	2	
Equity attributable to owners of parent (note 6(ac)):										
	Capital stock		31101		31101					
	Capital surplus		31500		31500					
Retained earnings:										
	Legal reserve		32001		32001		54,663,265	1	50,631,691	1
	Special reserve		32003		32003		49,933,409	1	44,559,358	1
	Unappropriated retained earnings		32005		32005		30,751,075	-	27,079,618	-
	Total retained earnings						135,347,749	2	122,270,667	2
	Other equity		32500		32500		42,669,864	1	62,466,902	1
	Total equity						395,470,656	7	402,190,612	7
Total liabilities and equity							\$ 6,178,383,194	100	\$ 5,548,408,167	100

BANK OF TAIWAN AND SUBSIDIARY
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2022		2021		Change
		Amount	%	Amount	%	%
Revenue and income:						
41000	Interest income (notes 6(af) and 10)	\$ 70,057,905	163	48,288,746	124	45
51000	Less: Interest expense (notes 6(af) and 10)	<u>34,835,741</u>	<u>81</u>	<u>18,650,703</u>	<u>48</u>	87
	Net interest income (note 6(af))	35,222,164	82	29,638,043	76	19
Non-interest income, net						
49100	Service fees ,net (notes 6(ag) and 10)	4,070,368	10	4,519,121	12	(10)
49200	Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (notes 6(ah) and 10)	(61,355,261)	(143)	50,909,669	130	(221)
49310	Realized gains from financial assets measured at fair value through other comprehensive income (note 6(ai))	4,588,552	11	4,455,998	11	3
49450	Net gain from derecognition of financial assets measured at amortized cost (note 6(ii))	1,727	-	-	-	-
49600	Foreign exchange gain (loss) (notes 6(aj) and 10)	16,234,086	38	(2,002,749)	(5)	911
49700	Gain on reversal (provision) of impairment loss on assets (notes 6(l) and (q))	(19,224)	-	6,435	-	(399)
49750	Share of profit (loss) of associates and joint ventures accounted for using equity method (note 6(j))	3,633,028	8	3,997,933	10	(9)
49837	Net premium (note 6(ak))	(6,715,208)	(16)	663,748	2	(1,112)
49843	Sales income (notes 6(q) and (ak))	507,814	1	411,131	1	24
48054	Subsidized income from government (notes 6(ak) and 16)	9,207,821	22	7,721,076	20	19
49898	Excess preferential interest expenses (notes 6(g) and (ak))	(5,811,768)	(14)	(6,842,858)	(18)	15
49871	Provisions for (reservel of) policyholders' premium (note 6(ak))	43,014,084	101	(54,486,760)	(139)	179
49899	Other miscellaneous income, net (notes 6(aa), (ak) and 10)	<u>201,597</u>	<u>-</u>	<u>51,524</u>	<u>-</u>	291
	Net Revenue	<u>42,779,780</u>	<u>100</u>	<u>39,042,311</u>	<u>100</u>	10
58200	Bad debts expense, commitment and guarantee liability provision (note 6(h))	<u>(624,714)</u>	<u>(1)</u>	<u>(261,249)</u>	<u>(1)</u>	139
Expenses: (note 16)						
58500	Employee benefits expenses (notes 6(aa), (al) and 10)	(13,967,748)	(33)	(13,840,124)	(35)	1
59000	Depreciation and amortization expenses (note 6(am))	(1,942,453)	(5)	(1,856,878)	(5)	5
59500	Other general and administrative expenses (notes 6(an) and 10)	<u>(7,055,292)</u>	<u>(16)</u>	<u>(6,120,818)</u>	<u>(16)</u>	15
	Total Expenses	<u>(22,965,493)</u>	<u>(54)</u>	<u>(21,817,820)</u>	<u>(56)</u>	5
Profit from continuing operations before tax		19,189,573	45	16,963,242	43	13
61003	Less: Income tax expenses (note 6(ad))	<u>2,143,696</u>	<u>5</u>	<u>1,682,081</u>	<u>4</u>	27
	Net profit	<u>17,045,877</u>	<u>40</u>	<u>15,281,161</u>	<u>39</u>	12
Other comprehensive income:						
65200	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
65201	Losses on remeasurements of defined benefit plans	337,568	1	(1,897,206)	(5)	118
65205	Change in fair value of financial liability attributable to change in credit risk of liability	24,698	-	66,727	-	(63)
65204	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(5,360,932)	(13)	13,691,633	35	(139)
65206	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(436,309)	(1)	690,083	2	(163)
65220	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>(5,434,975)</u>	<u>(13)</u>	<u>12,551,237</u>	<u>32</u>	(143)
65300	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
65301	Exchange differences on translation of foreign financial statements	1,684,083	4	(339,843)	(1)	596
65308	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(12,456,246)	(29)	(5,109,095)	(13)	(144)
65306	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(4,402,402)	(10)	(1,213,672)	(3)	(263)
65320	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>(25,683)</u>	<u>-</u>	<u>(4,714)</u>	<u>-</u>	(445)
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(15,148,882)</u>	<u>(35)</u>	<u>(6,657,896)</u>	<u>(17)</u>	(128)
65000	Other comprehensive income	<u>(20,583,857)</u>	<u>(48)</u>	<u>5,893,341</u>	<u>15</u>	(449)
	Total comprehensive income	<u>\$ (3,537,980)</u>	<u>(8)</u>	<u>21,174,502</u>	<u>54</u>	(117)
	Basic earnings per share(In dollars)	<u>\$ 1.56</u>		<u>1.40</u>		

See accompanying notes to consolidated financial statements.

BANK OF TAIWAN AND SUBSIDIARY
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 19,189,573	16,963,242
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,605,260	1,543,919
Amortization expense	390,841	365,349
Expected credit loss	624,714	261,249
Interest expense	34,835,741	18,650,703
Interest income	(70,057,905)	(48,288,746)
Dividend income	(11,703,882)	(9,165,666)
Net change in other provisions	(43,014,084)	54,486,006
Share of profit of associates and joint ventures accounted for using equity method	(3,633,028)	(3,997,933)
Loss on disposal of property and equipment	41,826	32,995
Impairment loss (Reversal profit) on financial assets	19,532	(20,140)
Impairment loss on non-financial assets	(308)	13,705
Total adjustments to reconcile profit	(90,891,293)	13,881,441
Changes in operating assets and liabilities:		
Decrease (increase) in due from the central bank and call loans to banks	104,372,390	(4,784,509)
Decrease (increase) in financial assets measured at fair value through profit or loss	56,352,746	(41,295,627)
Increase in financial assets measured at fair value through other comprehensive income	(61,943,205)	(100,484,817)
Increase in investments in debt instruments measured at amortised cost	(110,172,332)	(3,947,260)
Increase in financial assets for hedging	(9,467)	-
Decrease (increase) in receivables	10,087,906	(7,086,297)
Increase in discounts and loans	(478,333,564)	(71,556,827)
Decrease in other financial assets	2,718,160	7,604,108
Decrease (increase) in other assets	980,476	(12,107,050)
(Decrease) increase in deposits from the central bank and banks	(28,392,813)	33,128,145
Increase (decrease) in financial liabilities measured at fair value through profit or loss	5,387,519	(12,658,747)
Decrease in financial liabilities for hedging	(16,241)	(33,653)
Increase (decrease) in notes and bonds issued under repurchase agreement	19,870,694	(2,430,873)
(Decrease) increase in payables	(17,844)	1,965,756
Increase in deposits and remittances	461,308,845	36,858,276
(Decrease) increase in provisions for employee benefits	(981,222)	2,085,251
(Decrease) increase in other liabilities	(308,225)	68,667
Total adjustments	(109,987,470)	(160,794,016)
Cash outflow generated from operations	(90,797,897)	(143,830,774)
Interest received	63,266,717	49,985,936
Dividends received	13,828,350	9,892,843
Interest paid	(29,973,932)	(19,786,527)
Income taxes paid	(803,219)	(314,339)
Net Cash flows used in operating activities	(44,479,981)	(104,052,861)
Cash flows from (used in) investing activities:		
Acquisition of property and equipment	(1,299,349)	(717,337)
Increase in refundable deposits	(2,853,904)	-
Decrease in refundable deposits	-	755,644
Acquisition of intangible assets	(470,322)	(436,487)
Net cash flows used in investing activities	(4,623,575)	(398,180)
Cash flows from (used in) financing activities:		
Increase in due to the central bank and banks	217,670,295	20,320,930
Proceeds from issuing bank financial debentures	-	1,000,000
Increase in guarantee deposits received	430,561	-
Decrease in guarantee deposits received	-	(3,086,170)
Payment of lease liabilities	(484,326)	(603,246)
Increase (decrease) in other financial liabilities	125,165	(501,455)
Cash dividends paid	(3,300,000)	(2,181,976)
Net cash flows from financing activities	214,441,695	14,948,083
Effect of exchange rate changes on cash and cash equivalents	2,363,860	(462,040)
Net increase (decrease) in cash and cash equivalents	167,701,999	(89,964,998)
Cash and cash equivalents at beginning of period	835,223,421	925,188,419
Cash and cash equivalents at end of period	\$ 1,002,925,420	835,223,421
Composition of cash and cash equivalents:		
Cash and cash equivalents reported in the statement of financial position	\$ 152,030,876	130,046,869
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	318,411,878	260,912,556
Other items qualifying for cash and cash equivalents under the definition of IAS 7	532,482,666	444,263,996
Cash and cash equivalents at end of period	\$ 1,002,925,420	835,223,421

See accompanying notes to consolidated financial statements.

BANK OF TAIWAN AND SUBSIDIARY

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Organization and Business Scope

Bank of Taiwan (the Bank) was incorporated on May 20, 1946 and transformed into a corporate entity since July 1, 2003, as approved by the Ministry of Finance on April 24, 2003, and became a public company from September 16, 2004.

On November 18, 2005, the House of Administration (Executive Yuan) authorized the merger of the Bank and the Central Trust of China. The merger plan was approved by the Fair Trade Commission, the Executive Yuan, and the Ministry of Finance. On December 22, 2006, the Financial Supervisory Commission, Executive Yuan, reauthorized the merger and indicated the Central Trust of China was the dissolved party and the Bank was the surviving party. The merger was accomplished on July 1, 2007.

On January 1, 2008, the Ministry of Finance organized Taiwan Financial Holding Co., Ltd. in accordance with the Act of Taiwan Financial Holding Co., Ltd., and the Bank is its subsidiary.

On January 2, 2008, the Bank decreased its capital by \$8 billion and split off its part of business and assets to set up two other subsidiaries of Taiwan Financial Holding Co., Ltd. (Taiwan Financial Holdings): BankTaiwan Securities Co., Ltd. (BankTaiwan Securities) and BankTaiwan Life Insurance Co., Ltd. (BankTaiwan Life Insurance), whose capital was \$3 billion and \$5 billion, respectively.

The Bank is primarily involved in (a) all commercial banking operations allowed under the Banking Law; (b) foreign exchange operations allowed under the Foreign Exchange Regulation Act; (c) operations of offshore banking unit allowed under the Offshore Banking Act; (d) savings and trust operations; (e) overseas branch operations authorized by the respective foreign governments; and (f) other operations as authorized by the central competent authority in charge.

The Bank's Trust department is engaged in the planning, management and operation of trusts under the Banking Law and Trust Law, along with the investment of overseas securities and trust funds.

In accordance to the Bank's policy approved by the Government, the Bank's mission's is to perform all functions in providing stable financial environment, contribute to the economic infrastructure and develop manufacturing industries. The Bank manages public treasury and ensures the smooth settlement of national operations, which later translated into providing normal banking facilities and managing business operations associated with the issuance of banknotes as Central Bank of the Republic of China was later promulgated in July, 1961. The relationship between the Bank and the Central Bank remained closely attached. Among the financial institutions in Taiwan, the Bank has always maintained its importance in the financial industry.

The assets of the Bank have continuously increased through revaluations of its legal and special reserve over the period since the Government provided the capital for the establishment of the Bank. After the currency revolution in June 1949, the Government approved \$5 million as the Bank's capital in May 1950; \$100 million in May 1954; \$300 million in August 1963; \$600 million in September 1967; \$1 billion in May 1973; \$2 billion in September 1977; \$4 billion in September 1980; \$8 billion in November 1982; \$12 billion in May 1990; \$16 billion in April 1992; \$22 billion in December 1994; \$32 billion in August 1998; \$48 billion in September 2002; \$53 billion in July 2007; \$45 billion in January 2008; \$70 billion in November 2010; \$95 billion in October 2014 and \$109 billion in September 2019.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

As the Bank is funded by the government, the execution and compliance with government policies is of importance to the Bank. The economy of Taiwan has developed considerably from the 50s and the Bank has contributed by supporting the planning and implementation of many medium to long term infrastructure. Through the years, the Government has actively increased strategic and critical industrial development. The Bank has similarly increased its support for the fund needed for such infrastructure in compliance with the Government policy.

The Bank has its Head Office in Taipei, and the Bank has established domestic and worldwide branch offices for expansion of various banking services. As of December 31, 2022, in addition to the Department of Planning, Department of Corporate Finance, Department of Credit Management, Department of Consumer Finance, Department of Treasury, Department of Business, Department of Circulation, Department of Public Treasury, Department of International Banking, Department of Trusts, Department of Electronic Banking, Department of Risk Management, Department of Wealth Management, Department of Loan Management, Department of Real Estate Management, Department of Procurement, Department of Precious Metals, Department of Government Employees Insurance, Department of Domestic Operations, Department of Credit Analysis, Department of Auditing Board of Directors, Secretariat, Department of General Affairs, Department of Accounting, Department of Human Resources, Department of Ethics, Department of Information Management, Department of Compliance, Department of Cyber Security, Board Secretariat, Department of Economic Research and Training Institute. There were 163 domestic branches, 1 offshore banking unit, 11 overseas branches, 1 subbranch (in Shanghai Jiading), 10 representative offices (in Mumbai, Yangon and Silicon Valley, Bangkok, Frankfurt, Manila, Ho Chi Minh City, Djakarta, Kuala Lumpur and Phoenix City).

The Bank invested \$20 million dollars to set up a subsidiary, BankTaiwan Insurance Brokers, which was approved on January 23, 2013 and officially set up on February 6, 2013.

The parent company of the Bank is Taiwan Financial Holding Co., Ltd.

The consolidated financial statements as of December 31, 2022 include the accounts of the Bank and subsidiary (hereby referred as the Bank and subsidiary).

(2) Financial statements authorization date and authorization process:

The consolidated financial statements were approved by Audit Committee on March 09, 2023 and Board of Directors on March 10, 2023.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(3) New Standards, Amendments and Interpretations Adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Bank and subsidiary has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(b) The impact of IFRS issued by the FSC but not yet effective

The Bank and subsidiary assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Bank and subsidiary does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"
- IFRS16 "Requirements for Sale and Leaseback Transactions"

(Continued)

(4) Significant accounting policies:

(a) Statement of compliance

The Bank and subsidiary is a public company. The Bank and subsidiary set up their accounting policies and prepared financial statements according to the Regulations Governing the Preparation of Financial Reports by Public Banks, the International Financial Reporting Standards, the International Accounting Standards and the IFRS interpretation.

The Bank and subsidiary are government owned enterprises, so its accounting practices mainly follow the Budget Law and Account Settlement Law. The annual financial statements are audited by the Ministry of Audit (the MoA) to ensure that the Bank and subsidiary comply with the budget approved by the Legislative Yuan, the parliament of ROC Taiwan. The financial statements become final only after such an endorsement by the MoA.

The financial statements of 2021 have been certified by the MoA; hence, the opening balances in consolidated balance sheets of 2022 and 2021 are according to the audited year-end balances of 2021 and 2020. Please refer to Note 16(b) for the government audit adjustments.

(b) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Bank and subsidiary. The financial statements of its subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(ii) List of subsidiaries in the consolidated financial statements

Name of Investor Bank of Taiwan	Name of Subsidiary Bank Taiwan Insurance Brokers ("BTIB")	Shareholdings	
		December 31, 2022	December 31, 2021
	Principal activities Life and Property insurance broker	100.00 %	100.00 %
	Note		

(c) Basis of preparation

(i) Basis of measurement

The consolidated financial statements are prepared on a historical cost basis, except for the following items.

- 1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments);
- 2) Financial assets measured at fair value through other comprehensive income;
- 3) Derivative financial instruments designated as hedges which are measured at fair value;
- 4) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(p).

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- (ii) Functional and presentation currency
- The functional currency of the Bank's and subsidiary's entities are determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollars, the functional currency of the Bank. All financial information represented in New Taiwan Dollars has been rounded to the nearest thousand.
- (d) Foreign currency
- (i) Foreign currency transactions
- Transactions in foreign currencies are translated to the respective functional currencies of the Bank and subsidiary at the exchange rates of the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.
- Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.
- Exchange differences are generally recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:
- 1) equity instruments measured at fair value through other comprehensive income;
 - 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
 - 3) qualifying cash flow hedges to the extent the hedge is effective.
- (ii) Foreign operations
- The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Bank's and subsidiary's functional currency at the exchange rates of the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Bank's and subsidiary's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Bank and subsidiary dispose of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Bank and subsidiary dispose of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.
- When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.
- (e) Cash and cash equivalents
- For consolidated balance sheets, Cash and cash equivalents include cash on hand, due from banks, demand deposits and highly liquid investments that are readily convertible into known amount of cash and which are subject to insignificant risk of change in value. The aforementioned time deposits which are held for short-term cash commitment rather than investment or other purposes are recognized as cash equivalents.
- For consolidated statement of cash flows, cash and cash equivalents refer to cash and cash equivalents presented in consolidated statement of balance sheet, deposit in the central bank, call loans to banks, and investments which are in accordance with the definition of cash and cash equivalents in the International Accounting Standards 7 accepted by the FSC.
- (f) Financial instruments
- Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Bank and subsidiary become a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.
- (i) Financial assets
- All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.
- On initial recognition, a financial asset is classified into the following categories: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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The Bank and subsidiary shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

- 1) Financial assets measured at amortized cost (including cash and cash equivalent, placement with central bank and call loans to banks, discounts and loans, receivables, other financial assets and guarantee deposits paid)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

- 2) Fair value through other comprehensive income ("FVOCI")

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Bank and subsidiary may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Bank's and subsidiary's right to receive payment is established.

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- 3) Fair value through profit or loss ("FVTPL")

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Bank and subsidiary may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

- 4) Business model assessment

The Bank and subsidiary make an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning the contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's and subsidiary's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Bank's and subsidiary's continuing recognition of the assets.

- 5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY

Notes to the Consolidated Financial Statements

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank and subsidiary consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Bank and subsidiary consider:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Bank's and subsidiary's claim to cash flows from specified assets (e.g. non-recourse features)

6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Bank and subsidiary transfer substantially all the risks and rewards of ownership of the financial assets.

The Bank and subsidiary enter into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Bank and subsidiary are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Compound financial instruments

Compound financial instruments issued by the Bank and subsidiary comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY

Notes to the Consolidated Financial Statements

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Bank and subsidiary derecognize a financial liability when its contractual obligations are discharged or cancelled, or expire. The Bank and subsidiary also derecognize a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Bank and subsidiary currently have a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

7) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of: (a) the amount of the loss allowance determined in accordance with IFRS 9; and (b) the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out below.

(iii) Derivative financial instruments and hedge accounting

The Bank and subsidiary hold derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Bank and subsidiary choose to continue to apply the hedge accounting requirements of IAS 39.

The Bank and subsidiary designate certain hedging instruments as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At initial designated hedging relationships, the Bank and subsidiary document the risk management objectives and strategy for undertaking the hedge. The Bank and subsidiary also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged items and hedging instrument are expected to offset each other.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

(iv) Interest Rate Benchmark Reform—Phase 2

1) Modifications to the financial instruments

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Bank and subsidiary will update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform.

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A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Bank and subsidiary will first update the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Thereafter, the Bank and subsidiary will apply the policies on accounting for modifications to the additional changes.

2) Hedge accounting

a) Modifications to the hedged item /financial instruments

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Bank and subsidiary will amend the hedge documentation of that hedging relationship to reflect the changes required by IBOR reform. For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

The Bank and subsidiary amend the description of the hedging instrument only if the following conditions are met:

- it makes a change required by IBOR reform by using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument;
- the original hedging instrument is not derecognized; and
- the chosen approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument.

The Bank and subsidiary amend the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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If changes are made in addition to those changes required by IBOR reform described above, then the Bank and subsidiary will first consider whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Bank and subsidiary will amend the formal hedge documentation for changes required by IBOR reform as mentioned above.

b) Non-contractually specified risk component

If the Bank and subsidiary reasonably expect an alternative benchmark interest rate will be separately identifiable within a period of 24 months, that rate is not a separately identifiable component at the date it is designated. The Bank and subsidiary should designate the alternative benchmark interest rate as a non-contractually specified risk component.

(g) Investments in associates

Associate refers to an entity in which the Bank, TFH and its subsidiaries hold 20% of the voting power or less than 20% of the voting power but have significant influence. If the Bank and subsidiary have rights on the finance and operating policy decisions but not control or joint control these decisions, it is presumed that the Bank and subsidiary have significant influence.

The Bank and subsidiary use equity method for investments in associates. Under the equity method, an equity investment is initially recorded at cost. In the subsequent period, the carrying amount of the investments is adjusted by the share of the profit or loss of the associate and the distributions received. Besides, the Bank and subsidiary recognize the changes according to the holding shares.

If the Bank and subsidiary dispose the investment and loss significant influence, the residual investments shall be remeasured at fair value of the disposal date. The difference between the fair value of the residual investment plus the disposal price and the original carrying amount of the investment at that date is recognized in income statement. The related other comprehensive income is reclassified as profit or loss.

The associate issues additional share capital, but the Bank and subsidiary do not participate in the share issue on a pro-rata basis. It will lead to change in holding, but the Bank and subsidiary still have significant influence. As a result, the Bank and subsidiary shall adjust the APIC and investments in equity method accounts according to the changes in net assets of the associate.

Gains and losses resulting from transactions between the Bank and subsidiary and an associate are recognized only to the extent of unrelated the Bank's and subsidiary's interests in the associate.

When the Bank and subsidiary's share of losses exceed its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Bank and subsidiary have an obligation or have made payments on behalf of the investee.

(Continued)

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(h) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

(ii) Reclassification to investment property

When there is a change in use, the Bank and subsidiary treat the owner-occupied property as investment property; the property shall be reclassified to investment property at carrying amount from then on.

(iii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Bank and subsidiary.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property and equipment.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

Buildings	8 to 55 years
Machinery and equipment	2 to 20 years
Transportation equipment	2 to 15 years
Miscellaneous equipment	2 to 25 years
Leasehold improvements	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(Continued)

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(i) Lease

At inception of a contract, the Bank and subsidiary assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Bank and subsidiary recognize a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Bank's and subsidiary's incremental borrowing rate. Generally, the Bank and subsidiary use its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Bank and subsidiary's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

(Continued)

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Bank and subsidiary account for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Bank and subsidiary present right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Bank and subsidiary have elected not to recognize right-of-use assets and lease liabilities for short-term leases. The Bank and subsidiary recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Bank and subsidiary elect not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, December 1, 2022; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a lessor

When the Bank and subsidiary act as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Bank and subsidiary make an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Bank and subsidiary consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Bank and subsidiary choose not to allocate the consideration in the contract.

(Continued)

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(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for its intended use, and capitalized borrowing costs.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

(k) Intangible assets

(i) Computer Software

The Bank and subsidiary measure the computer software at cost less accumulated amortization and accumulated loss.

(ii) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with all indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Computer software

5 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

Intangible asset is derecognized when disposed or expected that the usage or disposal will not generate economic benefit in the future. The resulted gain or loss is recognized in the income statement.

(Continued)

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(l) Impairment of Assets

(i) Impairment of financial assets

The Bank and subsidiary recognize loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, placement with central bank and call loans to banks, amortized costs, discounts and loans, receivables, loans, margins or security deposits, and other financial assets) and debt investments measured at fair value through other comprehensive income.

At each reporting date, the Bank and subsidiary assess whether the credit risk of a financial asset has increased significantly since initial recognition. If the credit risk has increased significantly since initial recognition or the financial assets are credit impaired, the Bank and subsidiary should measure loss allowance for financial assets at an amount equal to lifetime ECL at each reporting date; if the credit risk has not increased significantly since initial recognition, the Bank and subsidiary measure loss allowance for financial assets as 12 month ECL at reporting date.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank and subsidiary are exposed to credit risk.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank and subsidiary in accordance with the contract and the cash flows that the Bank and subsidiary expect to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Bank and subsidiary recognize the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Bank and subsidiary determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank and subsidiary' procedures for recovery of amounts due.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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The Bank categorize and recognize allowance for doubtful accounts according to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and the Bank's evaluation guidelines. The Bank use the higher amounts of these two rules above as allowance for doubtful accounts to comply with the legal minimum allowance. The Bank recognize additional allowance for doubtful accounts further in accordance with its guidelines to strengthen the Bank's risk tolerance.

Period of loans under one year is recognized as short-term; over one year but under seven years is recognized as medium-term; over seven years is recognized as long-term. Loans with fully mortgage, pledge or other legal guarantee object are recognized as secured loans. Non-performing loans refer to loans whose repayment of principal or interest have been overdue for more than 3 months, as well as any loan whose principal debtors and surety have been sued for non-payment or the underlying collateral has been disposed, although the repayment of principal or interest have not been overdue for more than 3 months. All non-performing loans shall be transferred to non-accrual loans account item within six months after the end of the payment period. However, those restructured loans to be performed in accordance with the agreement shall not be subject to this restriction. Interest shall not be accrued to non-performing loans that are transferred to non-accrual loans account item. However, loan collection shall continue as per the terms of the relevant agreement, and accrued interest shall continue to be posted to the interest column of the non-accrual loans account for each borrower, or a notation of such shall be made.

The write-off of non-performing loans and non-accrual loans shall be audited by auditing department, and then be authorized by the general manager and the Board of Managing Directors / Directors. Also, the audit committee shall be notified. If the write-off is authorized by the Board of Managing Directors, it should be reported to the Board of Directors for future reference additionally. When recovering non-accrual loans, the Bank should credit account "allowance for doubtful accounts."

(ii) Impairment loss of non financial assets

At each reporting date, the Bank and subsidiary review the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

(Continued)

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Provision

(i) The Bank and subsidiary must recognize a provision if, and only if:

- 1) There is a legal or constructive present obligation as a result of a past event, and
- 2) Payment is probable, and
- 3) The amount can be reliably estimated.

(ii) The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In reaching its best estimate, the Bank and subsidiary shall take into account the risks, uncertainties that surround the underlying events and the time value of the currency.

(iii) The Bank and subsidiary evaluate the provision at every end of the reporting date, and adjust the carrying amount according to the best estimation.

(n) Other reserves

Provision for civil servants', teachers' and labor's insurance: The Bank recognizes the surplus of the insurance as provision and withdraws when there is a deficit according to the "Civil Servant and Teacher Insurance Act" and "Guidelines for Management and Employment of Public Servants and Teachers Insurance Reserve".

(o) Revenue and expense recognition

Revenue is measured based on the consideration to which the Bank expects to be entitled in exchange for transferring goods or services to a customer. The Bank recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

(i) Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary operating activities of an entity when those inflows result in increases in equity, other than increase relating to contributions from equity participants.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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(ii) The amount of revenue arising on a transaction is usually determined by agreement between the entity and the buyer or user of the asset. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity. Revenue shall be recognized when all of the following criteria have been satisfied:

- 1) the seller has transferred to the buyer the significant risks and rewards of ownership.
- 2) it is probable that the economic benefits associated with the transaction will flow to the seller
- 3) the costs incurred or to be incurred in respect of the transaction can be measured reliably,
- 4) the seller retains neither continuing managerial involvement to degree usually associated with ownership nor effective control over the goods sold, and
- 5) the amount of revenue can be measured reliably.

(iii) Except for the financial assets and liabilities at fair value through profit and loss, the interest revenue and interest expense caused by the interest-bearing financial assets or liabilities are calculated by effective interest method. For loans and receivables, the Bank and subsidiary shall consider the materiality principle to decide to measure the interest by agreed interest rate or effective interest rate.

(iv) Service fee income and expense

- 1) The service fee income arising from offering loan service or other services shall be recognized in the accounting period in which the services are rendered.
- 2) The service fee or expense arising from the loan service shall be amortized in the service period or taken into account for calculating the effective interest of loans and receivables in accordance with the materiality principle.

(v) Dividend revenue: it shall be recognized if and only if the Bank and subsidiary have right to receive the dividend revenue.

(vi) According to the "Civil Servant and Teacher Insurance Act", if GESSI experiences a loss, the loss before May 31, 1999 would be covered by the Ministry of Finance; and the loss after that date would be covered by an adjustment of the insurance premium.

(vii) Revenue and expense that relate to the same transaction or other event are recognized simultaneously; this process is commonly referred to as the matching of revenue and expense.

(p) Employee benefit

(i) Short-term employee benefit

The payroll, annual bonus, paid annual leave, interest expense arising from preferential interest rate and non-monetary benefit are recognized in the accounting year in which the services are rendered by employees.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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(ii) Employee benefit

1) Employee pension:

The grant of employees' pension comprises: a) the contributions made by the Bank at the rate from 4% to 8.5% of the employee's monthly wage under Article 8 (depending on the employee's 'salary point' and service period before the Labor Standards Act was applied) of the aforementioned regulations. (The Bank ceased to continue the contributions mentioned above after the Labor Standards Act was applied.) The Bank also contributed 3% of the total amount of the wages as reserve. b) the contributions calculated based on the employee's monthly wage and service period (after May 1, 1997) in accordance with Article 5 and the related regulations set forth in the Labor Standards Act. All the contributions are made to the fund managed by the Pension Supervision Committee for future payments.

2) Labor pension:

Labor Pension is a defined contribution pension plan. The grant of labors' pension is conducted under the Bank's Work Rules before the Labor Standards Act was applied. Under Article 49 of the Rules, the service period before and after May 1, 1997 is accumulated in accordance with the Rules and the Labor Standard Act, respectively. The contributions calculated at a certain rate under Labor Pension are made to a designated Labor Retirement Reserve Account for future payments. In addition, the Bank is required to allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act effective July 1, 2005.

3) For defined contribution plan, the employer has no further legal or constructive obligation to pay further contributions in accordance with the Labor Pension Act.

4) For the definite benefit plan, the independent actuary of the Bank and subsidiary use the projected unit credit method to calculate the present value of the defined benefit obligation and the current service cost. The present value of the defined benefit obligation is the projected future cash flow discounted by the market yields at the end of the reporting period on the bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid. Prior period servicing costs should recognize in profit or loss immediately. Remeasurements of the net defined benefit liability (asset) include (a) actuarial gains or losses, (b) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The amounts recognized in other comprehensive income will not be reclassified subsequently to profit or loss. The Bank and subsidiary could transfer the amounts recognized in other comprehensive income to equity. The Bank and subsidiary decided to recognize remeasurements of the defined benefit plan to retained earnings.

5) The oversea branches of the Bank abide by the foreign government's regulations.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(iii) Preferential interest deposits

- 1) The Bank and subsidiary provide their employees the preferential interest deposits, including that for current employees and retired employees. The difference between the preferential interest rate and the market rate are the employee benefit.
- 2) In accordance with the Article 28 of the Regulations Governing the Preparation of Financial Reports by the Public Banks, if the preferential interest rate for retired employees exceeds the market rate, the Bank and subsidiary shall calculate the excess interest using the actuarial method by adopting the IAS 19 when the employees retire. However the actuarial assumptions shall follow the government's related regulations. For the preferential interest deposits paid for current employees, the Bank and subsidiary shall calculate the interest monthly on accrual basis. The different amount of the preferential interest rate and market interest rate is recognized under the preferential interest account in the comprehensive Income statement.

(iv) Other employee's retirement benefits

- 1) Include survivors benefit, and special benefits to retired employees who were paid pension in early times.
- 2) It belongs to the definite benefit plan, and the independent actuary uses the projected unit credit method to calculate the present value of the defined benefit obligation and the current service cost. The present value of the defined benefit obligation is the projected future cash flow discounted by the market yields at the end of the reporting period on the bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid. Prior period servicing costs should recognize in profit or loss immediately. Remeasurements of the net defined benefit liability (asset) include (a) actuarial gains or losses, (b) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The amounts recognized in other comprehensive income will not be reclassified subsequently to profit or loss. The Bank and subsidiary could transfer the amounts recognized in other comprehensive income to equity. The Bank and subsidiary decided to recognize remeasurements of the defined benefit plan to retained earnings.

(q) Income tax

In accordance with the Article 49 of the Financial Holding Company Act and the Income Tax Act, the TFH has elected to jointly file a profit-seeking enterprise income tax return since 2009. To file a joint return, each domestic subsidiary shall separately handle its own tax matters and then report the results to its parent company. Therefore, the Bank and subsidiary measure its income tax liabilities separately according to the IAS 12 "Income Tax" and then report them to the TFH for tax filing.

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The Bank and subsidiary are government-owned enterprises by the Ministry of Finance, so its income tax liabilities shall be calculated based on the amount audited by the Minister of Audit. In addition, according to the Tai Cai Shui No. 910456521 issued by Ministry of Finance on October 30, 2002, the Bank and its parent company, the TFH, who files a consolidated tax return are 100% owned by the government and hence it is not required to calculate and file the tax on the undistributed earnings or profits.

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years.

The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Bank and subsidiary have a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Earnings per share

Basic earnings per share: The earnings per share is computed by dividing the net income or loss by the weighted average number of common stocks outstanding over the reporting term.

(s) Operating segments

An operating segment is a component of the Bank and subsidiary that engages in business activities that can generate revenues and expenses (including the revenues and expenses arising from inter-company transactions). The segments' operating results are reviewed regularly by the Bank's and subsidiary's chief operating officer in order to decide the resource allocation and assess the segments' performance. Each segment has separate financial information.

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BANK OF TAIWAN AND SUBSIDIARY
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- (5) **Significant Accounting Judgments, Estimations, Assumptions, and Sources of Estimation Uncertainty:**
- The preparation of the financial statements, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed by FSC, requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.
- Management continued to monitor the accounting assumptions, estimates and judgments. Management recognized the changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next period.
- Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:
- (a) Judgment of whether the Bank and subsidiary have substantive control over its investees
- The Bank and subsidiary hold 21.37% of the outstanding voting shares of Tang Eng Iron Works Co., Ltd., 21.26% of Hua Nan Financial Holdings Co., Ltd., 17.84% of Taiwan Fire & Marine Insurance Co., Ltd., 16.21% of Taiwan Business Bank and 10.01% of Taiwan Stock Exchange Corporation and is the single largest shareholder of the investee. Although the rest of the above-mentioned company's shares are not concentrated within specific shareholders, the Bank and subsidiary still cannot obtain more than half of the total number of the above-mentioned company's directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Bank and subsidiary have no control on above of company and it is determined that whether the Bank and subsidiary have significant influence by holding over 20% of shares.
- (b) The fair value valuation of non-active market or non-quoted financial instruments
- The fair value of non active market or non quoted financial instruments is determined using valuation techniques. Such fair value is based on observable data of similar financial instruments or valuation model. If there are no observable market parameters, the fair value of financial instruments is evaluated based on appropriate assumptions. If fair value is determined by the valuation model, the model is calibrated to ensure that all output data and the results reflect the actual market price. This valuation model use only observable data as much as possible. But for credit risk (both our own and the contracting parties credit risk), the managements shall estimate the relation and the variation.
- (c) The valuation of financial assets impairments
- The financial asset impairments of the Bank and subsidiary (including guarantees and loan commitments off balance sheet), measuring the loss allowance at an amount equal to 12 month expected credit losses or lifetime expected credit losses, are determined by whether the credit risk of the financial instruments have increased significantly since initial recognition. In order to measure expected credit losses, the Bank and subsidiary consider the probability of default ("PD") of financial asset, issuer or counterparty, and include loss given default ("LGD") multiplied by exposure at default ("EAD"). Meanwhile, it also considers the impact of the time value of money to calculate the expected credit losses for 12 month and lifetime, respectively. At every reporting date the historical experience, current market situation and forward looking estimates, etc. are considered by the Bank and subsidiary to determine the adopted assumptions and parameters when calculating impairment.

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- (d) Income tax
- The Bank needs to pay income tax for various countries. When estimating the globe income tax, the Bank relies on significant accounting estimations. Determine the final amount need to go through numerous transactions and calculations. The additional recognition of income tax liability which is related to the tax issue is based on deliberate evaluation of the affection by the issue. The difference between the amount of original estimation and the final amount will affect current income tax and deferred tax.
- (e) Payments to defined contribution retirement benefit plans
- The present value of retirement benefit obligation is based on several actuarial assumptions (including the decisions made by FSC). Any changes on these assumptions will influence the fair value of the retirement benefit obligations. One of the assumptions used to determine net pension cost (income) is the discount rate. The Bank and subsidiary determined the appropriate discount rate at the end of each year, and used the rate to calculate the present value of future cash flows on estimated payment of retirement benefit obligation. To determine the appropriate discount rate, the Bank should consider the followings: (1) interest rate of high quality corporate bonds or government bonds, (2) the currency used for the corporate bonds or government bonds should be inconsistent with the currency used for retirement benefit payments, (3) and the maturity period should be inconsistent with related pension liability periods. The major assumptions of retirement benefit obligation were based on the actuarial assumptions of prior year and adjusted according to current market conditions or regulations.

(6) Explanation of Significant Accounts:

- (a) Cash and Cash Equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 13,197,370	13,199,379
Foreign currency on hand	12,400,802	11,338,675
Notes and checks for clearing	7,811,557	9,085,856
Placement with banks	118,627,787	96,441,113
Less: Allowance for bad debts – placement with banks	(6,640)	(18,154)
Total	<u>\$ 152,030,876</u>	<u>130,046,869</u>

The balances of cash and cash equivalents presented in the statements of cash flows were as follows:

	December 31, 2022	December 31, 2021
Cash and cash equivalents in consolidated balance sheets	\$ 152,030,876	130,046,869
Due from the Central Bank of R.O.C. and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	318,411,878	260,912,556
Other items qualifying for cash and cash equivalents under the definition of IAS 7	532,482,666	444,263,996
Total	<u>\$ 1,002,925,420</u>	<u>835,223,421</u>

(Continued)

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The Bank and subsidiary assess the loss allowance for cash and cash equivalents by using the expected credit loss model. Due to the low credit risk of cash and cash equivalents, loss allowance is recognized based on 12 month expected credit loss.

(b) Placement with Central Bank and Call Loans to Banks

	December 31, 2022	December 31, 2021
Call loans to banks	\$ 273,478,260	247,503,411
Less: allowance for doubtful accounts—call loans to banks	104,599	78,208
Deposit reserve—account A and account B	143,077,135	97,870,484
Deposit reserve—foreign—currency deposits	797,670	751,591
Deposits in Central Bank—overseas branches	2,417,212	1,834,046
Deposits in Central Bank	175,623,093	294,295,391
Total	<u>\$ 595,288,771</u>	<u>642,176,715</u>

(i) According to the Central Bank of the Republic of China Act and the Banking Act, the deposit reserves are determined monthly at prescribed rates based on the average balances of customers' New Taiwan Dollar denominated deposits. The account B deposit reserve is subject to withdrawal restrictions, but reserve for account A and foreign currency denominated deposit may be withdrawn anytime and are non interest earning.

(ii) Additionally, as of December 31, 2022 and 2021, 60% of the reserve deposits collected on behalf of a government institution amounting to \$5,023,093 thousand and \$5,095,391 thousand, respectively, were deposited in the Central Bank and their use is restricted according to the regulations.

(iii) For the purpose of coordinating with the Covid-19 relief package from the Central Bank and alleviating the economic impact, the Bank applied to the Central Bank for project loans guaranteed by deposit reserve-account B. The amounts have been drawn down as of December 31, 2022 and 2020, please refer to note 6(s). The deposit reserve-account B were used as collateral please refer to 11.

(c) Financial Assets Measured at Fair Value through Profit or Loss

(i) Financial assets measured at fair value through profit or loss were as follows:

	December 31, 2022	December 31, 2021
Financial assets designated at fair value through profit or loss	\$ 13,822,448	12,304,845
Add: Valuation adjustment	(484,031)	468,640
Subtotal	<u>13,338,417</u>	<u>12,773,485</u>
Financial assets mandatorily measured at fair value through profit or loss	200,514,434	208,582,985
Add: Valuation adjustment	73,771,831	134,176,799
Subtotal	<u>274,286,265</u>	<u>342,759,784</u>
Total	<u>\$ 287,624,682</u>	<u>355,533,269</u>

(Continued)

(ii) Details of Financial assets designated at fair value through profit or loss were as follows:

	December 31, 2022	December 31, 2021
Foreign government bonds, corporate bonds, financial bonds and others	\$ 13,822,448	12,304,845
Add: Valuation adjustment	(484,031)	468,640
Total	<u>\$ 13,338,417</u>	<u>12,773,485</u>

(iii) Details of Financial assets mandatorily measured at fair value through profit or loss were as follows:

	December 31, 2022	December 31, 2021
Commercial papers	\$ 4,094,385	20,457,644
Foreign government bonds	5,343,532	-
Corporate bonds	3,252,712	1,070,613
Convertible bonds	7,401,652	6,626,373
Treasury bills	977,658	1,998,214
Stocks and beneficiary certificates	179,376,571	178,365,722
Foreign exchange call options	4,660	5,429
Bond futures margin	5,959	3,519
Currency futures	5,304	5,217
Commodity futures	52,001	50,254
Add: Valuation adjustment—Non derivative financial instruments	56,160,953	130,667,853
Valuation adjustment—Foreign exchange call options	(2,105)	(1,586)
Valuation adjustment—Swaps	15,682,998	2,848,076
Valuation adjustment—Asset swaps	1,043,646	600,632
Valuation adjustment—Interest rate swaps	490,691	12,100
Valuation adjustment—Forward foreign exchange	392,763	51,783
Valuation adjustment—Fixed-rate commercial papers	2,746	(2,583)
Valuation adjustment—Bond futures margin	139	524
Total	<u>\$ 274,286,265</u>	<u>342,759,784</u>

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(iv) Details of unexpired derivative financial instruments (Notional principal amount) were as follows:

	December 31, 2022	December 31, 2021
Foreign exchange call options	\$ 1,364,140	1,405,970
Swaps	668,774,128	472,013,610
Interest rate swaps	13,942,837	553,116
Forward foreign exchange	43,862,336	7,014,516
Fixed-rate commercial papers	800,000	800,000
Asset swaps	7,401,652	14,650,356
Bond futures	921,750	345,688
Total	<u>\$ 737,066,843</u>	<u>496,783,256</u>

(v) For details of the valuation of the financial assets measured at fair value through profit or loss, please see note 7, "The Fair Value and Fair Value Hierarchy of the Financial Instruments".

(vi) Profit and loss on investments, please refer to note 6(ah).

(vii) As of December 31, 2022, the Bank's financial assets at fair value through profit or loss neither served as a guarantee or collateral, nor were they pledged.

(d) Financial Assets at Fair Value through Other Comprehensive Income

	December 31, 2022	December 31, 2021
Debt instruments measured at fair value through other comprehensive income:		
Negotiable certificates deposits	\$ 681,920,000	607,570,000
Government bonds	91,227,209	89,175,358
Foreign government bonds, corporate bonds, financial bonds, and NCDs	168,490,412	89,198,826
Financial bonds	26,606,412	21,457,491
Corporate bonds	74,885,190	79,064,406
Add: Valuation adjustment	<u>(14,960,865)</u>	<u>(2,460,043)</u>
Subtotal	<u>1,028,168,358</u>	<u>884,006,038</u>
Equity instruments measured at fair value through other comprehensive income:		
Stocks	48,237,173	45,944,584
Add: Valuation adjustment	<u>62,136,710</u>	<u>66,005,366</u>
Subtotal	<u>110,373,883</u>	<u>111,949,950</u>
Total	<u>\$ 1,138,542,241</u>	<u>995,955,988</u>

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(i) Debt investments at fair value through other comprehensive income

The Bank has assessed that the securities shown above are held within a business model whose objective is achieved by both collecting the contractual cash flows and selling securities; therefore, they have been classified as debt investments at fair value through other comprehensive income.

(ii) Equity investments at fair value through other comprehensive income

The Bank designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Bank intend to hold for long term for strategic purposes.

1) During the years ended December 31, 2022 and 2021, the dividends of \$3,895,859 thousand and \$3,262,566 thousand, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended December 31, 2022 and 2021, were recognized; the dividend of \$655,905 thousand and \$435,859 thousand related to the investments derecognized during the years ended December 31, 2022 and 2021, respectively, were recognized.

2) As of December 31, 2022 and 2021, the Bank sold its equity instruments measured at fair value through other comprehensive income as a result of adjustment in investment position and portfolio management. The equity instruments sold had a fair value of \$9,430,212 thousand and \$4,459,776 thousand, and the Bank realized a loss of \$1,507,386 thousand and \$88,532 thousand, which was already included in other comprehensive income. The loss has been transferred to retained earnings.

(iii) Profit and loss on investments, please refer to 6(ai).

(iv) As of December 31, 2022, the Bank's and subsidiary's financial assets at fair value through other comprehensive income were used as collateral, please refer to 11.

(e) Hedging Derivative Financial Instruments

The details of hedging derivatives financial assets were as follows:

	December 31, 2022	December 31, 2021
Fair value hedges:		
Interest rate swap	<u>\$ 9,467</u>	<u>-</u>

The details of hedging derivatives financial liabilities were as follows:

	December 31, 2022	December 31, 2021
Fair value hedges:		
Interest rate swap	<u>\$ -</u>	<u>16,241</u>

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In order to decrease the fair value volatility caused by changes of market interest rate, the Bank uses interest rate swaps and asset swaps for some debt investments with fixed interest rate. In doing so, the risk exposure position will be calculated by floating interest rate and the interest rate risk will be hedge.

Hedged Item	Hedging Investments	
	Designated Hedging Instruments	Fair Value
	December 31, 2022	December 31, 2021
USD financial bonds	Interest rate swap	\$ 9,037 (14,614)
USD corporate debts	"	430 (1,627)

The net gain (loss) of hedging instruments for the years ended December 31, 2022 and 2021 amounted to \$25,414 thousand and \$34,644 thousand, respectively. The net (loss) gain of hedged items embedded in hedging instrument for the years ended December 31, 2022 and 2021 amounted to \$(25,414) thousand and \$(34,644) thousand, respectively.

(f) Bills and Bonds Sold under Repurchase Agreements

The details of bonds and bills sold under repurchase agreements were as follows:

	December 31, 2022	December 31, 2021
Bills and bonds sold under repurchase agreements:		
Commercial papers	\$ 29,977	29,979
Government bonds	2,034,160	2,154,936
Financial bonds	21,793,772	1,802,300
Total	<u>\$ 23,857,909</u>	<u>3,987,215</u>

(Continued)

(g) Receivables, Net

	December 31, 2022	December 31, 2021
Notes receivable	\$ 4,742	2,364
Accounts receivable	3,010,539	985,183
Long-term receivables – payment on behalf of the government	14,484,949	15,345,197
Accrued revenues	999,971	934,217
Interests receivable	16,175,851	9,384,663
Premiums receivable	98,984	110,079
Tax refund receivable	109	10
Acceptance notes receivable	1,952,722	2,966,081
Accounts receivable factoring without recourse	6,473,103	11,939,078
Others – replenishment of national treasury	9,302,599	7,878,413
Others – undelivered spot exchanges	5,826	2,452
Other – ATM temporary receipts, payments and interbank differences	2,474,810	2,474,485
Others – FX Swaps	133,041	2,105,010
Others – pending settlement	188,296	29,824
Others – exchange the Quintuple stimulus vouchers	-	4,421,456
Others – others	436,711	394,705
Subtotal	55,742,253	58,973,217
Less: allowance for doubtful accounts	271,157	188,662
Total	<u>\$ 55,471,096</u>	<u>58,784,555</u>

In accordance with Executive Yuan Tai-79-JEN-Cheng-SZU-tsu No. 14525, and regulations of Retired Civil Servants Lump-sum Retirement Payment and Old-age Benefits and Preferential Interest Deposits which excess preferential interest expenses recognized as Excess interest expenses of Non-interest income, net were \$3,846,035 thousand and \$4,018,723 thousand during 2022 and 2021, respectively, due to executing the government premium savings policy.

As of the year ended December 31, 2022 and 2021, the Bank had paid the following premium savings interest expenses on behalf of the government:

	December 31, 2022	December 31, 2021
Long-term receivables	\$ 14,484,949	15,345,197
Short-term advances (booked under other financial assets, net)	25,523,697	27,950,094
Total	<u>\$ 40,008,646</u>	<u>43,304,291</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(h) Loans and Discounts, Net

	December 31, 2022	December 31, 2021
Discounts and export / import negotiations	\$ 2,225,596	3,561,180
Overdrafts	23,178,306	11,764,760
Secured overdrafts	1,252,540	707,011
Short-term loans	574,213,307	625,949,348
Short-term secured loans	103,715,659	96,565,037
Accounts receivable financing	176,951	177,213
Accounts receivable secured financing	706	2,055
Medium-term loans	1,062,841,067	593,460,052
Medium-term secured loans	300,723,997	313,757,737
Long-term loans	187,174,644	181,983,534
Long-term secured loans	1,206,465,109	1,154,737,715
Non-performing loans	2,356,385	2,532,425
Subtotal	3,464,324,267	2,985,198,067
Less: allowance for doubtful accounts	46,096,589	44,748,580
Total	<u>\$ 3,418,227,678</u>	<u>2,940,449,487</u>

Details of bad debt expenses and provisions for guarantee liabilities were as follows:

	2022	2021
Bad debts	\$ (652,744)	(343,353)
Provisions for guarantee liabilities	32,771	108,788
Provision for loan commitment liabilities	(5,432)	10,410
Provision for other liabilities	691	(37,094)
Total	<u>\$ (624,714)</u>	<u>(261,249)</u>

As of December 31, 2022 and 2021, the amounts of loans and receivables on which the interests stopped to accrue were \$2,358,204 thousand and \$2,551,783 thousand, respectively, which were booked under loans and discounts – non-performing loans and other financial assets-overdue receivables. As of December 31, 2022 and 2021, the non accrued interests were \$158,049 thousand and \$186,203 thousand, respectively.

For the date as above, the Bank did not write off any loan without legal proceedings having been initiated.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(i) Financial Assets Measured at Amortized Cost

	December 31, 2022	December 31, 2021
Negotiable certificates deposits	\$ 1,003,820	1,302,593
Commercial papers	29,954,392	28,647,775
Government bonds	72,979,261	68,237,210
Foreign government bonds, corporate bonds, financial bonds, and NCDs	145,816,403	43,588,643
Financial bonds	9,371,405	12,775,237
Corporate bonds	15,687,488	9,162,443
Foreign financial asset beneficiary securities	1,295,395	1,254,651
	276,108,164	164,968,552
Less: accumulated impairment	(45,079)	(38,978)
	<u>\$ 276,063,085</u>	<u>164,929,574</u>

The Bank has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

(i) In 2022, the Bank sold its financial assets measured at amortized cost due to the adjustment of overseas investment risk exposure position, with a carrying amount of \$441,800 thousand and a disposition gain of \$1,727 thousand. During 2021, the Bank did not dispose of any financial assets measured at amortized cost.

(ii) As of December 31, 2022, the Bank's financial assets measured at amortized cost were used as collateral, please refer to 11.

(j) Investments Accounted for Using Equity Method, net

	December 31, 2022		December 31, 2021	
	Amount	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)
Associates				
Hua Nan Financial Holdings Co., Ltd.	\$ 39,238,333	21.23	42,609,612	21.23
Tang Eng Iron Works Co., Ltd.	1,220,797	21.37	1,246,610	21.37
Tai Yi Real Estate Management Co., Ltd.	25,492	30.00	24,305	30.00
	<u>\$ 40,484,622</u>		<u>43,880,527</u>	

(i) The Bank use equity method for investments in associates and the other comprehensive income:

	2022	2021
Hua Nan Financial Holdings Co., Ltd.	\$ (4,860,969)	(530,140)
Tang Eng Iron Works Co., Ltd.	22,258	6,551
Total	<u>\$ (4,838,711)</u>	<u>(523,589)</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(ii) The Bank use equity method for investments in associates, and Investment gains and losses recognized in the following table:

	2022	2021
Hua Nan Financial Holdings Co., Ltd.	\$ 3,674,690	3,652,919
Tang Eng Iron Works Co., Ltd.	(48,071)	338,982
Tai Yi Real Estate Co., Ltd.	6,409	6,032
Total	<u>\$ 3,633,028</u>	<u>3,997,933</u>

(iii) Individually significant associate(s)

Associates which are material to the Bank consisted of the followings:

Associate(s)	The relationship with the Bank	Principal operating place/registration country	The percentage of shareholding interests and voting rights	
			December 31, 2022	December 31, 2021
Hua Nan Financial Holdings Co., Ltd.	Enterprises permitted to invest Financial Holding Company Act, such as banks and bill finance companies	Taiwan	21.23 %	21.23 %

The fair value of the equity accounting for listed companies (major associates) is as follows:

	December 31, 2022	December 31, 2021
Hua Nan Financial Holdings Co., Ltd.	\$ 65,027,001	59,387,180
1) Summarized Financial Information		
Total Assets	December 31, 2022	December 31, 2021
Total Liabilities	\$ 3,630,161,728	3,460,953,918
Net Assets	(3,445,334,622)	(3,260,247,111)
Attributable to the Bank	<u>\$ 184,827,106</u>	<u>200,706,807</u>
	<u>\$ 39,238,333</u>	<u>42,609,612</u>
Net income	2022	2021
Other comprehensive income	\$ 17,308,471	17,206,321
Total comprehensive income	(22,896,652)	(2,497,076)
Attributable to the Bank	<u>\$ (5,588,181)</u>	<u>14,709,245</u>
Investment income		
Other comprehensive income	\$ 3,674,690	3,652,919
	(4,860,969)	(530,140)

(Continued)

2) There are no significant restrictions on the ability of Hua Nan Financial Holding Co., Ltd. to transfer funds to its investors by distributing dividends, or repaying loans or advances.

3) The summarized financial information of Hua Nan Financial Holding Co., Ltd. has been adjusted to align its accounting results with those of the Bank accounted for using the equity method.

4) Hua Nan Financial Holdings Co., Ltd.'s financial statements were audited by other auditors. The related investment gains were \$3,674,690 thousand and \$3,652,919 thousand for the years ended December 31, 2022 and 2021, respectively.

(iv) All other non-individually-significant associates

1) Summarized Financial Information- Attributable to the Bank

	December 31, 2022	December 31, 2021
Investment in non-individually-significant associates in aggregate	<u>\$ 1,246,289</u>	<u>1,270,915</u>
Investment income	\$ (41,662)	345,014
Other comprehensive income	22,258	6,551

(v) Collateral

No investment in associates was used as collateral as of December 31, 2022.

(k) Other Financial Assets, net

	December 31, 2022	December 31, 2021
Short-term advances	\$ 27,176,095	29,795,027
Less: allowance for doubtful accounts – short-term advances	(30,196)	(29,495)
Remittances purchased	2,311	1,802
Less: allowance for doubtful accounts – remittances purchased	(23)	(18)
Overdue receivables	1,819	19,358
Less: allowance for doubtful accounts – overdue receivables	(1,819)	(3,901)
Call loans to security subsidiary	276,525	359,515
Less: allowance for doubtful accounts – call loans to security subsidiary	-	(4)
Others	16,295	16,884
Less: accumulated impairment – others	(7)	(8)
Total	<u>\$ 27,441,000</u>	<u>30,159,160</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Concerning for the payment of excess preferential interest on behalf of the government, booked under "short-term advances" for December 31, 2022 and 2021, please refer to note 6(g) for further information.

(1) Property and Equipment, net

Changes in the cost, depreciation, and impairment of the properties and equipments of the Bank and subsidiary for the years ended December 31, 2022 and 2021 were as follows:

	Land and Land Improvements	Buildings	Machinery and equipment	Transport equipment	Miscellaneous equipments	Leasehold improvements	Constructions in progress and equipments for	Total
Cost:								
Balance at January 1, 2022	\$ 128,107,302	15,322,025	7,273,911	1,121,732	937,152	871,833	577,713	154,312,568
Additions	4,415	6,539	735,693	37,637	28,894	351,62	451,009	1,399,349
Disposals	(6,670)	(33,948)	(403,236)	(37,636)	(56,510)	(12,190)	-	(549,310)
Reclassification	-	68,106	120,377	6,040	501	11,889	(207,581)	(668)
Effect of change in exchange rates	-	-	14,836	2,966	2,668	11,157	-	31,627
Balance at December 31, 2022	\$ 128,105,047	15,364,532	7,741,581	1,136,739	912,688	917,851	831,141	154,931,566
Balance at January 1, 2021	\$ 128,107,302	15,226,200	6,644,612	1,128,752	949,088	863,833	593,523	153,859,310
Additions	-	4,972	280,910	27,032	20,976	1,226	382,221	717,337
Disposals	-	(48,039)	(230,788)	(37,749)	(33,815)	-	-	(350,391)
Reclassification	-	139,792	583,272	4,694	2,992	12,467	(744,031)	(1,714)
Effect of change in exchange rates	-	-	(4,095)	(997)	(1,189)	(5,603)	-	(11,974)
Balance at December 31, 2021	\$ 128,107,302	15,222,925	7,273,911	1,217,732	937,152	871,833	577,713	154,312,568
Accumulated depreciation:								
Balance at January 1, 2022	\$ 14,966	7,846,741	4,978,585	790,815	752,656	802,708	-	15,186,471
Depreciation	-	301,946	570,838	53,070	29,206	301,43	-	984,303
Disposals	-	(32,998)	(373,863)	(35,770)	(52,663)	(12,190)	-	(907,484)
Effect of change in exchange rates	-	-	9,361	2,130	2,719	11,154	-	25,024
Balance at December 31, 2022	\$ 14,966	8,114,789	5,184,921	810,245	731,578	831,815	-	15,888,314
Balance at January 1, 2021	\$ 14,966	7,579,150	4,666,521	775,747	754,142	775,733	-	14,966,799
Depreciation	-	315,278	517,081	52,414	30,002	31,214	-	945,989
Disposals	-	(47,887)	(202,238)	(16,527)	(30,644)	-	-	(317,396)
Effect of change in exchange rates	-	-	(2,279)	(819)	(1,014)	(4,239)	-	(8,881)
Balance at December 31, 2021	\$ 14,966	7,846,741	4,978,585	790,815	752,656	802,708	-	15,186,471
Accumulated impairment:								
Balance at January 1, 2022	\$ 141,019	-	-	-	-	-	-	141,019
Reversal of impairment loss	(108)	-	-	-	-	-	-	(308)
Balance at December 31, 2022	\$ 140,711	-	-	-	-	-	-	140,711
Balance at January 1, 2021	\$ 127,637	-	-	-	-	-	-	127,637
Provision of impairment loss	-	-	-	-	-	-	-	-
Balance at December 31, 2021	\$ 141,019	-	-	-	-	-	-	141,019
Carrying amounts:								
December 31, 2022	\$ 127,940,370	7,249,733	2,556,660	326,494	181,107	86,036	831,141	139,164,541
January 1, 2021	\$ 127,940,698	7,646,629	4,978,691	555,006	394,746	881,100	593,523	139,164,541
December 31, 2021	\$ 127,951,317	7,676,184	5,295,326	330,917	184,496	69,128	577,713	138,885,078

The Bank conducted revaluations of land and buildings for many times over the past years, and the latest time was in December, 2011. As of December 31, 2022 and 2021, the total revaluation increments for land were \$81,556,251 thousand and \$81,562,920 thousand, respectively. The total revaluation increments for Buildings were \$33,525 thousand and \$34,307 thousand, respectively.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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Based on the assessment in December, 2022, the carrying amount of the lands which have indicators of impairment was determined to be \$154,787 thousand lower than its recoverable amount of \$155,095 thousand, wherein a reversal of impairment loss of \$308 thousand was recognized. In 2021, the carrying amount of the lands which have an indicator of impairment was determined to be \$168,169 thousand higher than its recoverable amount of \$154,787 thousand. Therefore, an impairment loss of \$13,382 thousand was recognized.

The recoverable amount was determined by using the fair value, less, cost of disposal or recent government assessed land value. The fair value is based on the market price of comparable properties within the same location. The cost of disposal is the land value increment tax payable. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

As of December 31, 2022, the Bank's properties and equipments neither served as guarantees or collateral, nor they were pledged.

(m) Right-of-use assets

Information about leases for which the Bank as a lessee is presented below:

	Land	Buildings	Machinery and equipment	Transportation equipment	Miscellaneous equipment	Total
Cost:						
Balance at January 1, 2022	\$ 26,317	2,408,367	37,321	112,527	-	2,584,532
Additions	10,557	316,155	7,056	143,483	115	477,366
Disposals	(7,988)	(298,637)	(6,131)	(62,473)	-	(375,229)
Effect of changes in exchange rates	34	52,104	167	327	-	52,632
Balance at December 31, 2022	\$ 28,920	2,477,989	38,413	193,864	115	2,729,301
Balance at January 1, 2021	\$ 28,920	2,245,607	37,369	112,521	-	2,412,834
Additions	10,965	579,992	236	2,331	-	593,524
Disposals	(1,972)	(404,314)	(120)	(2,262)	-	(408,668)
Effect of changes in exchange rates	(13)	(12,918)	(164)	(63)	-	(13,158)
Balance at December 31, 2021	\$ 26,317	2,408,367	37,321	112,527	-	2,584,532
Accumulated depreciation:						
Balance at January 1, 2022	\$ 11,799	1,043,083	24,987	83,189	-	1,163,058
Depreciation	5,508	546,370	10,068	58,953	58	620,957
Disposals	(7,930)	(263,706)	(6,096)	(62,473)	-	(340,205)
Effect of changes in exchange rates	33	15,436	102	124	-	15,695
Balance at December 31, 2022	\$ 9,410	1,341,183	29,061	79,729	58	1,459,505
Balance at January 1, 2021	\$ 7,611	895,154	15,230	47,764	-	965,759
Depreciation	6,152	544,099	9,982	37,697	-	597,930
Disposals	(1,956)	(390,033)	(120)	(2,261)	-	(394,370)
Effect of changes in exchange rates	(8)	(6,137)	(105)	(11)	-	(6,261)
Balance at December 31, 2021	\$ 11,799	1,043,083	24,987	83,189	-	1,163,058
Carrying value:						
December 31, 2022	\$ 19,510	1,136,806	9,352	114,071	57	1,279,796
December 31, 2021	\$ 14,518	1,365,284	12,334	29,338	-	1,421,474

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(n) Investment property

- (i) Changes in the investment properties of the Bank and subsidiary for the year ended 2022 and 2021 were as follows:

	Land
Cost:	
Balance at December 31, 2022	\$ 15,238,207
Balance at December 31, 2021	\$ 15,238,207
Carrying amounts:	
December 31, 2022	\$ 15,238,207
January 1, 2021	\$ 15,238,207
December 31, 2021	\$ 15,238,207

The fair value of investment properties (as measured or disclosed in the financial statements) was based on a valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

- (ii) The fair value of investment property of the Bank and subsidiary were as follows:

	December 31, 2022	December 31, 2021
The fair value of investment property	\$ 18,005,055	\$ 17,285,970

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The management evaluate and measure the effect of using techniques of comparison approach or Land development analysis approach. After evaluating, the bank make judgment about the assessment that is using to align the market participants.	- The rate of return - Overall capital interest rate	- The estimated fair value would increase (decrease) if: - the rate of return were lower (higher); or - the overall capital interest rate were lower (higher).

The investment property measured at cost, and the fair value is recoverable amount of impairment testing. The fair value of investment property is used the comparison approach and land development analysis approach, and executing assessment reference recent market price, the valuation technique is consistency from investment property of acquisition. As of December 31, 2022 and 2021, after evaluating, the Bank did not recognized impairment loss.

- (iii) As of December 31, 2022 the Bank did not provide any investment accounted for using equity method as collaterals for its loans.

(Continued)

(o) Intangible Assets

Changes in costs, amortization, and impairment loss of the intangible assets of the Bank and subsidiary for the year ended 2022 and 2021 were as follows:

	Computer software
Costs:	
Balance at January 1, 2022	\$ 5,145,247
Additions	470,322
Balance at December 31, 2022	\$ 5,615,569
Balance at January 1, 2021	\$ 4,708,760
Additions	436,487
Balance at December 31, 2021	\$ 5,145,247
Amortization:	
Balance at January 1, 2022	\$ 4,091,879
Amortization for the year	389,548
Balance at December 31, 2022	\$ 4,481,427
Balance at January 1, 2021	\$ 3,727,893
Amortization for the year	363,986
Balance at December 31, 2021	\$ 4,091,879
Carrying amounts:	
December 31, 2022	\$ 1,134,142
January 1, 2021	\$ 980,867
December 31, 2021	\$ 1,053,368

(p) Other Assets

	December 31, 2022	December 31, 2021
Foreclosed collaterals and residuals taken over, net	\$ 1,007,162	1,007,162
Advance payments	21,767,294	21,854,362
Operating guarantee deposits and settlement funds	10,000	10,000
Refundable deposits	4,396,432	1,542,528
Temporary Payments and Suspense Accounts	2,032,882	3,022,857
Inventories	388,377	342,186
Others	270,187	162,206
Total	\$ 29,872,334	\$ 27,941,301

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(i)	Foreclosed collaterals and residuals taken over, net		
		December 31,	December 31,
		2022	2021
	Foreclosed collaterals and residuals taken over	\$ 1,007,162	1,007,162
	Less: accumulated impairment	-	-
	Total	<u>\$ 1,007,162</u>	<u>1,007,162</u>
(ii)	Advance payments		
		December 31,	December 31,
		2022	2021
	Prepaid expenses	\$ 164,575	163,260
	Prepaid interests	20,835	15,453
	Business tax paid	2,340	953
	Business tax carry forward	1,191	923
	Other prepayment—Interbank Fund Transfer Special Accounts	19,192,906	19,432,096
	Other prepayments	85,447	59,701
	Prepaid official dividends	2,300,000	2,181,976
	Total	<u>\$ 21,767,294</u>	<u>21,854,362</u>
(iii)	Inventories		
		December 31,	December 31,
		2022	2021
	Inventories	\$ 388,377	342,186

There were no effects on the cost of goods sold derived from the inventory write-off or reversal for the year ended 2022 and 2021.

(q) Impairment

For the year ended 2022 and 2021, the movements of the accumulated impairment were as follows:

		2022	2021
		\$	
	Beginning balance	279,218	292,563
	Impairment loss (reversal gain) recognized for the current period	19,224	(6,435)
	Other	4,420	(6,910)
	Ending balance	<u>\$ 302,862</u>	<u>279,218</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Details of accumulated impairment were as follows:

		December 31,	December 31,
		2022	2021
	Financial assets at fair value through other comprehensive income	\$ 117,065	99,213
	Financial assets measured at amortized cost	45,079	38,978
	Other financial assets	7	8
	Property and equipment	140,711	141,019
	Ending balance	<u>\$ 302,862</u>	<u>279,218</u>
(r)	Deposits of Central Bank and other banks		
		December 31,	December 31,
		2022	2021
	Deposits from Central Bank	\$ 14,027,669	11,698,486
	Deposits from banks—others	63,421,146	61,077,375
	Postal deposits transferred	100,077,090	77,090
	Bank overdrafts	503,650	1,987,015
	Call loans from bank	95,153,485	226,735,887
	Total	<u>\$ 273,183,040</u>	<u>301,575,853</u>
(s)	Due to the Central Bank and banks		
		December 31,	December 31,
		2022	2021
	Loans from Central Bank	\$ 253,840,625	36,170,330

(t) Financial Liabilities Measured at Fair Value through Profit or Loss

(i) Details of financial liabilities measured at fair value through profit or loss were as follows:

		December 31,	December 31,
		2022	2021
		\$	
	Financial liabilities held for trading	5,271	6,147
	Add: valuation adjustment	12,622,639	6,052,608
	Subtotal	12,627,910	6,058,755
	Financial liabilities designated as fair value through profit or loss	14,440,750	12,997,850
	Add: valuation adjustment	(2,002,610)	621,926
	Subtotal	12,438,140	13,619,776
	Total	<u>\$ 25,066,050</u>	<u>19,678,531</u>

(ii) For valuation of financial liabilities measured at fair value through profit or loss, please refer to note 7 "Fair Value And Fair Value Hierarchy of the Financial Instruments".

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(iii) Financial liabilities held for trading

	December 31, 2022	December 31, 2021
Foreign exchange options premium	\$ 5,271	6,147
Add: valuation adjustment		
Foreign exchange options premium	(2,705)	(2,298)
Swaps	10,439,872	5,080,390
Interest rate swaps	6,155	438,666
Forward foreign exchanges	289,051	119,769
Asset swaps	1,890,266	416,081
Total	<u>\$ 12,627,910</u>	<u>6,058,755</u>

(iv) The details of the financial liabilities designated as fair value through profit or loss were as follows:

	December 31, 2022	December 31, 2021
Financial bonds	\$ 14,440,750	12,997,850
Add: valuation adjustment	(2,002,610)	621,926
Total	<u>\$ 12,438,140</u>	<u>13,619,776</u>

The Bank has been approved by the FSC on August 23, 2016, and November 21, 2017 to issue USD \$1.5 billion of 2017-1 and 2018-1 Senior Unsecured Financial Bonds, denominated in U.S. dollar. The financial bonds amounted to USD \$470 million are outstanding in 2022.

The details of the financial bonds were as follows:

Name of bond	Conditions			Bond	
	Beginning date	Maturity date	Coupon rate	Face value	Amount
2018-1 Senior unsecured financial bonds-B	2018/02/26	2148/02/26	0 %	USD \$470 million	December 31, 2021 \$ 14,440,750
				Senior unsecured financial bond	December 31, 2021 12,997,850
				Valuation adjustment	(2,002,610)
					<u>13,619,776</u>

For the bonds issued in 2018, the call option may be exercised 5 years for bond B, after the issuing date. If the call options are not exercised prior to the bonds maturity date, the Bank will pay the principal and interests accrued in full upon maturity.

(v) Unmatured derivative financial instruments (stated at notional amount)

	December 31, 2022	December 31, 2021
Foreign exchange options premium	\$ 1,469,192	1,413,693
Swaps	567,324,704	643,464,329
Interest rate swaps	659,143	12,273,638
Forward foreign exchanges	21,659,891	18,889,712
Asset swaps	16,939,164	6,620,607
Total	<u>\$ 608,052,094</u>	<u>682,661,979</u>

(Continued)

(u) Payables

	December 31, 2022	December 31, 2021
Accounts payables	\$ 9,991,410	9,623,493
Receipts under custody	1,715,534	1,012,546
Accrued expenses	3,129,821	3,092,515
Other tax payables	601,395	405,549
Interests payables	13,841,228	8,979,419
Banker's acceptances payables	1,956,687	3,003,545
Payables to representative organizations	1,553,777	845,678
Construction payables	19,954	7,371
Accounts payables – non-recourse factoring	318,501	384,320
Other payables – undelivered spot exchange	5,558	2,286
Other payables – collection bills	982,834	1,037,520
Other payables – payments awaiting transfer	9,020,580	9,675,059
Other payables – ATM temporary receipts, payments and inter branch differences	2,534,960	2,623,423
Other payables – foreign exchange awaiting transfer	774,625	787,048
Other payables – amounts awaiting settlement	24,508	221,671
Other payables – overdue accounts	282,205	297,373
Other payables – checking accounts	73,022	82,707
Other payables – collection	11,281	11,215
Other payables – others	489,616	391,105
Total	<u>\$ 47,327,496</u>	<u>42,483,843</u>

(v) Deposits and Remittances

	December 31, 2022	December 31, 2021
Cheques deposits	\$ 45,523,070	52,203,361
Government deposits	395,027,459	374,693,912
Demand deposits	539,385,763	541,607,942
Time deposits	915,645,482	665,056,681
Remittances	631,893	792,440
Savings account deposits:		
Demand savings deposits	1,235,412,412	1,130,747,168
Staff accounts	13,039,384	13,464,897
Club saving deposits	354,803	422,452
Non-drawing time savings deposits	492,803,636	424,056,607
Interest withdrawal on principal deposited	801,366,900	767,547,030
Staff time deposits	12,931,404	11,841,163
Preferential Interest deposits	218,783,755	227,163,463
Total	<u>\$ 4,670,905,961</u>	<u>4,209,597,116</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(w) Financial Bonds Payable

Name of bond	Condition		Bond			
	Beginning date	Maturity date	Interest rate	Type	Amount	December 31, 2021
2013-1 TWD subordinated unsecured financial bonds	2013/12/2	2023/12/2	The Bank's listed annual fixed interest rate of time deposits, plus 0.39%.	Subordinated unsecured financial bond	\$ 16,000,000	16,000,000
2014-1 TWD subordinated unsecured financial bonds-A	2014/06/25	2024/06/25	TAIBOR 3M plus 0.30%	Subordinated unsecured financial bond	5,500,000	5,500,000
2014-1 TWD subordinated unsecured financial bonds-B	2014/06/27	2024/06/27	1.70%	Subordinated unsecured financial bond	2,000,000	2,000,000
2014-1 TWD subordinated unsecured financial bonds-C	2014/06/27	2024/06/27	The Bank's listed annual fixed interest rate of time deposits, plus 0.39%.	Subordinated unsecured financial bond	1,500,000	1,500,000
2021-1 TWD senior unsecured financial bonds	2021/08/27	2026/08/27	0.39%	Senior unsecured financial bond	1,000,000	1,000,000
			unamortized discount amount		(630)	(942)
Total					<u>\$ 25,999,370</u>	<u>25,999,058</u>

(x) Other Financial Liabilities

	December 31, 2022	December 31, 2021
Appropriated loan funds	\$ 1,676	7,179
Principal from structured products	546,705	416,037
Total	<u>\$ 548,381</u>	<u>423,216</u>

(y) Provision

	December 31, 2022	December 31, 2021
Employee benefit obligations	\$ 20,743,900	21,725,121
Guarantee reserve	889,218	921,842
Reserve for government employees insurance	410,650,138	453,664,223
Loan commitments reserve	11,742	5,674
Others	409,784	410,132
Total	<u>\$ 432,704,782</u>	<u>476,726,992</u>

(z) Provisions — Employee benefits

	December 31, 2022	December 31, 2021
Recognized in Consolidated Balance Sheet:		
Defined benefit plan	\$ 14,092,677	14,523,289
Employees preferential interest	6,646,967	7,196,614
Three Chinese festival bonus	4,256	5,218
Total	<u>\$ 20,743,900</u>	<u>21,725,121</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(i) BOT

1) Defined contribution plans

The Bank have established the defined contributions plans in accordance with the provision of the Labor Pension Act since July 1, 2005. The Bank allocates 6% of each employee's monthly wages to his or her individual account of labor pension from which he or she is entitled to claim the principal and accrued dividends in fixed installments or in lump sum in the future. The pension costs recognized under the defined contribution plans were \$3,579 thousand and \$3,421 thousand for the years ended December 31, 2022 and 2021, respectively.

2) Defined benefit plans

The grant of employees' pension compromise: a) the contributions made by the Bank at the rate from 4% to 8.5% of the employee's monthly wage under Article 8 (depending on the employee's salary point and service period before the Labor Standards Act was applied), respectively, of the aforementioned regulations. (The Bank ceased to continue the contributions mentioned above after the Labor Standards Act was applied.) The Bank also contributed 3% of the total amount of the wages as reserve; b) the contributions calculated based on the employee's monthly wage and service period (after May 1, 1997) in accordance with Article 5 and the related regulations set forth in the Labor Standards Act. All the contributions are made to the fund managed by the Pension Supervision Committee for future payments. The grant of labors' pension is conducted under the Bank's Work Rules before the Labor Standards Act was applied. Under Article 49 of the Rules, the service period before and after May 1, 1997 is accumulated in accordance with the Rules and the Labor Standard Act, respectively. The contributions calculated at a certain rate under Labor Pension are made to a designated Labor Retirement Reserve Account for future payments. In addition, the Bank is required to allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act effective July 1, 2005.

The Bank handles three sessions of care for the bereaved families of deceased employees, and each person will be paid NT\$2,000 per session. Years of support: 1. Death or accidental death: 10 years. 2. Death in the line of duty: 15 years.

The Bank is obliged to grant \$21.6 thousand to those who retired before December 31, 1979 and claim pensions at one time every Spring Festival, Dragon Boat Festival and Mid-Autumn Festival. The amount will be raised to \$37 thousand if there are dependents.

The Bank expects to contribute \$1,053,629 thousand to the account within one year after the balance date.

Weighted average duration of the defined contribution plans were as follows:

Defined Benefit Plans	11.00 year
Employee care bonuses during the three Chinese festivals	11.80 year

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- a) The reconciliation of recognized liabilities for the defined benefit obligations, present value of the defined benefit obligations, fair value of the plan assets, and the limit of assets adjustment are as follows:

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	\$ 22,518,665	22,897,637
Less: fair value of the plan assets	(8,431,198)	(8,381,128)
Net defined benefit liabilities (assets)	\$ 14,087,467	14,516,509

- b) The movements in present value of the defined benefit obligations

	2022	2021
Defined benefit obligation at January 1	\$ 22,897,637	21,805,955
Current service costs	901,136	878,994
Interest expense	171,732	152,642
Remeasurements of the defined benefit plans of other Comprehensive Income		
– 5 percent increase in salary	1,024,143	-
– Actuarial gains and losses in demographic changes in assumptions	-	495,535
– Actuarial gains and losses in financial changes in assumptions	(1,563,127)	(131,128)
– Experience adjustments	385,397	844,791
Contributed by the participant of the plan	(1,600)	-
Benefit payments	(1,296,653)	(1,149,152)
Defined benefit obligation at December 31	\$ 22,518,665	22,897,637

- c) The movements of fair value of defined benefit plan assets

	2022	2021
Fair value of plan assets at January 1	\$ 8,381,128	8,349,910
Interest revenue	62,859	58,449
remeasurements of defined benefit plans of other comprehensive income		
– Return on plan assets	181,448	26,454
Contribution made by the Bank	1,005,277	1,011,111
Benefit payments	(1,199,514)	(1,064,796)
Fair value of plan assets at December 31	\$ 8,431,198	8,381,128

(Continued)

- d) Expense recognized in profit or loss

	2022	2021
Current service cost	\$ 901,136	878,994
Net interest of defined benefit liabilities (assets)	108,873	94,193
Total	\$ 1,010,009	973,187

- e) Re-measurement of net defined benefit liability (asset) recognized in other comprehensive income

The Bank's re-measurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2022 and 2021, was as follows:

	2022	2021
Accumulated amount at January 1	\$ 8,396,527	7,213,783
Recognized during the period	(335,035)	1,182,744
Accumulated amount at December 31	\$ 8,061,492	8,396,527

- f) Portfolio analysis of plan asset

	2022	2021
Bak saving	\$ 6,293,631	6,314,595
Bonds instruments	750,000	750,000
Others	1,387,567	1,316,533
Total	\$ 8,431,198	8,381,128

The overall expected rate of return on assets is based on the historical trend of returns and the estimation of return on the portfolio as a whole. The Bank also refers to the return of the funds supervised by the Labor Pension Supervision Committee and then uses judgments and estimations to determine the rate which should not be lower than the two-year time deposits rate set by the local banks.

- g) Actuarial assumptions

	December 31, 2022	December 31, 2021
Discount rate	1.36 %	0.75 %
Assets expected rate of return	1.36 %	0.75 %
Future of salary increases	2.00 %	2.00 %

The estimated future mortality rates used in calculating of the defined benefit plan of the Bank are based on the fifth and sixth round of the Taiwan Life Experience Life Table during 2022 and 2021, respectively.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

h) Sensitivity analysis

The followings would be the impacts on the present value of defined benefit obligations as of December 31, 2022 and 2021 if the actuarial assumptions had changed:

	Impacts on the present value of the defined benefit obligation		
	Actuarial assumption changes(%)	Actuarial assumption increase	Actuarial assumption decrease
December 31, 2022			
Discount rate			
Defined benefit plans	0.25%	\$ 21,867,784	23,133,676
Employee care bonus during the three Chinese festivals	0.25%	4,213	4,300
Salary increase rate	0.50%	23,642,383	21,472,517
December 31, 2021			
Discount rate			
Defined benefit plans	0.25%	22,189,440	23,560,612
Employee care bonus during the three Chinese festivals	0.25%	5,166	5,272
Salary increase rate	0.50%	24,097,968	21,781,014

The aforementioned sensitivity analysis is used to analyze what the impact could be when one variable changes while all other variables remain constant. In practice, however, this hypothesis may not exist as changes in variables could be correlative. Projected unit benefit method is also utilized in calculating the changes in present value of the defined benefit obligations when the Bank conducts the sensitivity analysis.

Methods and variables used in preparing the sensitivity analysis are consistent with those of the previous period.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

3) Employee preferential interest plan

As from July 1, 2018, the Bank terminate the preferential interest deposits for retired employees in accordance with the rule Tai Tsai Ku No.10700624450 issued by the Ministry of Finance.

a) The reconciliation of recognized liabilities for employee preferential interest plan, fair value of the plan, and limit of assets adjustment are as follows:

	December 31, 2022	December 31, 2021
Fair value of the Employees preferential interest plan	\$ 6,646,967	7,196,614
Limit of assets adjustment	-	-
Net defined benefit liabilities (assets)	\$ <u>6,646,967</u>	<u>7,196,614</u>

b) The movements of present value of employees preferential interest plan

	2022	2021
Present value of employees preferential interest plan at January 1	\$ 7,196,614	6,181,508
Interest expense	287,864	247,260
Remeasurement of net employees preferential deposit	-	703,780
— Actuarial gains and losses in demographic changes in assumptions	-	-
Actuarial gains and losses in current period	1,192,754	2,070,177
Contributed by the participant of the plan	(7,732)	-
Benefit paid by the plan	(2,022,533)	(2,006,111)
Present value of employees preferential interest plan at December 31	\$ <u>6,646,967</u>	<u>7,196,614</u>

c) Expense recognized in profit or loss

	2022	2021
Net interest of employees preferential deposit	\$ 287,864	247,260
Actuarial gains and losses in current period	1,192,754	2,070,177
Total (booked under employee benefits expense, note 6(ak))	\$ <u>1,480,618</u>	<u>2,317,437</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

d) Re-measurement of net defined benefit liability recognized in other comprehensive income

	2022	2021
Accumulated amount at January 1	\$ 703,780	-
Recognized during the period	-	703,780
Accumulated amount at December 31	<u>\$ 703,780</u>	<u>703,780</u>

e) Actuarial assumptions

	2022	2021
Discount rates of the employee preferential interest	4.00 %	4.00 %
Return on deposit	2.00 %	2.00 %
Pension preferential ratios deposit for withdrawal	1.00 %	1.00 %
The probability of changes in the policy of employee preferential interest plan	50.00 %	50.00 %
Rate of same type deposit offered to general customers	1.535 %	0.865 %

f) Sensitivity analysis

The followings would be the impacts on the present value of defined benefit obligations as of December 31, 2022 and 2021 if the actuarial assumptions had changed:

	Impacts on the present value of the defined benefit obligation		
	Actuarial assumption changes(%)	Actuarial assumption increase	Actuarial assumption decrease
December 31, 2022			
Discount rate	0.25%	\$ 6,519,399	6,779,214
December 31, 2021			
Discount rate	0.25%	7,059,496	7,338,763

The aforementioned sensitivity analysis is used to analyze what the impact could be when one variable changes, while all other variables remained constant. In practice, however, this hypothesis may not exist as changes in variables could be correlative. Projected unit benefit method is also utilized in calculating the changes in present value of the defined benefit obligations when the Bank conducts the sensitivity analysis.

(Continued)

The methods and variable used in preparing the sensitivity analysis are consistent with those of the previous period.

g) Future cash flow of Employees preferential interest plan

The Bank monitors and reviews the contributions to employee preferential interest plan annually to ensure the ability of payments. Within one year after the financial statement date, the Bank expects to contribute \$1,741,232 thousand to the plan.

(ii) The subsidiary, BTIB

1) Defined benefit plans (including pension plans and excess annuity)

BTIB the reconciliation of present value of the defined benefit obligations and fair value of the plan assets are as follows:

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	\$ 68,854	65,068
Fair value of the plan assets	(59,388)	(53,070)
Net defined liabilities (assets)	<u>\$ 9,466</u>	<u>11,998</u>

The retirement, indemnity and severance of BTIB certified staff are complied with the "Guideline of Indemnity and Severance of Financial and Insurance Enterprise Employees". Pension payments to staffs that the year of service before designated to apply to "Labor Standards Act" (as of May 1, 1997) are complied with the Article 41-1 and are separately appropriated wages of 4%-8.5% into mandatory pension contribution (defined contribution), according to the different monthly salary grade regulated by the Article 9. However, it is stopped contributing to mandatory pension contribution and the contributed part shall be retained after applying to "Labor Standards Act"; pension payments to labors that the year of service after applying to "Labor Standards Act" is calculated by the related regulations of "Labor Standards Act". When employees retire, they will be paid using their pension fund and mandatory pension contribution.

a) Composition of plan assets

The labor pension reserve consigned to "Labor Retirement Fund Supervisory Committee" by BTIB amounted to \$59,388 thousand at the end of the reporting period.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- b) The movements in present value of the defined benefit obligations
BTIB movements in present value of the defined benefit obligations for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Defined benefit obligation at January 1	\$ 65,068	59,266
Current service costs and interest	6,046	5,662
Remeasurements of the defined benefit plans in other comprehensive income		
— Actuarial gains and losses in demographic changes in assumptions	-	2,444
— Actuarial gains and losses in financial changes in assumptions	(4,415)	1,158
— Experience adjustment	2,155	7,354
Benefit paid by the plan	-	(10,816)
Defined benefit obligation at December 31	<u>\$ 68,854</u>	<u>65,068</u>

- c) The movements of fair value of defined benefit plan assets
BTIB movements of fair value of defined benefit plan assets for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Fair value of plan assets at January 1	\$ 53,070	56,949
Remeasurements of defined benefit plans in other comprehensive income		
— Return on plan assets(not including current interest)	273	274
Contribution made by the Bank	5,776	6,381
Interest revenue	269	282
Benefit payments		(10,816)
Fair value of plan assets at December 31	<u>\$ 59,388</u>	<u>53,070</u>

- d) Expense recognized in profit or loss
BTIB expenses recognized in profit or loss at December 31, 2022 and 2021, were as follows:

	2022	2021
Current service cost	\$ 5,734	5,383
Net interest of the net defined liabilities (assets)	43	(3)
	<u>\$ 5,777</u>	<u>5,380</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- e) Re-measurement of net defined benefit liability (asset) recognized in other comprehensive income

BTIB re-measurement of net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2022 and 2021, was as follows:

	2022	2021
Accumulated amount at January 1	\$ 11,998	1,316
Recognized during the period	(2,533)	10,682
Accumulated amount at December 31	<u>\$ 9,465</u>	<u>11,998</u>

- f) Actuarial assumptions
The major actuarial assumptions used by BTIB at the end of reporting period were as follows:

	December 31, 2022	December 31, 2021
Discount rate	0.99 %	0.49 %
Future of salary increases	3.00 %	3.00 %

The expected payment made by BTIB to the defined benefit plans within one year after the reporting date is \$5,575 thousand.

Weighted average duration of the defined contribution plan is 12 year.

- g) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the subsidiary BTIB, uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the balance sheet date. Any changes in the actuarial assumptions may significantly impact the amounts of the defined benefit obligations.

The followings could impact the present value of the defined benefit obligations as of December 31, 2022 and 2021 if the actuarial assumptions change as follows:

	Impacts on the defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2022		
Discount rate	66,549	71,289
Future of salary increases	70,921	66,869
December 31, 2021		
Discount rate	62,805	67,482
Future of salary increases	67,097	63,140

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

The sensitivity analysis is used to analyze the impact when one assumption changes and other assumptions are unchanged. In practice, however, changes of assumptions might be correlative. The method used to conduct the sensitivity analysis is the same as that BTIB used to calculate the amount of net accrued pension liabilities on its balance sheet.

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

2) Employee preferential interest plan

The subsidiary, BTIB, is also obligated to pay the preferential interests generated from a fixed amount of deposit to each retired and in-service employee in accordance with Tai-Cha-Ku-Tzu No.10103675500 and agreement between the Bank and subsidiary.

The subsidiary, BTIB, has the obligation to pay the preferential interest deposits to current employees. If the preferential interest rate for retired employees exceeds the market rate, BTIB shall apply the accounting treatments required by IAS 19 to estimate the excess interest as the employees retired.

3) Defined contribution plans

BTIB contributed 6% of each employee's monthly salary to a personal labor pension account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. BTIB contributed a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The subsidiary BTIB's pension costs under the defined contribution pension plan were \$18 thousand and \$17 thousand for the years ended December 31, 2022 and 2021, respectively, and were contributed to the Bureau of Labor Insurance, Ministry of Labor.

(aa) Lease liabilities

The Bank's lease liabilities were as follow:

	December 31, 2022	December 31, 2021
Carrying amounts	\$ 1,218,855	1,319,965

For the maturity analysis, please refer to note 8(d).

(Continued)

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	\$ 13,370	16,531
Variable lease payments not included in the measurement of lease liabilities	\$ 1,891	2,686
Expenses relating to short-term leases	\$ 1,744	2,315
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 1,619	1,863
Covid-19-related rent concessions (recognized as other income)	\$ (19,034)	(20,655)

The amounts recognized in the statement of cash flows for Bank and subsidiary were as follows:

	2022	2021
Total cash outflow for leases	\$ 502,950	626,641
(i) Real estate leases		

The Bank leased buildings for its office space. The leases of office space typically run for a period of 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract-term.

Some leases provide for additional rent payments that are based on changes in local price indices.

(ii) Other leases

The Bank leased miscellaneous equipment and parking space with contract terms of one years. These leases are short-term and leases of low-value items. The Bank has elected not to recognize right-of-use assets and lease liabilities for these leases.

(ab) Operating lease

The Bank leases out its investment property and some machinery. The Bank has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2022	December 31, 2021
Less than one year	\$ 148,340	123,928
One to two years	113,846	59,760
Two to three years	47,233	36,367
Three to four years	27,217	13,091
Four to five years	25,919	665
Total undiscounted lease payments	\$ 362,555	233,811

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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The Bank provided the lessees deferred rent payment and rent concessions in accordance with the government's policy for Covid-19 pandemic since 2020. As of December 31, 2022 and 2021, the amount of deferred rent payment is \$0 thousand and \$144,670 thousand respectively; rent concessions is \$87,853 thousand and \$90,601 thousand respectively.

(ac) Other Liabilities

	December 31, 2022	December 31, 2021
Advance collections	\$ 1,939,471	1,767,677
Guarantee deposits received	5,042,481	4,611,920
Temporary receipt and suspense accounts	52,974	533,884
Other liabilities to be settled	8,239	8,239
Compensation arising from land revaluation	1,264,803	1,264,803
Deferred revenue	13,613	12,722
Total	<u>\$ 8,321,581</u>	<u>8,199,245</u>

(ad) Income Tax Expenses

(i) Income Tax expenses (benefits)

The income tax expenses for December 31, 2022 and 2021 were as follow:

	2022	2021
Current income tax expense		
Occurred in the current period	\$ 1,935,258	1,495,909
Current income tax expense from adjustment of prior period	(53,524)	-
Deferred tax expense		
Occurrence and reversal of temporary difference	261,962	186,172
Income tax expenses	<u>\$ 2,143,696</u>	<u>1,682,081</u>

Income tax expenses (benefits) recognized directly in other comprehensive income for 2022 and 2021 were as follows:

	2022	2021
(Gains) losses on debt instruments measured at fair value through other comprehensive income	<u>\$ (25,683)</u>	<u>(4,714)</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

The amount of tax expense (income) recognized in other comprehensive income for in 2022 and 2021 were as follows:

	2022	2021
Profit before tax	<u>\$ 19,189,573</u>	<u>16,963,242</u>
Income tax using the Bank's domestic tax rate (20%)	\$ 3,837,915	3,392,648
Effects of tax rates in foreign jurisdiction	319,054	455,509
Non-deductible profits and losses	535,316	125,174
Cessation of transfer tax on stocks	136,179	(167,151)
Reinvestment gain exemption (dividends)	(1,675,938)	(1,559,586)
Change in unrecognized temporary differences	(495,731)	(65,023)
Change in provision in prior period	(53,524)	-
Income basic tax	(5,328)	-
Income from tax-exempt of Offshore Banking Unit	(454,247)	(499,490)
Total	<u>\$ 2,143,696</u>	<u>1,682,081</u>

1) Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2022	December 31, 2021
Deductible Temporary Differences	<u>\$ 4,986,355</u>	<u>5,445,276</u>

2) Recognised Deferred Tax Assets and Liabilities

Changes in the amount of deferred tax assets and liabilities for December 31, 2022 and 2021 are as follows:

Deferred Tax Assets:

	Fair Value		
	Gains	Others	Total
Balance at January 1, 2022	\$ 60,093	394,981	455,074
Recognized in profit or loss	14,447	(151,730)	(137,283)
Recognized in other comprehensive income	17,624	-	17,624
Balance at December 31, 2022	<u>\$ 92,164</u>	<u>243,251</u>	<u>335,415</u>
Balance at January 1, 2021	\$ 196,405	427,411	623,816
Recognized in profit or loss	(131,370)	(32,430)	(163,800)
Recognized in other comprehensive income	(4,942)	-	(4,942)
Balance at December 31, 2021	<u>\$ 60,093</u>	<u>394,981</u>	<u>455,074</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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Deferred Tax Liabilities:

	Land Value Increment	Fair Value Gains	Others	Total
Balance at January 1, 2022	\$ 18,071,412	301,831	-	18,373,243
Recognized in profit or loss	-	124,679	-	124,679
Recognized in other comprehensive income	-	(8,059)	-	(8,059)
Balance at December 31, 2022	<u>\$ 18,071,412</u>	<u>418,451</u>	<u>-</u>	<u>18,489,863</u>
Balance at January 1, 2021	\$ 18,071,412	289,115	-	18,360,527
Recognized in profit or loss	-	22,372	-	22,372
Recognized in other comprehensive income	-	(9,656)	-	(9,656)
Balance at December 31, 2021	<u>\$ 18,071,412</u>	<u>301,831</u>	<u>-</u>	<u>18,373,243</u>

(ii) The Bank's income tax returns has been audited by the MoA up until 2021 and examined by the National Tax Administration up until 2020.

(ae) Equity

(i) Capital stock

A resolution was passed during the meetings of the Bank's Board of Directors, acting on behalf of the Board of Shareholders, on April 12, 2019 for the issuance of ordinary shares paid in land under private placement, with selling price of \$30 per share and September 25, 2019 as the date of capital increase. The total amount of the capital injection was \$42 billion. The issuance was approved by the FSC (Ruling No. 10801305311) and the Ministry of Economic Affairs (Ruling No. 10801140660) on July 17 and October 31, 2019, respectively. The relevant statutory registration procedures have been completed.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares will be subject to the Article 43-8 under the Securities and Exchange Act. The Bank can only apply for these shares to be traded on the Taiwan Stock Exchange after a three-year period has elapsed from the delivery date of the private placement securities, and after applying for a public offering with the FSC.

As of December 31, 2022 and 2021, the Bank's authorized and issued shares of common stocks were both 10,900,000 thousand (9,500,000 thousand was under public offering and 1,400,000 thousand was under private placement). The par value of the issued common stocks is \$10.

(Continued)

(ii) Capital surplus

According to the ROC Company Act, the Bank can declare dividend with capital surplus. The share capital capitalized in any one year may not exceed a certain percentage for the Bank's increasing share capital under the Regulations Governing the Offering and Issuance of Securities by Securities Issuers. The Bank may only increase its capital reserve out of the share capital from cash premium on capital stock once a year. The additional capital reserve from the share capital may not be increased during the same fiscal year as the additional share capital form cash premium on capital stock.

In accordance with the regulations regarding government-run businesses and the Bank's articles of incorporation, however, the policy for the resources that can be used to distribute cash dividend only includes current year earnings, accumulated earnings, legal reserve allowed to be used to distribute cash dividend, under the instruction of the Ministry of Finance. Capital surplus is not included.

(iii) Legal reserve

According to the ROC Company Act, when the Bank does not have any deficit, and only the portion of legal reserve which exceeds 25 percent of the paid-in capital can be distributed.

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BANK OF TAIWAN AND SUBSIDIARY
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(iv) Other equity

	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Change in fair value of financial liability attributable to change in credit risk of liability	Gains (losses) on financial Instruments for hedging	Other Comprehensive income reclassified by applying overlay approach	Total
Balance at January 1, 2022	\$ (3,281,013)	65,697,429	(19,502)	4,099	65,889	62,466,902
Exchange differences on translation of foreign operations	2,405,606	-	-	-	-	2,405,606
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	(23,386,268)	-	-	-	(23,386,268)
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	1,283,634	-	-	-	1,283,634
Gains (losses) of associates and joint ventures accounted for using equity method on financial Instruments for hedging	-	-	-	3,081	-	3,081
Change in fair value of financial liability attributable to change in credit risk of liability	-	-	24,698	-	-	24,698
Other Comprehensive income reclassified by applying overlay approach	-	-	-	-	(127,789)	(127,789)
Balance at December 31, 2022	<u>\$ (875,407)</u>	<u>43,594,795</u>	<u>5,196</u>	<u>7,180</u>	<u>(61,900)</u>	<u>42,669,864</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Change in fair value of financial liability attributable to change in credit risk of liability	Gains (losses) on financial Instruments for hedging	Other Comprehensive income reclassified by applying overlay approach	Total
Balance at January 1, 2021	\$ (2,807,269)	57,580,400	(86,229)	3,987	40,090	54,730,979
Exchange differences on translation of foreign operations	(473,744)	-	-	-	-	(473,744)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	8,202,247	-	-	-	8,202,247
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	(85,218)	-	-	-	(85,218)
Gains (losses) of associates and joint ventures accounted for using equity method on financial Instruments for hedging	-	-	-	112	-	112
Change in fair value of financial liability attributable to change in credit risk of liability	-	-	66,727	-	-	66,727
Other Comprehensive income reclassified by applying overlay approach	-	-	-	-	25,799	25,799
Balance at December 31, 2021	<u>\$ (3,281,013)</u>	<u>65,697,429</u>	<u>(19,502)</u>	<u>4,099</u>	<u>65,889</u>	<u>62,466,902</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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(v) Appropriation of earnings

The articles of incorporation of the Bank stipulate that net income should be distributed in the following order:

- 1) to settle all outstanding tax payable;
- 2) to offset prior years losses;
- 3) to appropriate 30% as legal reserve;
- 4) special reserve

In addition to appropriating 20–40% of residual earnings as special reserve, in accordance with the Order No. 1100208161 issued by the FSC on May 12, 2021, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded in the shareholders' equity which the Bank elect to transfer to retained earnings by application of the exemption under IFRSs No. 1, the Bank shall set aside an equal amount of special reserve. When the Bank subsequently use, dispose of, or reclassify the relevant assets, it may reverse to distributable earnings a proportional amount of the special reserve originally set aside.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the net reduction of other shareholder's equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholder's equity pertaining to prior due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholder's equity shall qualify for additional distributions.

5) To appropriate dividends.

The remaining balance would be appropriated, combining accumulated retained earnings, in accordance with related laws and regulations.

According to the Banking Law, before the legal reserve balance amounts to the authorized capital, cash dividend distributions cannot exceed 15% of the authorized capital.

6) According to "Guidelines for Dividends or Bonus or Profits to Be Paid to The National Treasury of The State-owned Enterprises", the Bank distributed its earnings to the National Treasury in April, July, October, and December evenly and recognized them in the consolidated financial statements accordingly. The distributed amount will be adjusted in the final accounting of the Executive Yuan and National Audit Office. For the prepaid dividends of the Bank as of December 31, 2022 and 2021, please refer to note 6 (p).

(Continued)

(af) Net interest income

	2022	2021
Interest income:		
Loans and discounts	\$ 48,563,817	35,347,839
Placement with Central Bank and call loans to banks	9,089,192	4,329,729
Securities investment	11,393,341	7,927,515
Credit cards	17,868	18,809
Others	993,687	664,854
Subtotal	70,057,905	48,288,746
Interest expense:		
Deposits from customers	31,025,344	17,207,111
Deposits of Central Banks and other banks	2,732,403	1,121,679
Loans to Central Banks and other banks	626,300	29,827
Bonds sold under repurchased agreements	94,026	8,537
Financial bonds	305,506	252,226
Structured deposits	10,106	7,870
Others	42,056	23,453
Subtotal	34,835,741	18,650,703
Net interest income	\$ 35,222,164	29,638,043

(ag) Service fees, net

	2022	2021
Service fees revenue:		
Trust services	\$ 782,579	1,092,610
Custody services	131,688	134,166
Foreign exchange business	193,978	167,948
Credit business	662,131	445,544
Credit card services	215,340	183,885
Deposit, remittance and other services	2,891,626	3,258,858
Subtotal	4,877,342	5,283,011
Service fees expense:		
Trust services	51,395	70,640
Custody services	25,495	22,189
Credit card services	228,340	191,184
Deposit, remittance and other services	501,744	479,877
Subtotal	806,974	763,890
Service fees, net	\$ 4,070,368	4,519,121

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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(ah)	Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	2022	2021
	Gain on financial assets or liabilities measured at fair value through profit or loss:		
	Dividend income	\$ 7,152,118	5,467,241
	Net interest profit (loss)	126,324	94,508
	Net gain on disposal	5,372,078	5,979,876
	Subtotal	12,650,520	11,541,625
	Net gain on valuation	(74,005,781)	39,368,044
	Total	<u>\$ (61,355,261)</u>	<u>50,909,669</u>
(ai)	Realized gains (losses) on financial assets measured at fair value through other comprehensive income	2022	2021
	Dividend income	\$ 4,551,764	3,698,425
	Gain on disposal	36,788	757,573
	Total	<u>\$ 4,588,552</u>	<u>4,455,998</u>
(aj)	Foreign exchange gain or loss	2022	2021
	Foreign exchange gains	\$ 29,164,411	4,919,142
	Foreign exchange losses	(12,930,325)	(6,921,891)
	Total	<u>\$ 16,234,086</u>	<u>(2,002,749)</u>
(ak)	Other non-interest income	2022	2021
	Premiums income	\$ 22,626,131	23,627,599
	Sales revenue	125,731,831	130,711,150
	Subsidized income from government	9,207,821	7,721,076
	Benefits and claims	(29,341,339)	(22,963,851)
	Cost of goods sold	(125,224,017)	(130,300,019)
	Provisions for policy holders' reserve premium	43,014,084	(54,486,760)
	Excess preferential interest expenses	(5,811,768)	(6,842,858)
	Others	201,597	51,524
	Total	<u>\$ 40,404,340</u>	<u>(52,482,139)</u>

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(al)	Employee benefits expenses	2022	2021
	Salaries	\$ 12,054,023	12,052,621
	Labor and health insurances	569,475	570,169
	Pensions	1,045,960	1,010,681
	Remuneration of directors	2,640	2,456
	Others	295,650	204,197
	Total	<u>\$ 13,967,748</u>	<u>13,840,124</u>
(am)	Depreciation and amortization expenses	2022	2021
	Depreciation expenses	\$ 1,551,612	1,491,529
	Amortization expenses	390,841	365,349
	Total	<u>\$ 1,942,453</u>	<u>1,856,878</u>
(an)	Other general and administrative expenses	2022	2021
	Taxes	\$ 3,322,176	2,664,865
	Rental expenses	5,254	6,864
	Insurance expenses	1,040,960	1,022,293
	Postage and phone / fax expenses	237,960	224,393
	Utilities	176,626	173,320
	Supplies expenses	229,991	203,713
	Repair and maintenance expenses	424,992	412,005
	Marketing expenses	333,194	326,253
	Professional service fees	870,207	731,141
	Cashes transferring expenses	68,530	30,001
	Others	345,402	325,970
	Total	<u>\$ 7,055,292</u>	<u>6,120,818</u>
(ao)	Earnings per Share		

The basic earnings per share of the Bank and subsidiary were calculated as follows:

	2022	2021
	Before-Tax	Before-Tax
	After-Tax	After-Tax
	\$ 19,189,573	\$ 16,963,242
	10,900,000	10,900,000
	\$ 1.76	\$ 1.56
		1.40

Unit: thousand dollars / thousand shares

(Continued)

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(7) The Fair Value Information of Financial Instruments:

- (a) Fair value information
- (i) Overview
- Fair value is the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.
- Financial instruments are recognized initially at fair values. In many cases, they usually refer to transaction prices. Subsequent to initial recognition, they are also measured at fair value except for those that are measured at amortized cost. The best evidence of fair value is the quoted price in an active market. If financial instruments do not have a quoted market price in an active market, the Bank uses the valuation techniques or refers to the quoted prices set by Bloomberg, Reuters or the Counterparties to determine the fair value.
- (ii) The Three-level Definition
- 1) Level 1
Inputs are quoted prices of same financial instruments in an active market. An active market indicates the market that is in conformity with all the following conditions: (i) the products in the market are identical; (ii) it is easy to find a willing party; (iii) the price information is attainable for the public. The equity investments, beneficiary certificates, certain Taiwan government bonds, and derivatives with quoted prices in an active market are classified as level 1.
 - 2) Level 2
Inputs are those that are observable for asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices), other than quoted prices included within Level 1. The non-popular government bonds, corporate bonds, financial bonds, convertible bonds, most of the derivatives, and financial bonds issued by the Bank are classified as level 2.
 - 3) Level 3
Inputs are not based on observable market data (unobservable inputs parameters), i.e., historical volatility which cannot represent an expected value of all the market participants but is used as a model for the calculation of options. Certain derivatives and equity investments without a non-active market belong to level 3.

(Continued)

- (b) Measure at fair value measurement
- (i) Fair value hierarchy

The fair value of financial instruments is measured on a recurring basis. The fair value hierarchy of financial instruments as of December 31, 2022 and 2021 are as follows:

December 31, 2022					
Financial instruments measured at fair value		Total	Level 1	Level 2	Level 3
Non-derivative financial instruments					
Assets:					
Financial assets measured at fair value through profit or loss	\$	269,945,880	244,782,413	24,959,137	204,330
Financial assets designated as fair value through profit or loss		13,338,417	-	13,338,417	-
Investment in bonds		13,338,417	-	13,338,417	-
Financial assets mandatorily as fair value through profit or loss		256,607,463	244,782,413	11,620,720	204,330
Investments in stocks		132,675,573	132,471,243	-	204,330
Investment in bonds		14,906,111	8,353,599	6,552,512	-
Others		109,025,779	103,957,571	5,068,208	-
Financial assets at fair value through other comprehensive income		1,138,542,241	97,531,030	1,020,810,712	20,200,499
Debt instruments		1,028,168,358	7,357,646	1,020,810,712	-
Equity instruments		110,373,883	90,173,384	-	20,200,499
Liabilities:					
Financial liabilities measured at fair value through profit or loss		12,438,140	-	12,438,140	-
Financial liabilities designated at fair value through profit or loss		12,438,140	-	12,438,140	-
Derivative financial instruments					
Assets:					
Financial assets measured at fair value through profit or loss	\$	17,678,802	63,403	17,615,399	-
Hedging derivatives financial assets		9,467	-	9,467	-
Liabilities:					
Financial liabilities measured at fair value through profit or loss		12,627,910	-	12,627,910	-

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	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Financial instruments measured at fair value				
Non-derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 351,959,904	331,794,053	19,956,631	209,220
Financial assets designated as fair value through profit or loss	12,773,485	-	12,773,485	-
Investment in bonds	12,773,485	-	12,773,485	-
Financial assets mandatorily as fair value through profit or loss	339,186,419	331,794,053	7,183,146	209,220
Investments in stocks	170,538,184	170,328,964	-	209,220
Investment in bonds	8,147,672	964,526	7,183,146	-
Others	160,500,563	160,500,563	-	-
Financial assets at fair value through other comprehensive income	995,955,988	700,800,353	271,397,441	23,758,194
Debt instruments	884,006,038	612,608,597	271,397,441	-
Equity instruments	111,949,950	88,191,756	-	23,758,194
Liabilities:				
Financial liabilities measured at fair value through profit or loss	13,619,776	-	13,619,776	-
Financial liabilities designated at fair value through profit or loss	13,619,776	-	13,619,776	-
Derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 3,573,365	59,514	3,513,851	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	6,058,755	-	6,058,755	-
Hedging derivatives financial liabilities	16,241	-	16,241	-

(ii) Financial instruments measured at fair value

Fair value of an assets or liability is the amount at which the asset could be bought or sold in a current transaction between both willing parties who have full understanding, or transferred to an equivalent party.

Financial instruments are recognized initially at fair values. In many case, they usually refers to transaction price. Subsequent to initial recognition, they are also measured at fair value except for those that are measured at amortized cost. The best evidence of fair value is the quoted price in an active market. If a financial instrument do not have a quoted market price in an active market, the Bank uses the valuation techniques or refers to the quoted prices set by Bloomberg, Reuters or the Counterparties to determine the fair value.

The fair value of financial instruments is based on the quoted prices in an open market. These include trading prices of equity instruments listed on a major stock exchange or of the government bonds in an over the counter ("OTC") market.

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When a quoted price of a financial instrument is timely available in a stock exchange or an OTC market or from brokers, underwriter, industry associations, pricing service organizations and the authorities and the price is often used in a arm's length transaction, the financial instrument is considered to have a quoted price in an active market. If the above criteria are not met, the market is considered inactive. In general, a large or significantly increasing bid-ask spread and very low transaction volume indicate that the market where the financial instrument is trade is not active.

Other than those traded in an active market, the fair value of all other financial instruments is determined by using a valuation model or referring to the quoted price of the counterparty. The Bank refers to the present values, the discounted cash flow or the values calculated under other valuation methods of financial instruments with similar terms and characteristics, including the one calculated by a model which uses the available market data at the financial statement day as inputs. (i.e. the applicable yield curve of bonds traded in the Taipei exchange and average prices of commercial papers quoted on Reuters)

When measuring a financial instrument which no specific techniques can be applied to but do not create challenge in valuation, such as bonds traded in an inactive market, interest rate swap, FX swaps and options, the Bank adopts the valuation methods which are widely used and accepted by other market participants. The parameters used are usually the observable market data or information.

For complex financial instruments, the Bank not only refers to the valuation methods which are widely used and accepted by other banks but also develops its own valuation models to determine the fair value. These valuation models are usually applied to the valuation of derivatives, debt instruments with embedded derivatives, or securitization products. The parameters used in such models are usually not observable in a market, and therefore, the Bank has to make proper estimates based on assumptions and judgments.

(iii) Fair value adjustment

1) Limitations of valuation models and uncertainty input

Outputs of valuation models are approximate values and valuation techniques may not be able to reflect critical factors of all the financial and non-financial instruments. As such, additional parameters shall be incorporated into the fair value measurement, such as modeling risk and liquidity risk, when necessary. The management of the Bank believes that the adjustments made to the fair value of financial and non-financial instruments are appropriate and necessary since they are performed in accordance with the Bank's policies governing the fair value of valuation models and related internal controls. All the information and parameters are based on current market conditions and thoroughly reviewed by the Bank.

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2) Credit risk valuation adjustment

Credit risk valuation adjustment consists of credit valuation adjustments and debit valuation adjustments to the derivatives traded in an OTC market instead of a stock exchange market. The definitions are as follows:

- a) Credit value adjustments (CVA): adjust the valuation on transactions that occurs outside the exchange market, which refers to OTC derivative contracts, to reflect the possibility of the counter parties' delayed payment and default into fair value.
- b) Debit value adjustments (DVA): adjust the valuation on transactions that occurs outside the exchange market, which refers to OTC derivative contracts, to reflect the possibility of the Bank and its subsidiary' delayed payment and default into fair value.

The key inputs of the measurement of credit risk and the quality of the Bank's counterparties are the probability of default (PD), loss given default (LGD) and exposure at default (EAD).

CVAs are calculated by considering the counterparty's probability of default (PD) under the condition that the Bank is not in default, Loss give default (LGD) and Exposure at default (EAD). On the contrary, DVAs are calculated by considering the Bank's PD under the condition that the counterparty is not in default, LGD and EAD.

The Bank refers to the counterparty's default rate graded by Moody's, experiences of John Gregory (scholar), and foreign financial institutions, to determine the PD at 60%. The Bank may also use other alternative PD assumptions if data availability is limited. Moreover, the Bank also takes the credit risk valuation adjustments into consideration when calculating fair value by referring to the Mark-to-Market values of derivatives traded in the OTC markets to reflect the counterparty's credit risk and the Bank's creditworthiness.

(Continued)

(iv) Reconciliation for fair value measurements in Level 3 of the fair value hierarchy were as follows:

Reconciliation for fair value measurements categorized in level 3 as of December 31, 2022 and 2021 were as follows:

	Fair value through profit or loss (Non derivative mandatorily measured at fair value through profit or loss (Unquoted equity instruments))	Fair value through other comprehensive income	Unquoted equity instruments	Total
Opening balance, January 1, 2022	\$ 209,220		23,758,194	23,967,414
Total gains and losses recognized:				
In profit or loss	(4,890)		-	(4,890)
In other comprehensive income	-	(3,557,695)		(3,557,695)
Ending Balance, December 31, 2022	<u>\$ 204,330</u>		<u>20,200,499</u>	<u>20,404,829</u>
Opening balance, January 1, 2021	198,390		24,137,405	24,335,795
Total gains and losses recognized:				
In profit or loss	10,830		-	10,830
In other comprehensive income	-	(379,211)		(379,211)
Ending Balance, December 31, 2021	<u>209,220</u>		<u>23,758,194</u>	<u>23,967,414</u>

(v) The process of fair value measurements in Level 3

Referring to IFRS 13, the Trading Department should inform the Risk Management Department regarding the related valuation methods before any financial instruments categorized in Level 3 are bought or sold. The valuation result of such financial instruments is quarterly reported to Asset and Liability Management Committee.

(vi) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Bank considers the valuation techniques used by the Bank for fair value measurements in Level 3 reasonable. However, any changes in one or more of the parameters or assumptions may lead to a different result.

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The favorable and unfavorable effects represent the changes in fair value, and the fair value are based on a variety of unobservable inputs calculated using a valuation technique. There are no such effects as of December 31, 2022 and 2021. The analysis only reflects the effects of changes in a single input, and it does not include the inter-relationships with another input.

(vii) The sensitivity analysis for the financial assets measured at fair value classified to the Level 3.

The Bank's and subsidiary's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – equity investments" and "fair value through other comprehensive income – equity investments".

Quantified information of significant unobservable inputs was as follows:

2022			
Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through profit or loss and Financial assets at fair value through other comprehensive income – Contingent consideration	Comparable company method (Market approach)	- P/E ratio - P/B ratio - EV/Operating revenue - EV/EBITDA - EV/EBIT - Liquidity discount rate	- Positive - Positive - Positive - Positive - Positive - Negative
	The asset approach	- Fair value of asset - Fair value of liability	- Positive - Negative

(Continued)

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2021			
Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through profit or loss and Financial assets at fair value through other comprehensive income – Contingent consideration	Comparable company method (Market approach)	- P/E ratio - P/B ratio - EV/Operating revenue - EV/EBITDA - Linear Square Monte Carlo Simulation (LSM)	- Positive - Positive - Positive - Positive - Positive
	Income method	- Dividend yield - Dividend payout rate - Discount rate	- Positive - Positive - Negative
	The asset approach	- Fair value of asset - Fair value of liability	- Positive - Negative
		Liquidity discount rate	Negative

(c) Hierarchy information of financial instruments not measured at fair value

(i) Fair Value Information

In addition to the following items, the Bank's financial instruments that are not measured at fair value include cash and cash equivalents, due from the central bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, discounts and loans, deposit from and due to the central bank and banks, securities sold under repurchase agreements, commercial papers issued, payables, deposits, other borrowings and other financial liabilities. Since their book value is a reasonable approximation to fair value, there is no fair value disclosure.

Item	Book value	Fair value
December 31, 2022		
Financial Assets		
Financial Assets measured at amortized cost	\$ 276,063,085	270,133,114
December 31, 2021		
Financial Assets		
Financial Assets measured at amortized cost	164,929,574	166,477,209

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(ii) Fair value hierarchy

Assets and liabilities item	December 31, 2022		
	Quoted prices in active markets for identical asset (Level1)	Significant other observable inputs (Level2)	Significant unobservable inputs (Level3)
Financial Assets:			
Financial Assets measured at amortized cost	\$ 270,133,114	106,867,565	163,265,549
			-
Assets and liabilities item	December 31, 2021		
	Quoted prices in active markets for identical asset (Level1)	Significant other observable inputs (Level2)	Significant unobservable inputs (Level3)
Financial Assets:			
Financial Assets measured at amortized cost	\$ 166,477,209	86,504,862	79,972,347
			-

(iii) The methods and assumptions to estimate the financial instruments not measured at fair value are as follows.

- 1) Financial instruments that have short term to maturity or of which the agreed prices are close to carrying amounts are recognized using their carrying amounts at reporting date. These financial instruments include cash and cash equivalents, placement with Central Bank and call loans to banks, bills and bonds purchased under resell agreements, receivables, limited assets, deposits of Central Bank and other banks, loans to the Central Bank and other banks, bills and bonds sold under repurchase agreements, payables and guarantee deposits received.
- 2) The discounts and loans (including non-performing loans): The Bank use the floating interest rate to be the interest rate of loans. The floating interest rate can also reflect the market interest rate. So it is reasonable to use the carrying amount and the recoverability to estimate the fair value. The mid-term and long-term loans using with fixed interest rate should use the discounted present value of expected future cash flow to estimate their fair value. However, if the loans with fixed interest rate are minor, it is reasonable to use the carrying amount and their recoverability to estimate their fair value.

(Continued)

3) Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted:

- a) If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement.
- b) If no quoted prices are available, the discounted cash flows are used to estimate fair values.
- 4) Deposits and Remittances: The Bank considers the characteristic of bank industries to decide the fair value. The deposits with market interest rate are those almost with due within one year and their carrying amounts are reasonable basis for estimating the fair value. The long-term deposits with fixed interest rate are measured using the discounted present value of expected future cash flow. Because the term to maturity is less than three years, it is reasonable to use the carrying amount to estimate the fair value.
- 5) Financial Bonds Payable: It refers to the convertible corporate bonds and financial bonds issued by the Bank. Their coupon rates are almost equal to the market interest rate, so it is reasonable to using the discounted present values of the expected future cash flow to estimate their fair values. The present values are almost equal to the carrying amounts.

(8) Financial Risk Management:

(a) Overview

The Bank's activities has expose to various risks from financial instruments, which included credit risk, market risk, operational risk, interest rate risk, liquidity risk, national risk, legal risk and so forth. The principles of risk management are as follows:

- (i) Monitor the BIS Capital Adequacy Ratio in response to operation scale, credit risk, market risk, operational risk and the operating trades in the future.
- (ii) Establish a systematic risk measure and control mechanism to measure, monitor and control every risk.
- (iii) Manage every business risk considering the risk capacity, capital reserve, nature of debts and performance.
- (iv) Establish a valuation method for the quality and classification of assets, control the intensity of exposure and significant exposure, check periodically and recognize allowance for loss.
- (v) Establish information system protection mechanism and emergency plan for bank operation, transactions, and information. Build an independent and effective risk management mechanism and strengthen the risk management of business through appropriate policies, procedures, and systems.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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(b) Risk management structure

The risk management structure of the Bank is composed of the Board of Directors, risk management committee, risk management department and every operational unit.

- (i) The Board of Director is the final decision maker for risk management and is responsible for the result of risk. The Board of Director should decide the entire risk management policies in view of operational strategies and business environment to monitor the risk management mechanism which understand the risk status and maintain the appropriate Capital Adequacy Ratio in response to all risk.
- (ii) Risk Management Committee under the Board of Directors is responsible for executing risk management policies and coordinating interdepartmental management of risk.
- (iii) Risk management department is responsible to monitor, trace the execution status of risk management policies and submit reports to the Board of Directors or Risk Management Committee. If a significant risk exposure is discovered, the risk management department has to make appropriate procedures and report it to the Board of Directors.
- (iv) Every department should identify, evaluate, and control the risks of new products or business, set related risk management regulations as a guideline, and monitor the risk management to ensure the risk control of entire company.
- (v) All operational units shall comply with the regulations for risk management.

(c) Credit Risk

(i) Causes and definition of credit risk

Credit risk is the risk of financial loss to the Bank if a borrower, issuer or a counterparty to a financial instrument fails to meet its contractual obligations principally due to their credit deterioration or other factors (i.e. disputes between a borrower and its counterparty), including:

- 1) Credit risk from a borrower/issuer refers to the risk that the Bank and subsidiary may suffer from financial losses when the borrower/issuer is not able to meet its contractual obligations due to default, bankruptcy or liquidation.
- 2) Credit risk from counterparties refers to the risk that the Bank and subsidiary may suffer from financial losses when the counterparty is not able to settle the contracts or execute its repayments.
- 3) Credit risk from underlying assets refers to the risk that the Bank and subsidiary may suffer from financial losses when the credit quality of the underlying assets linked by the financial instruments turns vulnerable, which leads to an increase of risk premium, a downgrade of credit rating or a breach of contract.

Credit risk is derived both from on and off balance sheet items. On balance sheet items include loans, placement with banks, call loans to banks, acceptance bills, debt instruments, derivatives, etc. Off balance sheet items include guarantees, acceptances, letter of credits, loan commitments, etc.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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(ii) Identification and measurement of credit risk

To ensure the credit risk is in a tolerable range, the Bank sets the credit risk management policies which identify that the credit risk of all the transactions and business related to the assets, liabilities and off-balance sheet items. Before executing present or new business, the Bank shall identify the credit risk, understand the degree of risk exposure through appropriate evaluation and assess the possibilities of default.

If there are no specific requirements from the local authorities, the overseas branches of BOT shall assess asset quality and loss provision in accordance with the Operational Manual of Evaluating the Impairment of Loans and Receivables. The information about how the Bank classifies assets, manages post-loan and grant internal rating is as follows:

- 1) Credit business(including loan commitments and financial deposit)
 - a) Credit assets categories and post-loan management

The Bank has established the "Operational Manual of Evaluating the Impairment of Loans and Receivables" and has classified the credit assets into five categories. Except for normal credit assets that are classified at the first category, the other abnormal credit-rating assets are classified as the second category- requiring attention, the third category- collectable, the fourth category- hard to collect, and the fifth category- impossible to collect by assessing the collaterals and overdue days. In order to reinforce the post-loan management, the Bank sets the "Credit Review and Follow up Evaluations Provision", the "Review of the Credit Conducted by Managers Provision", as well as the "Warning Mechanism Provision", and evaluate and monitor the quality of credit assets regularly. Also, to enhance the management of abnormal credit and to attain the goals of warning and interim monitoring, the Bank reviews their credit cases by sampling cases based on their ratings and check significant credit cases periodically.

b) Internal credit rating

When conducting credit review, the Bank will obtain necessary collateral to mitigate risk arising from financial loss due to the environment, economic changes, risk factors of business development strategies and policies. The Bank improve market competitiveness of products, strive for customer identification, broaden business, and balance credit risk and profits target simultaneously. The following are the credit process of corporate finance and consumer finance.

i) Corporate Finance

The Bank has established a credit policy under which each new customer is analyzed individually for creditworthiness before the interest rate is offered. The Bank review includes external rating, when available, and in some cases, the information that is publicly available. The clients are classified into two types based on their scorecards, the large-scale enterprise and the medium-scale enterprise. Then they measure their scale, financial and business status, business management and industry characteristic. There are 13 credit ratings, all in all.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

ii) Consumer Finance

The Bank uses the credit application scorecard and behavior scorecard, both of them have seven grades for the purpose of credit risk evaluation and differential pricing. Unsecured consumer loans are graded based on seven scoring items and are classified into the seventh rating. The Bank would reject those below the lowest scores; others would be reviewed in accordance with related provisions.

2) Due from Banks and Call Loans to Banks

The Bank will assess the counterparty's creditworthiness, and refer to external ratings provided by domestic and international credit rating agencies, to set up different credit risk limits before any transactions are carried out.

3) Investment in debt instruments and financial instrument derivatives

The Bank identifies and manages credit risk of debt instruments by reviewing the external ratings, creditworthiness of bonds, and geographic region of its counterparties. Most of the Bank's derivative contracts with its counterparties are financial institutions with good credit ratings. For those financial institutions whose ratings are not available, the Bank reviews the transactions individually. All the counterparties, including non-financial institutions, are managed based on their lines of credit (including loans at call).

(iii) Measurement of credit risk

1) Categories for credit risk quality

The Bank internally categorize the credit risk into four levels, which are low risk, moderate risk, high risk and impaired risk. The definition of each level is as follows:

- Low risk: The issuers or the counterparties are rated as robust or above to fulfill their obligation of the contracts. Even under various negative news or disadvantageous economic conditions, the companies are capable of dealing with the situations.
- Moderate risk: The possibility that the issuers or counterparties fulfill their obligation is remote. Operating performance and disadvantageous economic conditions will lower their ability and willingness to fulfill their obligation.
- High risk: The possibility that the issuers or counterparties fulfill their obligation is remote and mainly relies on the business environment. Negative news or disadvantageous economic conditions will lower their ability and willingness to fulfill their obligation.
- Impaired risk: the counterparties or the target did not perform its obligation according to the contracts, and potential estimated loss to the Bank and subsidiary has reached the standard of impairment.

(Continued)

2) Determination on the credit risk that has increased significantly since initial recognition

The Bank and subsidiary determine whether the credit risk of financial instruments applying the impairment requirements in IFRS 9 increased significantly since the initial recognition on each reporting date. For this assessment, the Bank and subsidiary consider the reasonable and supportable information (including forward looking information) which shows that the credit risk has increased significantly since initial recognition.

a) Credit business (including loan commitments and financial deposit)

The Bank's and subsidiary's credit business scoring model and risk degree are as follows:

Risk degree	Corporate Finance IRB scoring model	Consumer Finance IRB application/behavioral scoring model (including credit cards, excluding student loans)	Student Loans behavioral scoring model
Low	1	1	1
	2	2	
	3	3	2
	4		
Moderate	5	4	3
	6	5	4
	7		5
	8	6	
	9		6
	10		
High	11	7	7
	12		8
	13		9
			10

i) Loans and Discounts and credit related receivables

The Bank and subsidiary determine the credit risk of loans and discounts or financing receivables has increased significantly since initial recognition when the financial instrument applying the impairment requirements in IFRS 9 meets the following conditions at each reporting date:

- The borrower's internal or external rating has significantly dropped;
- The borrower's contract payment has been overdue for more than a month but still within 3 months (there are additional 45 days for a borrower who does not have a credit account in the Bank) ;
- The borrower's internal credit level is assessed as "Poor" under post-loan review or alert.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

ii) Credit Cards

The Bank and subsidiary determine the credit risk of credit card loans has increased significantly since initial recognition when the credit card loans applying the following conditions: The borrower has not used revolving credit facility, but whose internal rating has dropped more than 3 levels, the borrower has used revolving credit facility without overdue, the loans has overdue but within 3 months, or non-conforming assets, excluding assets previously determined as credit risk has increased significantly or credit impairment.

b) Debt investments and placement with central bank and call loans to banks

The Bank and subsidiary follow the table below to determine whether that the credit risk of debt investments or placement with central bank and call loans to banks have increased significantly since initial recognition at each reporting date:

STAGE 1 (credit risk has not significantly increased)	STAGE 2 (credit risk has significantly increased)	STAGE 3 (credit has been impaired)
1. The credit rating of a counterparty is higher than Moody's A3, S&P's A-, Fitch's A- or Taiwan Ratings' twA- at the reporting date. (Note)		
2. The credit rating of a counterparty falling between Moody's A3 and Baa3 or equivalent drops within 4 levels during the period of the transaction date and each reporting date.	Not assessed as Stage 1, but the credit of counterparty is not actually impaired.	Not assessed as Stage 1, but the credit of counterparty has been impaired.
3. The credit rating of a counterparty lower than Moody's Baa3 or equivalent drops 1 level during the period of the transaction date and each reporting date.		

Note: If the credit risk of the credit assets is low, the Bank and subsidiary may consider that the credit risk of debt investments and placement with central bank and call loans to banks has not significantly increased since initial recognition.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

3) Definitions for default and credit impairment of financial assets

The Bank and subsidiary use the same definitions for default and credit impairment of financial assets. If one or more of the following conditions are met, the Bank and subsidiary determine that the financial assets have been defaulted and credit impaired:

a) Credit business (including loan commitments and financial deposit)

i) Loans and discounts and credit related receivables

1. Quantitative indicators

- The borrower's principals or interests have been overdue more than 3 months.
- The borrower's internal rating is assessed as the lowest.

2. Qualitative indicators

If there is evidence that the borrower will be unable to pay the contract, or show that the borrower has significant financial difficulties, such as:

- The borrower has requested to postpone the repayment of principles and interests;
- The borrower's internal credit level is assessed as "Terrible" under post loan review or alert;
- The borrower's internal credit level is assessed as "Dangerous" under post loan review or alert;
- The borrower is reported by the Bank due to significant and unfavorable events;
- The borrower is under debt negotiation.

ii) Credit card business

The loan which borrower's payment has been overdue more than 3 months, or is reclassified as non-accrual loans, or was credit-impaired before, or which borrower is dead.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- b) Debt investments and placement with central bank and call loans to banks
- i) If there is evidence showing that the borrower will be unable to repay the principal or interests, or that the borrower has significant financial difficulties, such as:
- The issuer has breached the contract, such as a default or delinquency in interest or principal payments;
 - The issuer reorganizes its debt, such as a slash on the interest rate or principals, an exchange of debts, subordination of debt repayment or a postpone in maturity date;
 - The issuer has filed a bankruptcy; or
 - The issuer's rating is optional default or default.
- ii) A combination of individual and independent events may lead to an impairment on financial assets.

If the aforementioned definition of breach of contract and credit impairment applies to all financial assets held by the Bank and subsidiary no longer meets the definition of default and credit impairment for a period of time, it is deemed to return to the state of compliance and is no longer considered defaulted and credit impaired.

The aforementioned definition of breach of contract and credit impairment, and is consistent with the definition used for the purpose of internal credit risk management for financial assets, and is also applied to the relevant impairment assessment model.

4) Write off policy

If there is no realistic prospect of recovery for the financial assets (either partially or in full), the Bank and subsidiary will write off part or full of the financial assets. The indications of financial assets which have no realistic prospect of recovery include:

- a) The loan cannot be recovered in full or in part because the issuers or debtors have dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons.
- b) The collateral and property of the primary/subordinate debtors or issuers have been appraised at a very low value or become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the Bank and subsidiary might collect from the debtors where there is no financial benefit in execution.
- c) The primary/subordinate debtor or an issuer's collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the Bank's and subsidiary's taking possession of such collateral.
- d) More than two years have elapsed since the maturity date of the non performing loans or non accrual loans, and the efforts of collection have failed.

(Continued)

5) Amendments of contractual cash flows of financial assets

The contractual cash flows of loans and discounts may be amended due to the borrower's financial difficulties or in order to increase the recovery rate. An amendment may involve an extension of contract period, a change in the timing of repayments or in the interest rate, which may lead to a de-recognition of current financial assets and a re-recognition of the financial assets at fair value, in accordance with the Bank's and subsidiary's policy (Please see note 4(f)).

If the amendments do not lead to a de-recognition, the Bank and subsidiary will determine the credit of financial assets have been impaired and will assess expected credit loss accordingly since debt negotiation or extension is one of the conditions that define whether financial assets are credit-impaired or not.

The Bank and subsidiary assess the possibility of default of the amend financial assets by considering the condition of repayments after the amendment and several related behavior indexes, and re-evaluate whether the amendment has improved or restore the client's ability to make the required loan payments. According to the the Bank's and subsidiary's policy, a borrower cannot be reverted to Stage 1 until the borrower can continuously repay the new contractual amounts for a certain period and shows good payment behaviors.

The Bank and subsidiary will periodically review changes of credit risk after amendments in accordance with related policy.

6) Expected credit loss measurement

a) Adopted methods and assumptions

For the Bank and subsidiary, if the financial assets are of low credit risk or no significant increase in credit risk, the 12 month expected credit losses will be recognized. If the financial assets are significantly increased in credit risk or the credits have been impaired, the expected credit losses for a lifetime will be recognized.

In order to measure expected credit losses, the Bank and subsidiary adopt Probability of default ("PD"), and include Loss given default ("LGD") and Exposure at default ("EAD"), and consider the impact of the time value of money, to calculate the expected credit losses for 12 months and for a lifetime, respectively.

Default probability is how likely the issuer or the counterparty breaches the contract, and the loss given default is the rate of loss due to default by the issuer or the counterparty. The default probability and loss given default used by the Bank and subsidiary, related impairment assessments are based on international credit rating agencies (S&P and Moody's), regularly publish information on default rate and loss given default, or internal historical information and calculate based on current observable data and forward looking general economic information (such as gross domestic production) after adjusting historical data.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

The Exposure at default is measured by amortized cost of financial asset.

The estimation techniques or material assumptions made by the Bank and subsidiary to assess expected credit losses have no significant changes during 2022 and 2021, respectively.

b) Forward looking information considerations

The Bank and subsidiary take forward looking information into account when judging whether the credit risk of a debt instrument has increased significantly since its initial recognition, and when the expected credit loss is measured.

i) Credit business (including loan commitments and financial deposit)

The Bank and subsidiary identify credit risks and factors of expected credit loss (i.e. GDP, economic growth rate, price index, interest rate, and unemployment rate) based on historical data. Simultaneously, the Bank and subsidiary connect these factors or monitoring indicators with each loan product in order to adjust PD in the coming year and make expected credit loss reflect forward looking information.

ii) Debt investments and placement with central bank and call loans to banks

The Bank and subsidiary evaluate the expected credit loss based on the external rating outlook or observation at the reporting date. If any of an issuer's credit rating granted by Moody's, S&P, Fitch, or Taiwan Rating is "Negative" or "+", the issuer will be determined as negative outlook or negative observation.

1. When the issuer's credit rating outlook is "Negative" or credit rating observation is "+", the Bank and subsidiary use the average of the long-term PD and one level reduced PD.

2. Otherwise, the PD will remain unchanged.

(iv) Management of maximum exposure to credit risk and excessive risk concentration

1) In accordance with the Banking Law, there is a credit limitation management for the Bank's person in charge, employees, and any interested party. In respect to credit intensity, the Bank provides credit and investment quota rules for the same enterprise, and industry. The Bank also limits and manages the credit amount for enterprises, groups and every industry.

2) The Bank's Treasury Department, OBU, and foreign branches provide different credit amount according to external credit evaluation and rankings when having a transaction in the currency market or capital market, foreign exchange, new financial instruments transactions and negotiable security transactions.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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3) To spread the country risks, the Bank allocates different credit amount, based on the ranking of the countries in "Euromoney", to the Financing Department, OBU, and foreign branches. The covered businesses are loan assets and transaction assets (i.e. due and call loans, investment securities, derivatives, and foreign exchanges).

(v) Policies of credit risk deduction

1) Collateral

The Bank has established policy and procedures to mitigate credit risk. Among them, one of the most common ways, is to demand for collateral. In terms of collateral management and valuation, the Bank established policies governing the scope of collateral and related procedures to secure debts. Moreover, the Bank also requires the provisions that secure debts and collateral should be contained within a credit agreement to reduce credit risk by clearly defining the amounts the Bank can cut and the grace periods the bank can offer or even requesting for a prepayment.

Non-credit businesses are not required to collect collateral, depending on the nature of the financial instruments. Only asset-backed securities and other similar financial instruments are required to pledge an asset pool of financial instruments as collateral.

Considering both credit control and business expansion, the Bank shall request collaterals or guarantees to decrease the credit risk. The permitted collaterals and guarantees included mortgages on real estate or properties (i.e., land, building, machinery, car, ship, aircraft, etc.), pledges of securities or other rights (i.e., certificates of deposit, various bonds, or stocks), guarantees provided by the government agencies, banks, or credit guarantee institutions authorized by the government, and any other guarantees or collaterals approved by the Bank.

2) Master netting agreement

The Bank's transactions are usually settled individually without bundling or netting with any other transactions. However, the Bank also enters into netting agreements or chooses to settle net and terminates the deal if the counterparty is in default.

3) Other credits enhancement

The Bank's credit contract contains the term that the Bank is entitled to offset the obligation by claiming the deposits of the borrower who are in default to mitigate credit risk.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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- (vi) The maximum credit exposure to the credit risk of financial assets (without considering the allowance for bad debt, collaterals and guarantees)
- 1) As of December 31, 2022 and 2021, the amounts of maximum credit risk exposure to the credit risk displayed by credit rating are as follows:

	Discounts and loans			Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans"
	12 month ECLs	Lifetime ECLs — not impaired	Lifetime ECLs — impaired	
Credit rating				
Low	\$ 1,219,169,134	8,574	86,216	1,219,263,924
Medium	1,194,467,318	275,070,122	3,084,166	1,472,621,606
High	22,366,136	25,579,271	3,889,409	51,834,816
Others	716,063,335	184,192	4,356,394	720,603,921
Gross carrying amount	3,152,065,923	300,842,159	11,416,185	3,464,324,267
Allowance for bad debts	(26,012,063)	(2,074,695)	(2,635,409)	(30,722,167)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans"			(15,374,422)	(15,374,422)
Total	\$ 3,126,053,860	298,767,464	8,780,776	3,418,227,678
	Discounts and loans			Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans"
	12 month ECLs	Lifetime ECLs — not impaired	Lifetime ECLs — impaired	
Credit rating				
Low	\$ 1,001,653,069	5,199	123,921	1,001,782,189
Medium	914,244,868	232,836,705	2,829,680	1,149,911,253
High	25,252,496	36,154,175	4,756,869	66,163,540
Others	761,605,227	621,104	5,114,754	767,341,085
Gross carrying amount	2,702,755,660	269,617,183	12,825,224	2,985,198,067
Allowance for bad debts	(21,375,671)	(2,238,665)	(2,915,829)	(26,530,165)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans"			(18,218,415)	(18,218,415)
Total	\$ 2,681,379,989	267,378,518	9,909,295	2,949,449,487

(Continued)

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	Debt instruments measured at fair value through other comprehensive income			
	12 month ECLs	Lifetime ECLs — not impaired	Lifetime ECLs — impaired	Total
Credit rating				
Aaa-Baa3	\$ 1,041,793,210	-	-	1,041,793,210
Bal-Baa3	878,614	457,399	-	1,336,013
Gross carrying amount	1,042,671,824	457,399	-	1,043,129,223
Allowance for impairment	(115,931)	(1,134)	-	(117,065)
Valuation adjustment	-	-	(14,960,865)	(14,960,865)
Total	\$ 1,042,555,893	456,265	-	1,028,051,203
	Debt instruments measured at fair value through other comprehensive income			
	12 month ECLs	Lifetime ECLs — not impaired	Lifetime ECLs — impaired	Total
Credit rating				
Aaa-Baa3	\$ 885,519,894	-	-	885,519,894
Bal-Baa3	526,247	419,940	-	946,187
Gross carrying amount	886,046,141	419,940	-	886,466,081
Allowance for impairment	(91,585)	(7,628)	-	(99,213)
Valuation adjustment	-	-	(2,460,043)	(2,460,043)
Total	\$ 885,954,556	412,312	-	883,906,825
	Debt instruments measured at amortized cost			
	12 month ECLs	Lifetime ECLs — not impaired	Lifetime ECLs — impaired	Total
Credit rating				
Aaa-Baa3	\$ 263,641,711	-	-	263,641,711
Bal-Baa3	12,466,453	-	-	12,466,453
Gross carrying amount	276,108,164	-	-	276,108,164
Accumulated impairment	(45,029)	-	-	(45,029)
Total	\$ 276,063,085	-	-	276,063,085
	Debt instruments measured at amortized cost			
	12 month ECLs	Lifetime ECLs — not impaired	Lifetime ECLs — impaired	Total
Credit rating				
Aaa-Baa3	\$ 151,428,922	-	-	151,428,922
Bal-Baa3	13,539,630	-	-	13,539,630
Gross carrying amount	164,968,552	-	-	164,968,552
Accumulated impairment	(38,978)	-	-	(38,978)
Total	\$ 164,929,574	-	-	164,929,574

(Continued)

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Letter of Credit Receivables and Guarantee for Trade Receivables				
December 31, 2022				
	12 month ECLs	Lifetime ECLs — not impaired	Lifetime ECLs — impaired	Total
Credit rating				
Low	\$ 77,099,083	-	-	77,099,083
Medium	41,860,884	3,181,290	5,866	45,048,040
High	404,746	7,307	15,893	427,946
Others	11,920,425	350,944	-	12,271,369
Gross carrying amount	131,285,138	3,539,541	21,759	134,846,438
Allowance for bad debts(Guarantee reserve and other reserve)	(362,268)	(149,794)	(72)	(512,134)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans			(786,869)	(786,869)
Total	<u>\$ 130,922,870</u>	<u>3,389,747</u>	<u>21,687</u>	<u>133,517,415</u>

Letter of Credit Receivables and Guarantee for Trade Receivables				
December 31, 2021				
	12 month ECLs	Lifetime ECLs — not impaired	Lifetime ECLs — impaired	Total
Credit rating				
Low	\$ 77,055,537	-	-	77,055,537
Medium	42,110,424	2,810,405	85,243	45,006,072
High	230,888	75,828	45,090	351,806
Others	10,673,463	350,945	-	11,024,408
Gross carrying amount	130,070,312	3,237,178	130,333	133,437,823
Allowance for bad debts(Guarantee reserve and other reserve)	(302,018)	(19,255)	(51,902)	(373,175)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans			(958,799)	(958,799)
Total	<u>\$ 129,768,294</u>	<u>3,217,923</u>	<u>78,431</u>	<u>133,105,649</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Loan Commitments				
December 31, 2022				
	12 month ECLs	Lifetime ECLs — not impaired	Lifetime ECLs — impaired	Total
Credit rating				
Low	\$ 2,080,000	-	-	2,080,000
Others	350,147,482	171,975	508	350,319,965
Gross carrying amount	352,227,482	171,975	508	352,399,965
Allowance for bad debts (Loan commitments reserve)	(10,577)	(829)	(336)	(11,742)
Total	<u>\$ 352,216,905</u>	<u>171,146</u>	<u>172</u>	<u>352,388,223</u>

Loan Commitments				
December 31, 2021				
	12 month ECLs	Lifetime ECLs — not impaired	Lifetime ECLs — impaired	Total
Credit rating				
Low	\$ 2,080,000	-	-	2,080,000
Others	250,557,425	195,051	427	250,752,903
Gross carrying amount	252,637,425	195,051	427	252,832,903
Allowance for bad debts (Loan commitments reserve)	(4,964)	(534)	(176)	(5,674)
Total	<u>\$ 252,632,461</u>	<u>194,517</u>	<u>251</u>	<u>252,827,229</u>

Accounts Receivable (including other financial assets)				
December 31, 2022				
	12 month ECLs — not impaired	Lifetime ECLs — impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	Total
Credit rating				
Ass-Baa3	\$ 10,771,440	-	-	10,771,440
Ba1-Caa1	106,073	10,097	46	116,216
Others	61,878,370	501,693	240,555	62,620,418
Gross carrying amount (Note 1)	72,755,883	511,790	240,401	73,508,074
Allowance for bad debts (Note 2)	(61,723)	(5,305)	(206,354)	(273,382)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans			(29,808)	(29,808)
Total	<u>\$ 72,694,160</u>	<u>506,485</u>	<u>34,047</u>	<u>73,204,884</u>

Note 1: Restrictive deposit of the Bank amounted \$16,295 thousand, tax refund receivable \$109 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted \$9,690,820 thousand were not included in the gross carrying amount of this table.

Note 2: Accumulated impairment recognized in restrictive deposit of the Bank amounted \$7 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted \$5 thousand were not included in the allowance for bad debts of this table.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	Accounts Receivable (including other financial assets)			
	December 31, 2021		December 31, 2020	
	12 month ECLs	Lifetime ECLs — not impaired	Lifetime ECLs — impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming Loans"
Credit rating				
Aaa-Baa3	\$ 4,757,720	-	-	4,757,720
Ba1-Caa1	40,994	8,343	58	49,395
Others	75,530,986	400,791	129,086	76,060,863
Gross carrying amount (Note 1)	80,329,700	409,134	129,144	80,867,978
Allowance for bad debts (Note 2)	(64,011)	(2,854)	(76,295)	(143,160)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans"				(78,915)
Total	\$ 80,265,689	406,280	52,849	80,645,503

Note 1: Restrictive deposit of the Bank amounted \$16,884 thousand, tax refund receivable \$10 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted \$8,280,931 thousand were not included in the gross carrying amount of this table.

Note 2: Accumulated impairment recognized in restrictive deposit of the Bank amounted \$8 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted \$5 thousand were not included in the allowance for bad debts of this table.

2) The assets in the balance sheet and off-balance sheet items held as collateral, master netting arrangement and other credit enhancements related information on the financial impact the maximum amount of the violence risk in credit risk shows in the following table :

	Unit: In million of TWD			
	December 31, 2022		December 31, 2021	
	Collateral	General agreement of net amount settlement	Enhancement of other credits	Total
In balance sheet:				
Receivables				
Others	\$ 1,590	1,908	5,315	8,813
Loans and discounts	1,553,196	-	1,911,128	3,464,324
Financial assets measured at fair value through profit or loss				
Others	2,550	-	-	2,550
Off-balance sheet:				
Irrevocable loan commitments	-	-	352,400	352,400
Standby letters of credit	2,587	-	43,326	45,913
Financial guarantees	10,336	-	78,597	88,933
Total	\$ 1,570,259	1,908	2,390,766	3,962,933

(Continued)

	December 31, 2021			
	In balance sheet:	Collateral	General agreement of net amount settlement	Enhancement of other credits
Receivables				
Others	\$ 1,057	8	3,156	4,221
Loans and discounts	1,477,346	-	1,507,852	2,985,198
Financial assets measured at fair value through profit or loss				
Others	1,200	-	-	1,200
Off-balance sheet:				
Irrevocable loan commitments	-	-	252,833	252,833
Standby letters of credit	2,447	-	43,985	46,432
Financial guarantees	11,472	-	75,534	87,006
Total	\$ 1,493,522	8	1,883,360	3,376,890

The Management believes that the reason why the Bank can continuously manage and minimize the exposure of credit risk to off-balance sheet items is because a stricter review process is adopted, and cases are reviewed regularly in subsequent periods.

3) The Bank closely observes the value of collateral for financial instruments, and considers the allowance for impairment of credit-impaired financial assets. Information about credit-impaired financial assets and the value of collateral which may decrease potential loss is shown below:

	December 31, 2022			
	Gross carrying amount	Allowance for impairment (Legal reserves was not included)	Exposure amount (Amortized cost)	Fair value of collateral
Impaired financial assets:				
Receivables				
Credit card business	\$ 5,015	3,685	1,330	-
Others	235,386	202,669	32,717	-
Loans and discounts	11,416,185	2,635,409	8,780,776	7,430,794
Total amount of impaired financial assets	\$ 11,656,586	2,841,763	8,814,823	7,430,794

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	December 31, 2021		
	Gross carrying amount	Allowance for impairment (Legal reserves was not included)	Exposure amount (Amortized cost)
Impaired financial assets:			
Receivables			
Credit card business	\$ 5,625	2,429	3,196
Others	123,519	73,866	49,653
Loans and discounts	12,825,224	2,915,829	9,909,395
Total amount of impaired financial assets	<u>\$ 12,954,368</u>	<u>2,992,124</u>	<u>9,962,244</u>
			<u>7,772,485</u>

4) Financial assets not applicable for rules of impairment:

	December 31, 2022	December 31, 2021
Financial assets measured at fair value through profit or loss		
Debt instruments	\$ 137,270,307	181,421,720
Derivative	17,678,802	6,058,755

(vii) Concentration of credit risk

When the transaction of financial instruments is concentrated in a single industry or region, the ability to oblige the contract would be impacted by similar factors, thereby, causing concentration of credit risk.

The credit risk of the Bank is derived from credit, placement with banks, call loans to banks, security investments and so on. Disclosures of concentration of credit risk by industries, regions and collaterals were as follows:

1) Industry

	December 31, 2022			December 31, 2021		
Industry type	Book Value (Note 1)	%	Book Value (Note 2)	%	Book Value (Note 1)	%
Finance and insurance	\$ 1,469,910	28.36 %	1,237,962	27.87 %		
Individuals	1,184,650	22.86 %	1,141,875	25.71 %		
Manufacturing	661,090	12.76 %	435,211	9.80 %		
Government Agencies	843,567	16.28 %	810,837	18.25 %		
Shipping, warehousing and communications	157,026	3.03 %	173,204	3.90 %		
Electricity and gas supply	307,804	5.94 %	133,463	3.00 %		
Others	558,292	10.77 %	509,365	11.47 %		
Total	<u>\$ 5,182,339</u>	<u>100.00 %</u>	<u>4,441,917</u>	<u>100.00 %</u>		

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Note 1: December 31, 2022

(1) The carrying amounts excluding adjustment for premium and discount include loans (\$3,464,324 million), call loans to banks, overdraft of banks and placement with banks (\$340,352 million), security investments (\$1,377,663 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans (\$2,356 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measured at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.

(2) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

Note 2: December 31, 2021

(1) The carrying amounts excluding adjustment for premium and discount include loans (\$2,985,198 million), call loans to banks, overdraft of banks and placement with banks (\$285,787 million), security investments (\$1,170,932 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans (\$2,532 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measured at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.

(2) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

2) Region

	December 31, 2022			December 31, 2021		
Areas type	Book Value (Note 1)	%	Book Value (Note 2)	%	Book Value (Note 1)	%
Domestic	\$ 4,442,602	85.73 %	3,927,503	88.42 %		
Foreign	739,737	14.27 %	514,414	11.58 %		
Total	<u>\$ 5,182,339</u>	<u>100.00 %</u>	<u>4,441,917</u>	<u>100.00 %</u>		

Unit: In million of TWD; %

Note 1: December 31, 2022

(1) The carrying amounts excluding adjustment for premium and discount include loans (\$3,464,324 million), call loans to banks, overdraft of banks and placement with banks (\$340,352 million), security investments (\$1,377,663 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans (\$2,356 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measured at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.

(2) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Note 2: December 31, 2021

- (1) The carrying amounts excluding adjustment for premium and discount include loans (\$2,985,198 million), call loans to banks, overdraft of banks and placement with banks (\$285,787 million), security investments (\$1,170,932 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans (\$2,532 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measure at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.
- (2) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

3) Collateral

Unit: In million of TWD; %

Type of collateral	December 31, 2022		December 31, 2021	
	Book Value (Note 1)	%	Book Value (Note 1)	%
Non-secured	\$ 1,753,087	50.60 %	1,323,658	44.34 %
Secured	1,711,237	49.40 %	1,661,540	55.66 %
Guarantee	159,030	4.59 %	185,041	6.20 %
Securities	59,165	1.71 %	65,736	2.20 %
Real estate	1,419,601	40.98 %	1,347,522	45.14 %
Chattel	73,304	2.12 %	63,101	2.11 %
Valuables	137	- %	140	0.01 %
Total	\$ 3,464,324	100.00 %	2,985,198	100.00 %

Note 1: The carrying amounts excluding adjustment for premium and discount only contain loans which refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and non-performing loans (\$2,356 million at December 31, 2022; \$2,532 million at December 31, 2021).

Note 2: This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

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BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(viii) Changes in loss allowance

1) Changes in loss allowance of discounts and loans

- a) As of December 31, 2022 and 2021, the variation of the beginning and ending balances for loss allowance of discounts and loans were as follows:

	2022					Total
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nona ccrual Loans	
Beginning balance	\$ 21,375,671	2,238,665	2,915,829	26,530,165	18,218,415	44,748,580
Changes due to financial instruments recognized as at beginning:						
— Transfer to lifetime ECL not credit impaired	(77,115)	132,651	(55,536)	-	-	-
— Transfer to lifetime ECL credit impaired	(22,988)	(13,907)	36,895	-	-	-
— Transfer to 12month expected credit losses	991,672	(941,836)	(49,836)	-	-	-
— Financial assets that have been derecognized during the period	(3,288,674)	(155,636)	(442,166)	(3,886,476)	-	(3,886,476)
Originated or purchased new financial assets	8,785,131	406,794	114,675	9,306,600	-	9,306,600
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	-	-	-	-	(2,843,993)	(2,843,993)
Bad debts written off	-	-	(1,040,355)	(1,040,355)	-	(1,040,355)
The recovery of bad debts written off	-	-	1,624,954	1,624,954	-	1,624,954
Foreign exchange and other movements	(1,751,634)	407,964	(469,051)	(1,812,721)	-	(1,812,721)
Ending balance	\$ 26,012,063	2,074,695	2,635,409	30,722,167	15,374,422	46,096,589

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2021				
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nona ccrual Loans
Beginning balance	\$ 21,310,143	1,721,279	4,748,114	27,779,536	16,886,367
Changes due to financial instruments recognized as at beginning:					
— Transfer to lifetime ECL not credit impaired	(174,920)	247,046	(72,126)	-	-
— Transfer to lifetime ECL credit impaired	(27,965)	(24,093)	52,058	-	-
— Transfer to 12month expected credit losses	620,138	(372,991)	(247,147)	-	-
— Financial assets that have been derecognized during the period	(2,917,036)	(55,473)	(1,752,086)	(4,724,595)	(4,724,595)
Originated or purchased new financial assets	2,766,173	139,140	146,748	3,052,061	3,052,061
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	-	-	-	-	1,332,048
Bad debts written off	-	-	(1,528,828)	(1,528,828)	(1,528,828)
The recovery of bad debts written off	-	-	1,287,043	1,287,043	1,287,043
Foreign exchange and other movements	(200,862)	583,757	282,053	664,948	664,948
Ending balance	\$ 21,375,671	2,238,665	2,915,829	26,530,165	18,218,415

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- b) As of December 31, 2022 and 2021, the carrying amounts of discounts and loans were as follows:

	2022			
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 2,702,755,660	269,617,183	12,825,224	2,985,198,067
— Transfer to lifetime ECL not credit impaired	(145,010,166)	145,509,637	(499,471)	-
— Transfer to lifetime ECL credit impaired	(3,163,517)	(1,092,251)	4,255,768	-
— Transfer to 12month expected credit losses	80,880,754	(80,458,880)	(421,874)	-
— Financial assets that have been derecognized during the period	(1,143,169,636)	(47,441,508)	(4,437,108)	(1,195,048,252)
Originated or purchased new discounts and loans	1,657,407,836	14,681,294	455,631	1,672,544,761
Bad debts written off	-	-	(1,040,355)	(1,040,355)
Foreign exchange and other movements	2,364,992	26,684	278,370	2,670,046
Ending balance	\$ 3,152,065,923	300,842,159	11,416,185	3,464,324,267

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

2021				
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 2,733,075,541	161,450,558	19,344,324	2,913,870,423
— Transfer to lifetime ECL not credit impaired	(167,177,457)	167,739,685	(562,228)	-
— Transfer to lifetime ECL credit impaired	(2,817,829)	(955,215)	3,773,044	-
— Transfer to 12month expected credit losses	42,740,120	(38,232,391)	(4,507,729)	-
— Financial assets that have been derecognized during the period	(1,262,436,240)	(30,819,045)	(5,416,404)	(1,298,671,689)
Originated or purchased new discounts and loans	1,365,056,104	10,456,615	1,275,059	1,376,787,778
Bad debts written off	-	-	(1,528,828)	(1,528,828)
Changes from the amendments not leading to de recognition	-	-	4,290	4,290
Foreign exchange and other movements	(5,684,579)	(23,024)	443,696	(5,263,907)
Ending balance	<u>\$ 2,702,755,660</u>	<u>269,617,183</u>	<u>12,825,224</u>	<u>2,985,198,067</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

2) Changes in loss allowance of debt instruments measured at fair value through other comprehensive income

- a) As of December 31, 2022 and 2021, the variation of the beginning and ending balances for loss allowance of debt instruments measured at fair value through other comprehensive income were as follows:

2022				
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 91,585	7,628	-	99,213
Changes due to financial instruments recognized as at beginning:				
— Financial assets that have been derecognized during the period	(16,477)	-	-	(16,477)
Originated or purchased new financial assets	41,181	-	-	41,181
Foreign exchange and other movements	(358)	(6,494)	-	(6,852)
Ending balance	<u>\$ 115,931</u>	<u>1,134</u>	<u>-</u>	<u>117,065</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

2021				
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 100,415	19,353	-	119,768
Changes due to financial instruments recognized as at beginning:				
— Financial assets that have been derecognized during the period	(30,000)	(360)	-	(30,360)
Originated or purchased new financial assets	24,492	-	-	24,492
Foreign exchange and other movements	(3,322)	(11,365)	-	(14,687)
Ending balance	<u>\$ 91,585</u>	<u>7,628</u>	<u>-</u>	<u>99,213</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- b) As of December 31, 2022 and 2021, the carrying amounts of debt instruments measured at fair value through other comprehensive income were as follows:

2022				
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 886,046,141	419,940	-	886,466,081
— Financial assets that have been derecognized during the period	(577,990,128)	-	-	(577,990,128)
Originated or purchased new financial assets	727,686,810	-	-	727,686,810
Foreign exchange and other movements	6,929,001	37,459	-	6,966,460
Ending balance	<u>\$ 1,042,671,824</u>	<u>457,399</u>	<u>-</u>	<u>1,043,129,223</u>

2021				
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 895,457,992	545,820	-	896,003,812
— Financial assets that have been derecognized during the period	(727,049,793)	(105,348)	-	(727,155,141)
Originated or purchased new financial assets	720,083,724	-	-	720,083,724
Foreign exchange and other movements	(2,445,782)	(20,532)	-	(2,466,314)
Ending balance	<u>\$ 886,046,141</u>	<u>419,940</u>	<u>-</u>	<u>886,466,081</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

3) Changes in loss allowance of debt instruments measured at amortized cost

- a) As of December 31, 2022 and 2021, the variation of the beginning and ending balances for loss allowance of debt instruments measured at amortized cost were as follows:

	2022			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 38,978	-	-	38,978
— Financial assets that have been derecognized during the period	(12,307)	-	-	(12,307)
Originated or purchased new financial assets	17,871	-	-	17,871
Foreign exchange and other movements	537	-	-	537
Ending balance	<u>\$ 45,079</u>	<u>-</u>	<u>-</u>	<u>45,079</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2021			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 40,113	-	-	40,113
— Financial assets that have been derecognized during the period	(15,149)	-	-	(15,149)
Originated or purchased new financial assets	17,381	-	-	17,381
Foreign exchange and other movements	(3,367)	-	-	(3,367)
Ending balance	<u>\$ 38,978</u>	<u>-</u>	<u>-</u>	<u>38,978</u>

- b) As of December 31, 2022 and 2021, the carrying amounts of debt instruments measured at amortized cost were as follows:

	2022			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 164,968,552	-	-	164,968,552
— Financial assets that have been derecognized during the period	(49,453,826)	-	-	(49,453,826)
Originated or purchased new financial assets	157,853,660	-	-	157,853,660
Foreign exchange and other movements	2,739,778	-	-	2,739,778
Ending balance	<u>\$ 276,108,164</u>	<u>-</u>	<u>-</u>	<u>276,108,164</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

2021				
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 156,133,165	-	-	156,133,165
— Financial assets that have been derecognized during the period	(51,557,279)	-	-	(51,557,279)
Originated or purchased new financial assets	60,899,121	-	-	60,899,121
Foreign exchange and other movements	(506,455)	-	-	(506,455)
Ending balance	<u>\$ 164,968,552</u>	<u>-</u>	<u>-</u>	<u>164,968,552</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

4) Changes in guarantee reserve and other reserve

- a) As of December 31, 2022 and 2021, the variation of the beginning and ending balances for loss allowance of letter of credit receivables and guarantee for trade receivables (guarantee reserve and other reserve) were as follows:

2022					
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"
Beginning balance	\$ 302,018	19,255	51,902	373,175	958,799
Changes due to financial instruments recognized as at beginning:					
— Transfer to lifetime ECL not credit impaired	(1,493)	1,493	-	-	-
— Transfer to 12month expected credit losses	182	(182)	-	-	-
— Financial assets that have been derecognized during the period	(133,242)	(12,752)	(51,897)	(197,891)	(197,891)
Originated or purchased new financial assets	184,763	20,570	22	205,355	205,355
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming /Nonaccrual Loans"	-	-	-	-	(171,930)
Foreign exchange and other movements	10,040	121,410	45	131,495	131,495
Ending balance	<u>\$ 362,268</u>	<u>149,794</u>	<u>72</u>	<u>512,134</u>	<u>786,869</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2021					
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	Total
Beginning balance	\$ 425,959	66,713	62,802	555,474	848,754	1,404,228
Changes due to financial instruments recognized as at beginning:						
— Transfer to lifetime ECL not credit impaired	(4,787)	4,787	-	-	-	-
— Transfer to 12month expected credit losses	47,127	(41,786)	(5,341)	-	-	-
— Financial assets that have been derecognized during the period	(292,851)	(18,082)	(5,583)	(316,516)	-	(316,516)
Originated or purchased new financial assets	169,523	1,958	9	171,490	-	171,490
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	110,045	110,045
Foreign exchange and other movements	(42,953)	5,665	15	(37,273)	-	(37,273)
Ending balance	\$ 302,018	19,255	51,902	373,175	958,799	1,331,974

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- b) As of December 31, 2022 and 2021, the carrying amounts of letter of credit receivables and guarantee for trade receivables were as follows:

	2022			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 130,070,312	3,237,178	130,333	133,437,823
— Transfer to lifetime ECL not credit impaired	(1,194,825)	1,194,825	-	-
— Transfer to 12month expected credit losses	16,405	(16,405)	-	-
— Financial assets that have been derecognized during the period	(61,570,994)	(2,524,027)	(111,275)	(64,206,296)
Originated or purchased new discounts and loans	63,943,448	1,647,970	2,701	65,594,119
Foreign exchange and other movements	20,792	-	-	20,792
Ending balance	\$ 131,285,138	3,539,541	21,759	134,846,438

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2021			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 134,825,364	4,000,139	944,408	139,769,911
— Transfer to lifetime ECL not credit impaired	(455,885)	455,885	-	-
— Transfer to lifetime ECL credit impaired	(90)	-	90	-
— Transfer to 12month expected credit losses	793,725	(457,628)	(336,097)	-
— Financial assets that have been derecognized during the period	(70,161,250)	(1,191,603)	(482,407)	(71,835,260)
Originated or purchased new discounts and loans	65,139,013	430,385	4,339	65,573,737
Foreign exchange and other movements	(70,565)	-	-	(70,565)
Ending balance	<u>\$ 130,070,312</u>	<u>3,237,178</u>	<u>130,333</u>	<u>133,437,823</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

5) Changes in loan commitments reserve

- a) As of December 31, 2022 and 2021, the variation of the beginning and ending balances for loss allowance of loan commitments (loan commitments reserve) were as follows:

	2022			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 4,964	534	176	5,674
Changes due to financial instruments recognized as at beginning:				
— Transfer to lifetime ECL not credit impaired	(46)	46	-	-
— Transfer to lifetime ECL credit impaired	-	(1)	1	-
— Transfer to 12month expected credit losses	810	(810)	-	-
— Financial assets that have been derecognized during the period	(3,780)	(457)	(156)	(4,393)
Originated or purchased new financial assets	8,586	427	102	9,115
Foreign exchange and other movements	43	1,090	213	1,346
Ending balance	<u>\$ 10,577</u>	<u>829</u>	<u>336</u>	<u>11,742</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2021			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 14,385	1,474	420	16,279
Changes due to financial instruments recognized as at beginning:				
– Transfer to lifetime ECL not credit impaired	(45)	45	-	-
– Transfer to lifetime ECL credit impaired	-	(2)	2	-
– Transfer to 12month expected credit losses	870	(870)	-	-
– Financial assets that have been derecognized during the period	(11,191)	(402)	(229)	(11,822)
Originated or purchased new financial assets	3,777	365	115	4,257
Foreign exchange and other movements	(2,832)	(76)	(132)	(3,040)
Ending balance	<u>\$ 4,964</u>	<u>534</u>	<u>176</u>	<u>5,674</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- b) As of December 31, 2022 and 2021, the carrying amounts of loan commitments were as follows:

	2022			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 252,637,425	195,051	427	252,832,903
– Transfer to lifetime ECL credit impaired	-	(591)	591	-
– Financial assets that have been derecognized during the period	(178,138,288)	(525,998)	(1,310)	(178,665,596)
Originated or purchased new discounts and loans	277,728,345	503,513	800	278,232,658
Ending balance	<u>\$ 352,227,482</u>	<u>171,975</u>	<u>508</u>	<u>352,399,965</u>

	2021			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 160,890,423	203,568	777	161,094,768
– Transfer to lifetime ECL credit impaired	-	(757)	757	-
– Financial assets that have been derecognized during the period	(155,311,163)	(538,055)	(2,002)	(155,851,220)
Originated or purchased new discounts and loans	247,058,165	530,295	895	247,589,355
Ending balance	<u>\$ 252,637,425</u>	<u>195,051</u>	<u>427</u>	<u>252,832,903</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

6) Changes in loss allowance of receivables(including other financial assets)

a) As of December 31, 2022 and 2021, the variation of the beginning and ending balances for loss allowance of receivables were as follows:

	2022					
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	Total
Beginning balance (Note 1)	\$ 64,011	2,854	76,295	143,160	78,915	222,075
Changes due to financial instruments recognized as at beginning:						
— Transfer to lifetime ECL not credit impaired	(228)	380	(152)	-	-	-
— Transfer to lifetime ECL credit impaired	(88)	(70)	158	-	-	-
— Transfer to 12month expected credit losses	766	(671)	(95)	-	-	-
— Financial assets that have been derecognized during the period	(38,552)	(1,751)	(14,427)	(54,730)	-	(54,730)
Originated or purchased new financial assets	48,391	3,957	18,105	70,453	-	70,453
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans"	-	-	-	-	(49,107)	(49,107)
Bad debts written off	(81)	(670)	(20,202)	(20,953)	-	(20,953)
The recovery of bad debts written off	-	-	6,866	6,866	-	6,866
Foreign exchange and other movements	(12,496)	1,276	139,806	128,586	-	128,586
Ending balance (Note 2)	\$ 61,723	5,305	206,354	273,382	29,808	303,190

Note 1: Accumulated impairment recognized in restrictive deposit of the Bank amounted \$8 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted \$5 thousand were not included.

Note 2: Accumulated impairment recognized in restrictive deposit of the Bank amounted \$7 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted \$5 thousand were not included.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2021					
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	Total
Beginning balance (Note 1)	\$ 37,311	6,886	77,065	121,262	49,852	171,114
Changes due to financial instruments recognized as at beginning:						
— Transfer to lifetime ECL not credit impaired	(282)	451	(169)	-	-	-
— Transfer to lifetime ECL credit impaired	(6)	(95)	101	-	-	-
— Transfer to 12month expected credit losses	5,351	(670)	(4,681)	-	-	-
— Financial assets that have been derecognized during the period	(21,535)	(3,295)	(32,404)	(57,234)	-	(57,234)
Originated or purchased new financial assets	32,325	2,333	16,327	50,985	-	50,985
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans"	-	-	-	-	29,063	29,063
Bad debts written off	(66)	(847)	(6,333)	(7,246)	-	(7,246)
The recovery of bad debts written off	-	-	6,908	6,908	-	6,908
Foreign exchange and other movements	10,913	(1,909)	19,481	28,485	-	28,485
Ending balance (Note 2)	\$ 64,011	2,854	76,295	143,160	78,915	222,075

Note 1: Accumulated impairment recognized in restrictive deposit of the Bank amounted \$10 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted \$11 thousand were not included.

Note 2: Accumulated impairment recognized in restrictive deposit of the Bank amounted \$8 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted \$5 thousand were not included.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

b) As of December 31, 2022 and 2021, the carrying amounts of receivables were as follows:

	2022			
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance (Note 1)	\$ 80,329,700	409,134	129,144	80,867,978
— Transfer to lifetime ECL not credit impaired	(202,024)	203,572	(1,548)	-
— Transfer to lifetime ECL credit impaired	(8,971)	(6,857)	15,828	-
— Transfer to 12month expected credit losses	118,316	(117,418)	(898)	-
— Financial assets that have been derecognized during the period	(17,501,663)	(224,841)	(48,006)	(17,774,510)
Originated or purchased new discounts and loans	19,787,235	251,968	30,961	20,070,164
Bad debts written off	(81)	(670)	(20,202)	(20,953)
Foreign exchange and other movements	(9,766,629)	(3,098)	135,122	(9,634,605)
Ending balance (Note 2)	<u>\$ 72,755,883</u>	<u>511,790</u>	<u>240,401</u>	<u>73,508,074</u>

Note 1: Restrictive deposit of the Bank amounted \$16,884 thousand, tax refund receivable \$10 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted \$8,280,931 thousand were not included.

Note 2: Restrictive deposit of the Bank amounted \$16,295 thousand, tax refund receivable \$109 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted \$9,690,820 thousand were not included.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2021			
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance (Note 1)	\$ 82,341,541	488,152	134,620	82,964,313
— Transfer to lifetime ECL not credit impaired	(244,623)	246,026	(1,403)	-
— Transfer to lifetime ECL credit impaired	(1,737)	(8,069)	9,806	-
— Transfer to 12month expected credit losses	173,906	(161,689)	(12,217)	-
— Financial assets that have been derecognized during the period	(39,883,246)	(309,534)	(80,709)	(40,273,489)
Originated or purchased new discounts and loans	15,157,884	155,739	42,868	15,356,491
Bad debts written off	(66)	(847)	(6,333)	(7,246)
Foreign exchange and other movements	22,786,041	(644)	42,512	22,827,909
Ending balance (Note 2)	<u>\$ 80,329,700</u>	<u>409,134</u>	<u>129,144</u>	<u>80,867,978</u>

Note 1: Restrictive deposit of the Bank amounted \$19,129 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted \$8,407,922 thousand were not included.

Note 2: Restrictive deposit of the Bank amounted \$16,884 thousand, tax refund receivable \$10 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted \$8,280,931 thousand were not included.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- c) BOT's department of government employees' insurance adopts simplification method to estimate expected credit losses of receivables (including accrued income, premiums receivable, and other receivable), namely, measures expected credit losses for a life time. For the purpose of measurement, these notes receivables and account receivables are classified based on credit risk characteristics reflected the borrower's ability to meet its contractual obligations. Analysis of receivables held by BOT's department of government employees' insurance at December 31, 2022 and 2021 is shown below:

	December 31, 2022			
	Gross amounts of account receivables	Weighted average expected loss rate	Allowance for expected credit loss for a life time	
Non-overdue	\$ 9,690,571	0%	-	
Overdue less than 30 days	-	0%	-	
Overdue 31~60 days	-	0%	-	
Overdue 61~90days	-	0%	-	
Overdue more than 91 days	249	2%	-	5
	<u>\$ 9,690,820</u>			<u>5</u>
	December 31, 2021			
	Gross amounts of account receivables	Weighted average expected loss rate	Allowance for expected credit loss for a life time	
Non-overdue	\$ 8,280,543	0%	-	
Overdue less than 30 days	139	0	-	
Overdue 61~90days	-	0	-	
Overdue more than 91 days	249	2%	-	5
	<u>\$ 8,280,931</u>			<u>5</u>

The movements of allowance for impairment of account receivables held by BOT's department of government employees' insurance:

	2022	2021
Beginning balance	\$ 5	11
Impairment recognized (reversed)	-	(6)
Ending balance	<u>\$ 5</u>	<u>5</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- (ix) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

- 1) Asset Quality of overdue loans and receivables

Type / Item	December 31, 2022			
	Amount of overdue loans (Note 1)	Total amount of loans (Note 2)	Ratio (%) (Note 3)	Allowance for doubtful debt (Note 4)
EnterpriseSecured	1,032,014	605,945,135	0.17 %	8,863,368
Non secured	226,955	1,720,338,722	0.01 %	26,757,560
House mortgage (Note 5)	840,154	903,522,846	0.09 %	7,932,557
Cash card	-	-	-	-
ConsumerMicro credit (Note 6)	12,364	4,386,099	0.28 %	86,999
OthersSecured	934,215	203,974,937	0.46 %	2,140,869
Non secured (Note 7)	114,237	261,56,528	0.44 %	315,236
Total	3,159,939	3,464,324,267	0.09 %	46,096,589
	Overdue receivables	Account receivable	Ratio (%)	Allowance for doubtful debt
Credit card business	510	1,090,941	0.05 %	11,485
Non-recourse factoring (Note 8)	-	6,473,103	-	36,051
				2,252.71 %
				-
Type / Item	December 31, 2021			
	Amount of overdue loans (Note 1)	Total amount of loans (Note 2)	Ratio (%) (Note 3)	Allowance for doubtful debt (Note 4)
EnterpriseSecured	1,009,205	603,909,974	0.17 %	10,653,764
Non secured	275,327	1,290,449,248	0.02 %	20,894,806
House mortgage (Note 5)	1,039,165	845,471,175	0.12 %	9,695,745
Cash card	-	-	-	-
ConsumerMicro credit (Note 6)	17,187	4,917,606	0.35 %	110,427
OthersSecured	931,748	213,297,509	0.44 %	2,950,149
Non secured (Note 7)	104,000	271,52,555	0.38 %	443,689
Total	3,376,632	2,985,198,067	0.11 %	44,748,580
	Overdue receivables	Account receivable	Ratio (%)	Allowance for doubtful debt
Credit card business	789	935,767	0.08 %	10,191
Non-recourse factoring (Note 8)	-	11,939,078	-	81,435
				1,291.34 %
				-

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Debt with Nonperforming/Non-accrued Loans." Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944006376).

Note 2: The discount and premium adjustment was not included in total amount of loans.

Note 3: Ratio of nonperforming loans: Nonperforming loans-Outstanding loan balance. Ratio of nonperforming credit card receivables: Nonperforming credit card receivables-Outstanding credit card receivables balance.

Note 4: Coverage ratio of loans: Allowance for possible losses for loans-Nonperforming loans. Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables-Nonperforming credit card receivables.

Note 5: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 6: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts, and exclude credit cards and cash cards.

Note 7: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgages, cash cards, credit cards and small-scale credit loans.

Note 8: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), non-recourse factoring are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

2) Non-performing Loans and Overdue Receivables Exempted from Reporting

	Unit: In thousand of TWD		
	December 31, 2022	December 31, 2021	January 1, 2021
	Excluded NPL	Excluded overdue receivables	Excluded overdue receivables
As a result of debt consultation and loans agreement	23	-	69
As a result of debt solvency and restart plan	9,646	15,306	9,691
Total	9,669	15,306	9,760

3) Concentration of Credit Risk

Rank	Group Name	December 31, 2022		% of Net Asset Value
		Credit Extensions Balance		
1	A company—Transport via Railways	42,596		10.77 %
2	B group—Smelting and Refining of Iron and Steel	37,807		9.56 %
3	C group—Plastic Sheets, Pipes and Tubes Manufacturing	36,157		9.14 %
4	D group—Air Transportation	31,893		8.06 %
5	E group—Manufacture of Made-up Textile Articles	23,524		5.95 %
6	F group—Cable Television	22,765		5.76 %
7	G group—Air Transportation	22,583		5.71 %
8	H group—Electric Wires and Cables Manufacturing	22,156		5.60 %
9	I group—Manufacture of Other Food Products Not Elsewhere Classified	17,406		4.40 %
10	J group—Real Estate Development Activities	17,095		4.32 %

Unit: In million of TWD; %

4)

Average balance and current average interest rates of interest-bearing assets and liabilities

Unit: In thousand of TWD; %

	December 31, 2022		December 31, 2021	
	Average	Average interest rate (%)	Average	Average interest rate (%)
Interest earnings assets				
Call loans and placement with banks	\$ 317,182,906	1.71	263,845,761	0.73
Placement with Central Bank	424,331,394	0.72	423,401,693	0.49
Financial assets	957,317,453	1.05	1,088,722,730	0.66
Negotiation, discounts and total loans	3,205,054,675	1.52	2,821,597,022	1.25
Interest bearing liabilities				
Deposit of Central Bank	20,074,831	-	16,728,924	-
Deposits and call loans from banks	187,253,471	1.03	244,405,870	0.35
Loans to Central Bank and banks	114,223,346	0.55	25,027,840	0.12
Demand deposits	555,089,809	0.30	524,330,157	0.06
Demand savings	1,226,540,748	0.47	1,173,347,839	0.36
Time savings	1,457,720,564	1.33	1,444,552,161	1.09
Time deposits	807,717,661	1.25	664,599,806	0.55
Government deposits	367,624,271	0.22	335,558,981	0.08
Structured products	529,558	1.91	806,617	0.98
Financial bonds	26,000,000	1.18	25,347,945	1.00

Note: 1. Each average balance is calculated by respectively summing up the daily average balances and then dividing the number of days in the year starting from January to the financial statement date.

2. The balances are derived from the Department of banking, credit cards, trusts and securities.

(Continued)

(Continued)

BANK OF TAIWAN AND SUBSIDIARY **Notes to the Consolidated Financial Statements**

(d) Liquidity Risk

(i) Causes and definition of liquidity risk

The definition for liquidity risk is the Bank encounter difficulty in meeting the obligations with its financial liabilities and causes the losses, for example, a saving account cancels its saving ahead of time, the ways or conditions to call loans to banks drop, creditors' credit become worsen and cause an exceptional condition, financial instruments cannot be financed and etc. The situation mentioned above may reduce the cash flow for lending, trading, and investing activities. In some extreme situation, the poor liquidity position may decrease the level of balance sheet, sale assets, or the possibility of not fulfilling the contractual loan balance. Liquidity risk is containing in the inherent risk of bank operation, and could be affected by a separate industry or whole market's incident, which are included but not only as: credit event, consolidation or merger and acquisition, system shock, and natural disaster.

(ii) Management policies of liquidity risk

- 1) To optimize the structure of assets and liabilities, the Bank set up an Assets and Liabilities Management Committee of which the chairperson is the general manager and the vice chairpersons are the vice general managers to decide the direction of assets and liabilities management, to manage the liquidity portion and interest rate risk, and to review the structure of deposits and loans and so on.
- 2) To enforce the management of liquidity and interest rate risk and maintain suitable liquidity for higher effectiveness of capital and good operations, the Bank set up policies for liquidity and interest rate risk. The assets and Liabilities Management Committee conducts necessary monitoring procedures. The Risk Management Department prepares risk-monitoring reports periodically and reports to the Risk Management Committee and then the Board of Directors.

3) Management of liquidity risk

- a) Maintain liquidity reserve ratio: According to "Liquidity Guidelines for Financial Institutions" published by the Central Bank, the Bank and subsidiary have to maintain the liquidity reserve ratio of deposit balances greater than 15%.
- b) Short term gap analysis: Calculate 1~10 day and 11~30 day gaps which should be greater than zero.
- c) Liquidity coverage ratio: calculate their liquidity coverage ratio and report it to the authorities on a monthly basis. In accordance with the "Standards Implementing the Liquidity Coverage Ratio of Banks" announced by FSC and Central Bank, the ratio shall be higher than 100%.
- d) Net stable funding ratio: Calculate their net stable funding ratio and report it to the authorities on a monthly basis. In accordance with the "Standards Implementing the Net Stable Funding Ratio of Banks" announced by FSC and Central Bank, the ratio shall be higher than 100%.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY **Notes to the Consolidated Financial Statements**

- e) Foreign currency gap management: Make sure the ratio of accumulated capital liquidity gap to each currency assets of the major foreign currencies of the Bank and subsidiary measured for every month and every term under one year between $\pm 50\%$ and $\pm 40\%$.
- f) Fund management: Utilize the Assets and Liabilities Management Information System to analyze the gaps of assets and liabilities and the change of the structure. Allocate appropriate fund and adjust the fund structure according to financial status. For TWD fund management, the bank maintains appropriate cash and cashable securities on hand, draw up notice about TWD fund management and request every unit to notify on significant cash transactions, analyze the gaps for maturity amount of purchased bills, bonds and call loans to control the fund trend and decrease the liquidity risk. For foreign currencies, manage the financial gap of actual amount received on due date and payment in a year by using the maturity method.
- g) Establish "Bank of Taiwan operational crisis management plan" to prevent and response quickly to the crisis.

(iii) Maturity date analysis of non derivative financial assets and liabilities

These tables represent the cash outflow analysis of non derivative financial liabilities of the Bank's major currencies according to the unexpired term of the contracts. The disclosed amounts are presented on the basis of contract cash flows, so some disclosed items are not correspond to the accounts in the financial statements. These tables do not include BankTaiwan Insurance Brokers.

Maturity analysis of assets and liabilities (United State Dollars)

	December 31, 2022	1-30days	31-90days	91-180days	181days-1year	Over one year	Total
Cash and placement with banks	1,763,766	15,000	-	-	10,500	-	1,791,100
Call loans to banks and overdrafts	3,245,200	1,638,500	1,187,000	950,000	901,983	6,689,168	7,020,700
Investment securities	14,975	137,304	148,933	325,128	3,463,905	5,310,358	7,892,563
Loans (including overdue loans)	906,365	422,182	192,778	16,899	23,002	161,704	5,310,358
Interest receivables and income receivables	46,264	9,084,773	3,147,168	934,898	7,147,758	36,555,781	58,732,006
Other expired items	22,217,754	11,349,361	4,699,816	3,139,408	17,325,667	-	58,732,006
Total major matured capital inflow							
December 31, 2022	1-30days	31-90days	91-180days	181days-1year	Over one year	Total	
Deposits from banks, bank overdrafts, and call loans from bank	1,740,515	471,000	-	-	-	2,211,515	
Demand deposits	955,683	1,271,985	1,907,978	-	1,094,248	5,223,894	
Time deposits	5,983,544	4,362,267	2,769,778	4,589,739	-	17,705,328	
Bills and bonds sold under repurchase agreements	-	669,130	-	-	-	669,130	
Borrowings	-	-	-	-	595,000	595,000	
Interest payables	40,271	31,078	15,557	21,549	75,989	184,444	
Loan Commitments	107,154	254,607	626,474	200,594	775,869	1,964,698	
Equities	-	-	-	-	-	(258,902)	
Other expired items	6,817,487	7,986,489	1,691,276	868,536	14,432,620	31,796,408	
Total major matured capital outflow	15,046,556	15,046,556	7,011,063	5,680,418	16,714,824	60,101,515	

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Maturity analysis of assets and liabilities (New Taiwan Dollars)

December 31, 2022	1-30days	31-90days	91-180days	181days-1year	Over one year	Total
Cash and placement with banks	77,552,804	155,269,167	19,987,143	57,859,000	58,325,956	368,994,070
Call loans to banks and overdrafts	14,255,000	4,610,000	-	-	-	18,865,000
Investment securities	646,927,895	56,625,518	31,430,038	95,955,734	462,473,918	1,293,413,103
Loans (including overdue loans)	526,533,428	234,647,561	350,658,508	323,491,889	1,808,222,235	3,245,653,221
Interest receivables and income receivables	5,232,065	2,456,300	1,407,547	1,318,812	112,550	10,527,274
Other expired items	176,315,607	205,275,793	54,074,636	43,850,171	310,728,596	790,244,809
Total major matured capital inflow	1,446,816,799	658,884,139	457,557,672	522,475,612	2,639,963,255	5,725,697,477
December 31, 2022	1-30days	31-90days	91-180days	181days-1year	Over one year	Total
Deposits from banks, bank overdrafts, and call loans from bank	45,678,235	6,943,471	10,295,086	63,320,767	68,202,642	194,440,201
Demand deposits	52,041,776	35,483,029	48,493,473	83,385,119	1,751,576,005	1,971,279,402
Time deposits	258,378,783	284,077,906	308,992,064	806,125,725	1,541,89,046	1,811,763,524
Bills and bonds sold under repurchase agreements	630,050	-	994,608	2,579	-	2,064,137
Borrowings	-	382	50,000,431	216,000,508	10,000,355	276,001,676
Interest payables	3,850,013	722,869	1,827,464	1,038,535	361,968	7,792,849
Loan Commitments	74,509,682	149,019,364	223,529,046	447,058,091	596,077,454	1,490,193,637
Equities	-	-	-	-	400,013,127	400,013,127
Other expired items	259,759,448	265,818,894	92,161,550	41,311,788	171,121,076	830,172,756
Total major matured capital outflow	694,847,987	742,502,815	736,293,722	1,658,235,112	3,151,841,673	6,983,731,309

Maturity analysis of assets and liabilities (United State Dollars)

December 31, 2021	1-30days	31-90days	91-180days	181days-1year	Over one year	Total
Cash and placement with banks	77,631,515	145,500	10,000	145,500	643	806,708
Call loans to banks and overdrafts	2,653,500	2,640,000	899,500	692,000	-	6,885,000
Investment securities	83,887	71,038	89,344	122,889	2,859,977	3,227,135
Loans (including overdue loans)	1,109,888	533,822	363,536	383,148	3,064,424	5,454,818
Interest receivables and income receivables	10,346	-	3,893	954	17,860	45,887
Other expired items	9,928,405	8,368,713	4,819,542	6,447,337	2,773,387	32,337,384
Total major matured capital inflow	14,562,541	11,631,007	61,858,151	7,660,878	8,716,291	48,756,532
December 31, 2021	1-30days	31-90days	91-180days	181days-1year	Over one year	Total
Deposits from banks, bank overdrafts, and call loans from bank	1,791,675	2,655,000	15,000	-	-	2,071,675
Demand deposits	1,343,194	1,799,341	2,699,011	-	1,371,924	7,213,470
Time deposits	2,787,889	4,188,015	2,922,660	3,021,871	1	12,920,456
Borrowings	-	-	3,830	1,791	69,756	89,236
Interest payables	5,673	8,186	199,402	346,730	485,652	1,515,332
Loan Commitments	141,843	341,705	-	-	-	(105,631)
Equities	-	-	2,816,389	2,318,743	9,128,135	25,321,588
Other expired items	7,160,609	3,897,712	8,656,292	5,689,135	11,549,837	49,626,106
Total major matured capital outflow	13,220,883	10,490,959	8,656,292	5,689,135	11,549,837	49,626,106

(Continued)

Maturity analysis of assets and liabilities (New Taiwan Dollars)

December 31, 2021	1-30days	31-90days	91-180days	181days-1year	Over one year	Total
Cash and placement with banks	46,217,499	204,637,574	71,682,944	68,767,858	52,313,450	443,619,325
Call loans to banks and overdrafts	5,000	10,000	-	-	-	15,000
Investment securities	567,363,665	52,510,096	45,543,488	55,939,819	550,250,410	1,271,607,478
Loans (including overdue loans)	171,520,024	240,867,275	230,975,237	480,816,494	1,668,615,042	2,992,594,072
Interest receivables and income receivables	3,397,211	1,949,431	1,409,840	1,033,661	169,874	7,960,017
Other expired items	175,251,609	79,934,118	57,186,590	69,136,245	303,207,283	684,715,845
Total major matured capital inflow	963,555,008	579,908,494	406,798,099	675,694,077	2,574,556,059	5,200,511,737
December 31, 2021	1-30days	31-90days	91-180days	181days-1year	Over one year	Total
Deposits from banks, bank overdrafts, and call loans from bank	185,096,352	5,767,820	8,166,007	20,73,282	8,712,566	227,916,027
Demand deposits	48,170,636	32,843,615	44,886,274	77,182,496	1,621,562,268	1,824,645,269
Time deposits	249,500,417	233,881,621	277,443,228	720,434,247	1,589,099,339	1,639,318,852
Bills and bonds sold under repurchase agreements	787,663	623,238	774,014	-	-	2,184,915
Borrowings	32,575,205	1,631	1,841	2,168	26,001,314	58,582,359
Interest payables	3,638,158	567,350	1,100,027	579,186	293,785	6,178,506
Loan Commitments	85,773,786	171,547,571	257,321,356	514,642,713	886,190,283	1,715,475,709
Equities	-	-	-	-	403,052,939	403,052,939
Other expired items	161,486,304	175,875,936	114,204,390	141,503,390	182,303,693	775,373,713
Total major matured capital outflow	767,028,521	621,108,782	703,897,137	1,474,437,482	3,086,176,387	6,652,728,309

Maturity analysis of derivatives

December 31, 2022	Overdue less than 1 month	2 Overdue 1 to 3 months	3 Overdue 3 to 6 months	4 Overdue 6 months to 1 year	5 Overdue 1 to 5 years	6 Overdue more than 5 years	Total
Derivative financial instruments	-	-	-	-	-	-	-
Financial assets and liabilities measured at fair value through profit or loss, Derivative instruments (Foreign exchange)	-	-	-	-	-	-	-
Foreign exchange outflow	18,562,046	15,080,766	20,407,379	10,431,979	1,057,283	-	65,539,453
Foreign exchange inflow	18,562,310	15,080,529	20,407,379	10,431,979	1,057,283	-	65,509,680
Financial assets and liabilities measured at fair value through profit or loss, Derivative instruments (Interest)	-	-	-	-	-	-	-
Interest outflow	416,521,560	474,938,730	113,911,253	41,993,440	1,322,251	-	1,046,686,974
Interest inflow	337,547,607	388,599,996	107,188,154	46,560,975	1,010,043	-	881,656,573
Interest outflow	-	10,305	8,940	-	-	-	19,245
Interest inflow	-	14,298	15,776	-	-	-	30,074
Hedging derivative financial instruments (Interest)	-	-	-	-	-	-	-
Unit: In thousand of TWD							
December 31, 2021	Overdue less than 1 month	2 Overdue 1 to 3 months	3 Overdue 3 to 6 months	4 Overdue 6 months to 1 year	5 Overdue 1 to 5 years	6 Overdue more than 5 years	Total
Derivative financial instruments	-	-	-	-	-	-	-
Financial assets and liabilities measured at fair value through profit or loss, Derivative instruments (Foreign exchange)	-	-	-	-	-	-	-
Foreign exchange outflow	12,647,047	10,067,762	1,984,353	300,080	94,316	-	23,094,105
Foreign exchange inflow	12,646,624	10,067,762	2,012,629	243,692	94,316	-	23,067,023
Financial assets and liabilities measured at fair value through profit or loss, Derivative instruments (Interest)	-	-	-	-	-	-	-
Interest outflow	306,972,304	259,891,880	171,641,520	162,921,134	17,699,254	-	919,126,092
Interest inflow	238,479,939	224,163,896	136,322,719	174,247,279	17,846,019	-	828,059,732
Hedging derivative financial instruments (Interest)	-	-	-	-	-	-	-
Interest outflow	-	9,260	8,039	-	-	-	17,305
Interest inflow	-	3,467	2,769	-	-	-	6,076
Unit: In thousand of TWD							

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(v) Maturity analysis of off-balance sheet items

If the off-balance credit items of the Bank are classified as "Under One Year", "One to Five Years" and "Above Five Years", the maturity analysis of both off-balance items and lease agreements and capital expenditures are disclosed together.

	Unit: In thousand of TWD				
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year
December 31, 2022					
Prepayable loan commitment	64,425,000	138,488,089	2,080,000	118,229,655	29,004,738
Prepayable credit card commitment	6,406	1,155	4,642	10,903	149,381
Unpaid letter of credit	24,607,588	2,442,462	8,072,352	8,193,980	1,906,211
Guarantee receivables	48,827,879	541,699	4,732,062	22,504,652	88,933,884
Total	137,866,873	141,473,405	15,489,056	138,766,090	53,654,982

	Unit: In thousand of TWD				
	0-30 days	31-90 days	91-180 days	181-365 days	Over 1 year
December 31, 2021					
Prepayable loan commitment	43,378,165	51,592,260	-	112,590,000	97,600,000
Prepayable credit card commitment	7,360	1,872	8,158	22,918	155,172
Unpaid letter of credit	19,925,505	3,271,816	5,985,655	12,846,776	4,401,824
Guarantee receivables	44,483,884	3,009,344	4,653,437	6,818,960	28,040,622
Total	107,794,914	114,422,293	10,647,250	132,188,654	124,197,618

(vi) Maturity analysis of lease agreements and capital expenditures

Maturity analysis of real estate lease agreements and capital expenditures were as follows:

	Less than 1 year	1-5 years	Over 5 years	Total
December 31, 2022				
Lease agreements				
Lease liabilities	(477,517)	(646,018)	(95,320)	(1,218,855)
Lease income	148,340	214,215	-	362,555
Total	(329,177)	(431,803)	(95,320)	(856,300)

	Less than 1 year	1-5 years	Over 5 years	Total
December 31, 2021				
Lease agreements				
Lease liabilities	(467,682)	(737,153)	(115,130)	(1,319,965)
Lease income	123,928	109,883	-	233,811
Total	(343,754)	(627,270)	(115,130)	(1,086,154)

(vii) Disclosures required by the "Regulations Governing the Preparation of Financial Reports by Public Banks"

1) Maturity analysis of assets and liabilities (New Taiwan Dollars) (excluding Bank Taiwan Insurance Brokers)

December 31, 2022

	Unit: In thousand of TWD				
	Less than 10 days	11-30 days	31-90 days	91-180 days	181-365 days
December 31, 2022					
Major matured capital inflow	\$ 5,735,697,477	\$ 86,146,857	\$ 633,884,739	\$ 457,557,672	\$ 522,475,603
Major matured capital outflow	6,983,721,189	342,331,446	352,516,541	742,502,815	1,658,235,112
Capital gap	(1,248,023,712)	(256,184,589)	(218,631,802)	(284,945,143)	(1,135,759,509)

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December 31, 2021

	Unit: In thousand of TWD				
	Less than 10 days	11-30 days	31-90 days	91-180 days	181-365 days
December 31, 2021					
Major matured capital inflow	\$ 5,200,511,737	\$ 437,677,260	\$ 525,877,704	\$ 579,908,434	\$ 675,694,077
Major matured capital outflow	6,652,228,309	402,381,140	369,647,381	621,108,732	703,897,137
Capital gap	(1,452,216,572)	(35,703,880)	(143,769,677)	(41,200,300)	(7,198,523,405)

2) Maturity analysis of assets and liabilities (United State Dollars) (excluding Bank Taiwan Insurance Brokers)

December 31, 2022

	Unit: In thousand of USD				
	Less than 30 days	31-90 days	91-180 days	181-365 days	Over 1 year
December 31, 2022					
Major matured capital inflow	\$ 58,732,006	\$ 22,217,754	\$ 11,349,361	\$ 4,699,516	\$ 3,139,408
Major matured capital outflow	60,101,515	15,648,654	15,046,556	7,011,063	5,680,418
Capital gap	(1,369,509)	6,569,100	(3,697,195)	(2,311,547)	6,108,443

December 31, 2021

	Unit: In thousand of USD				
	Less than 30 days	31-90 days	91-180 days	181-365 days	Over 1 year
December 31, 2021					
Major matured capital inflow	\$ 48,756,532	\$ 14,562,541	\$ 11,631,007	\$ 6,185,815	\$ 7,660,878
Major matured capital outflow	49,626,106	13,230,883	10,499,959	8,656,292	5,689,135
Capital gap	(869,574)	1,331,658	1,131,048	(2,470,477)	1,971,743

(c) Market risk

(i) Causes and definition of market risk

Market risk means the changes in market price that lead to the fair value and future cash flow volatility risk of the held financial instruments, even if it is not included in the financial statements. The risk factors usually refer to interest rate, exchange rate, equity investment and price. When the factors change, the Bank's net operating income and the value of investment portfolio will have volatility risk.

The main market risks of the Bank is interest rate risk, exchange rate risk and equity investment risk. The main position of interest rate risk includes transactions with conditions, bonds, securities investments, interest rate swaps and so on. The main position of exchange risks includes forward exchange, foreign exchange swaps, FX options and so on. The main position of equity investment risk includes stocks, funds, stock market index futures and so on.

(ii) Management policies of market risk

The Bank sets up market risk management regulations and policies according to the risk management strategies approved by the Board of Directors, the Basel Accord and government regulations. The Bank decide the quota of investments and stop-loss point for financial instruments by types and characteristics in order to identify, assess, measure and monitor various risks of investment.

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(iii) Procedures of market risk management

1) Identification

The identification procedures are as follows. First, use the business analysis or product analysis to identify the market risk factors of financial instruments. Second, measure the market risk of all financial instruments according to the risk factors changes of the important exposure. Finally, identify the market risk factors of every constitution of structured products and use the factors as the measurement basis. The above risk factors include interest rate, exchange rate and price of equity security.

2) Measurement

The Bank's market risk exposure can be classified into trading book and banking book. The financial instruments classified in trading book are measured at market value every day; those classified in banking book are measured at market value at least once a month. Following IFRS 13, the Bank ensures that Level-1 inputs (i.e. quoted prices in an active market, such as prices from TWSE, electronic screen or independent brokerage firms) and Level-2 inputs (those which can be directly or indirectly observed in the market) are available. When the aforementioned inputs are not available, the related instruments shall be classified to Level 3. The sources from which the Bank obtains inputs largely remain the same as prior periods and the Bank will check if a financial instrument can be reasonably measured before entering into a transaction.

3) Monitor and Report

The Bank conducts various risks monitoring procedures for ordinary trading activities, prepares risk monitoring reports and reports it to the Risk Management Committee and the Board of Directors. The monitoring procedures includes the controls over market risk position, profit and loss, exposure, quota of investments, degree of concentration, sensitivity analysis and stress testing. The Bank also has communication mechanism. Each operating unit should provide transaction information to supervisors periodically to ensure the accuracy and effectiveness. While trading amounts are over the preset limit or in an abnormal condition, the related operating units should alert it in time.

(iv) Management policies of trading book risk

The trading book refers to the financial instruments held for trading or hedging. The positions held for trading mean the positions that are held to earn profit from the buy-sell spread. The positions not belonging to trading book are regarded as banking book.

1) Policy and Procedure

The Bank formulates "Bank of Taiwan Trading Book Management Provision" as important guideline for all trading units.

(Continued)

2) Valuation Policy

The Bank's market risk exposure can be classified into trading book and banking book. Following IFRS 13, the Bank ensures that Level-1 inputs (i.e. quoted prices in an active market, such as prices from TWSE, electronic screen or independent brokerage firms) and Level-2 inputs (which can be directly or indirectly observed in the market) are available. When the aforementioned inputs are not available, the related instruments shall be classified to Level 3. The sources from which the Bank obtains inputs largely remain the same as prior periods and the Bank will check if a financial instrument can be reasonably measured before entering into a transaction.

3) Measurement Method

- a) Monitoring the trading book of risk exposure including stocks, funds, bonds, spot exchanges, forward exchanges, rate swap, option, future contracts, etc. Checking the ratio of risk exposure with total investment everyday and reporting monthly.
- b) The Bank conducts stress test every quarter under unfavorable economic scenarios which are set up risk factors: equity securities, interest rate, foreign exchange and commodities, setting the scene to calculate possible impacts by inputting different on profit or loss of each risk factor.
- c) Check the market price every month.
- d) Prepare the risk monitor report to chief director and put it on the Bank's website as reference.

(v) Interest rate risk management for trading book

1) Definition of interest rate risk

The interest rate risk means the changes of interest rate that lead to the fair value changes or loss. The main products include securities related to interest rate and derivatives.

2) Procedures of interest rate risk management

The Bank sets quota and stop-loss points for short-term securities, bonds and derivatives related to interest rate. Each trading units measure the market price for the position of trading book every day and submit monthly reports to risk management department and quarterly reports to the risk management committee and the Board of Directors.

3) Measurement method

The Bank also uses the DV01 to monitor the influence of interest risk.

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4) Interest Rate Benchmark Reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform').

The Bank considers that a contract is not yet transitioned to an alternative benchmark rate when the interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

As of the reporting date, the Bank's remaining IBOR exposure is indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). As announced by the Financial Conduct Authority (FCA) in March 2021, the submissions for 1 week USD LIBOR and 2 months USD LIBOR already ceased on December 31, 2021, so did all days of GBP, JPY, EUR and CHF LIBOR. Submissions for USD LIBOR (except 1 week and 2 months) will cease on June 30, 2023. The Bank submissions for 1, 3, 6 and 12 months USD LIBOR will also cease on June 30, 2023. Contracts with appropriate fallback clauses automatically switch the instrument from USD LIBOR to SOFR as and when USD LIBOR ceases.

The following table shows the total amounts in the unreformed contracts and those with appropriate fallback languages on December 31, 2022 and 2021. The amounts of financial assets and financial liabilities are shown at their carrying amounts and derivatives are shown at their notional principal amounts.

	Unit: In million of TWD			
	USD LIBOR		GBP LIBOR	
	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause
December 31, 2022				
Financial assets				
Loans	\$ 70,228	34,366	-	-
Corporate bonds	24,870	24,870	-	-
Financial liabilities				
Loans from central bank	3,994	3,994	-	-
Derivatives				
Interest rate swaps	29,796	29,796	-	-

(Continued)

December 31, 2021

	USD LIBOR		GBP LIBOR	
	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause
Financial assets				
Loans	80,600	12,690	700	-
Corporate bonds	18,682	15,700	-	-
Financial liabilities				
Loans from central bank	3,600	-	-	-
Derivatives				
Interest rate swaps	28,900	28,900	-	-

(vi) Interest rate risk management for banking book

The main management purpose is to strengthen the interest rate risk management, increase the effectiveness of capital usage and improve the business.

1) Strategy

The interest rate risk management increases the Bank flexibility in order to measure, manage and hedge the interest rate risk. The Bank formulate "Liquidity and Interest Rate Management Strategies" to reinforce the management and maintain proper liquidity and adjust the interest rate sensitivity gap for the steady long-term profitability and business growth.

2) Management procedure

In order to adapt the economic financial environment changes and to fulfill the capital requirement, the Bank conducts different pricing management strategies, such as adopting variable or fixed interest rate, and use financial futures, foreign exchange swaps, interest rate swaps to manage the interest rate sensitivity gap. To adjust the interest rate sensitivity gap properly, the risk management department monitors the ratio of interest rate sensitivity assets to interest rate sensitivity liabilities, the ratio of TWD capital gap to equity and the interest rate sensitivity gap of foreign exchange, and report monthly to the Risk Management Committee and Board of Directors.

3) Measurement method

The Bank uses the "Assets and Liabilities Management Information System" to identify interest rate sensitivity assets and liabilities and analyses the maturity gap and changes of maturity structure as the basis of interest rate risk management and pricing strategies. They also make proper financial transfer and adjust the capital structure to lower the liquidity risk and increase the profit.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(vii) Exchange rate risk management

1) Definition of exchange rate risk

The exchange rate risk refers to the profit or loss resulted from two different currencies transferred at different times. The Bank's exchange rate risk is derived from exchange, forward exchange, FX swaps, cross currency swaps, and foreign exchange options. Because the Bank squares customer's position every day, the exchange rate does not have any significant risk.

2) Management procedures and measurement method of exchange rate risk

To control the exchange rate risk, the Bank sets different quotas and stop-loss point for employees with different levels and have annual total loss quota to control the loss in a tolerable range.

The Bank conducts stress testing. The simulated situations are $\pm 3\%$ changes of exchange rate for every currency. The relevant statements are disclosed at sensitivity analysis.

(viii) Equity security risk management

1) Definition of equity security risk

The market risk of holding equity securities includes the respective risk arising from the market price changes of respective equity security and general market risk resulting from the whole market price changes.

2) The intention of equity security price risk management

The intention is to avoid loss and worse financial status due to violent fluctuations of equity security price and increase the effectiveness of capital usage and improve the business.

3) Procedure of equity security price risk management

The Bank sets different investment quotas by industries, enterprises and groups. They monitor the risk value of equity securities and unrealized profit/loss ratio every day. The stop-loss point mechanism is approved by the security investment committee and executed by the risk management department.

4) Measurement method

The control of the equity security price risk is based on the unrealized gain (loss) ratio and the aforementioned investment limitations.

The Bank conducts stress testing every season. The simulated situations are $\pm 15\%$ changes of equity security price. The relevant statements are disclosed at sensitivity analysis.

(Continued)

(ix) Market risk valuation technique

1) Interest rate risk sensitivity

The Bank assume that other factors did not change and the yield curve of the whole world moves upward by 100 bps at December 31, 2022 and 2021. Under this assumption, the income after tax will decrease \$24 million and \$58 million, respectively; the other comprehensive income will decrease \$12,083 million and \$14,781 million, respectively. If the yield curve moves downward by 100 bps, the income after tax will increase \$23 million and \$78 million, respectively; the other comprehensive income will increase \$12,827 million and \$15,891 million, respectively.

2) Exchange rate risk sensitivity

The Bank assumed that other factors did not change and the foreign currency to New Taiwan Dollars exchange rate appreciated by 3% at December 31, 2022 and 2021. Under this assumption, the income after tax will increase \$727 million and \$679 million, respectively.

If the exchange rate depreciates by 3%, the income after tax will decrease \$727 million and \$679 million, respectively.

3) Equity security price risk sensitivity

The Bank assumes that other factors did not change and the market prices of the equity securities increase by 15% at December 31, 2022 and 2021. Under this assumption, the income after tax will increase \$6,987 million and \$7,803 million, respectively; the other comprehensive income will increase \$16,556 million and \$16,792 million, respectively.

If the market prices decreases by 15 %, the income after tax will decrease \$6,987 million and \$7,803 million, respectively; the other comprehensive income will decrease \$16,556 million and \$16,792 million, respectively.

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4) Sensitivity analysis is as follows:

December 31, 2022			
Main risk	Range of changes	Amount Influence	
		Equity	Gain or loss
Interest rate risk	Interest rate curve rise 100BPS	(12,083)	(24)
Interest rate risk	Interest rate curve fall 100BPS	12,827	23
Exchange rate risk	Other foreign currency/TWD rise 3%		727
Exchange rate risk	Other foreign currency / TWD fall 3%		(727)
Price of equity stock risk	Price of equity stock rise 15 %	16,556	6,987
Price of equity stock risk	Price of equity stock fall 15 %	(16,556)	(6,987)

Unit: In million of TWD

December 31, 2021			
Main risk	Range of changes	Amount Influence	
		Equity	Gain or loss
Interest rate risk	Interest rate curve rise 100BPS	(14,781)	(58)
Interest rate risk	Interest rate curve fall 100BPS	15,891	78
Exchange rate risk	Other foreign currency/TWD rise 3%		679
Exchange rate risk	Other foreign currency / TWD fall 3%		(679)
Price of equity stock risk	Price of equity stock rise 15 %	16,792	7,803
Price of equity stock risk	Price of equity stock fall 15 %	(16,792)	(7,803)

Unit: In million of TWD

(Continued)

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(x) Information of currency risk concentrate

Net position of major foreign currencies

December 31, 2022		
	Amount in original currency	Amount in New Taiwan Dollars
USD	544,757	16,737,659
CNY	1,204,015	5,310,910
JPY	3,018,362	700,562
GBP	18,553	687,760
KRW	17,997,465	439,138

Unit: In thousand of stated currencies

December 31, 2021		
	Amount in original currency	Amount in New Taiwan Dollars
USD	588,739	16,281,577
CNY	1,206,621	5,237,942
JPY	3,051,987	734,003
GBP	18,791	702,032
KRW	18,567,867	434,488

Unit: In thousand of stated currencies

Note 1: The major foreign currencies were the top 5 currencies by position expressed in New Taiwan Dollars after exchange rate conversion.

Note 2: The net position represented the absolute value of each currency.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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All held foreign financial assets and liabilities are classified by currencies and represented using the carrying amounts. The following tables display the information at December 31, 2022 and 2021, respectively.

Assets	December 31, 2022			Unit: In thousand of TWD
	USD to TWD	TWD	Other currencies to TWD	
Cash and cash equivalents	\$ 78,793,433	22,947,747		Total TWD 101,741,180
Placement with Central Bank and call loans to banks	173,253,066	84,471,947		257,725,013
Financial assets measured at fair value through profit or loss	97,062,403	25,926,382		122,988,785
Financial assets measured at fair value through other comprehensive income	105,064,930	74,029,974		179,094,904
Debt investments measured at amortized cost	124,355,029	22,731,586		147,086,615
Hedging derivative financial assets	-	9,467		9,467
Receivables, net	9,497,969	2,171,374		11,669,343
Current income tax assets	51,205	45,526		96,731
Loans and Discounts, net	133,274,611	85,066,222		218,340,833
Other financial assets, net	278,624	16,995		295,619
Property and equipment, net	86,740	27,800		114,540
Right-of-use assets, net	203,572	172,163		375,735
Intangible assets, net	32,554	820		33,374
Deferred income tax assets, net	18,258	51,820		70,078
Other assets, net	27,500,180	(7,653,610)		19,846,570
Total assets	\$ 749,472,574	310,016,213		1,059,488,787

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Liabilities	December 31, 2022			Total TWD
	USD to TWD	TWD	Other currencies to TWD	
Deposits of Central Bank and banks	\$ 58,238,363	20,504,476		78,742,839
Due to Central Bank and banks	3,840,625	-		3,840,625
Financial liabilities measured at fair value through profit or loss	14,441,575	45		14,441,620
Bills and bonds sold under repurchase agreement	20,559,034	1,234,738		21,793,772
Payables	7,169,095	1,892,521		9,061,616
Current income tax liabilities	-	63,350		63,350
Deposits and remittances	627,252,841	260,944,040		888,196,881
Other financial liabilities	504,366	42,339		546,705
Provisions	1,506	13,073		14,579
Lease liabilities	251,837	177,471		429,308
Deferred income tax liabilities	1,807	20,472		22,279
Other liabilities	1,925,039	218,842,262		220,767,301
Total liabilities	\$ 734,186,088	503,734,787		1,237,920,875

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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	December 31, 2021		
	Assets	USD to TWD	Other currencies to TWD
Cash and cash equivalents	\$ 56,221,074	22,380,504	Total TWD 78,601,578
Placement with Central Bank and call loans to banks	144,034,838	105,961,679	249,996,517
Financial assets measured at fair value through profit or loss	113,046,730	30,211,089	143,257,819
Financial assets measured at fair value through other comprehensive income	44,771,093	56,048,646	100,819,739
Debt investments measured at amortized cost	24,564,780	20,264,545	44,829,325
Receivables, net	13,547,406	1,167,229	14,714,635
Current income tax assets	42,036	76,388	118,424
Loans and Discounts, net	128,748,709	62,021,767	190,770,476
Other financial assets, net	361,302	17,521	378,823
Property and equipment, net	58,252	30,981	89,233
Right-of-use assets, net	93,692	190,845	284,537
Intangible assets, net	28,093	1,583	29,676
Deferred income tax assets, net	119,322	60,095	179,417
Other assets, net	21,177,186	2,642,148	23,819,334
Total assets	\$ 546,814,513	301,075,020	847,889,533

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BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	December 31, 2021		
	Liabilities	USD to TWD	Other currencies to TWD
Deposits of Central Bank and other banks	\$ 41,879,903	31,779,923	Total TWD 73,659,826
Loans from Central Bank and banks	3,595,150	-	3,595,150
Financial liabilities measured at fair value through profit or loss	13,626,043	246,432	13,872,475
Hedging derivatives financial liabilities	-	16,241	16,241
Bills and bonds sold under repurchase agreement	-	1,802,300	1,802,300
Payables	5,806,283	2,139,936	7,946,219
Current income tax liabilities	65,402	42,106	107,508
Deposits and remittances	498,646,116	247,366,296	746,012,412
	146,156	269,881	416,037
Other financial liabilities	2,665	8,718	11,383
Provisions	294,023	205,784	499,807
Deferred income tax liabilities	-	31,368	31,368
Other liabilities	1,631,586	233,137,749	234,769,335
Total liabilities	\$ 565,693,327	517,046,734	1,082,740,061

(xi) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

1) Interest rate sensitivity assets and liabilities analysis (New Taiwan Dollars)

Item	December 31, 2022			
	1-90 days	91-180 days	181 days to one year	Over one year
Interest rate sensitive assets	\$ 1,626,729,145	2,354,231,199	143,972,255	415,500,653
Interest rate sensitive liabilities	327,880,873	3,555,898,225	196,123,218	312,060,890
Interest rate sensitive gap	1,298,848,272	(1,201,667,026)	(52,150,963)	103,439,763
Net worth	400,013,127			
Ratio of interest rate sensitive assets to liabilities (%)	103.38			
Ratio of interest rate sensitive gap to net worth (%)	37.12			

Unit: In thousand of TWD

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Unit: In thousand of TWD

Item	December 31, 2021	December 31, 2021	December 31, 2021	December 31, 2021	December 31, 2021
	1-90 days	91-180 days	181 days to one year	Over one year	Total
Interest rate sensitive assets	\$ 1,495,206,474	1,988,538,496	196,590,311	429,329,488	4,109,664,769
Interest rate sensitive liabilities	370,280,629	3,119,407,194	320,187,944	104,497,844	3,914,573,611
Interest rate sensitive gap	1,124,925,845	(1,130,868,698)	(123,597,633)	324,831,644	195,091,158
Net worth					403,052,938
Ratio of interest rate sensitive assets to liabilities (%)					104.98
Ratio of interest rate sensitive gap to net worth (%)					48.40

Note 1: The above amount included only new Taiwan dollar amounts held by the Bank, and excluded contingent assets and contingent liabilities.

Note 2: Interest rate sensitivity assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues and costs affected by interest rate changes.

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

Note 4: Ratio of interest-rate-sensitivity assets to liabilities=Interest-rate-sensitivity assets/Interest-rate-sensitivity liabilities (in New Taiwan Dollars).

2) Assets and liabilities interest rate sensitivity analysis (United State Dollars)

Unit: In thousand of USD

Item	December 31, 2022	December 31, 2022	December 31, 2022	December 31, 2022	December 31, 2022
	1-90 days	91-180 days	181 days to one year	Over one year	Total
Interest rate sensitive assets	\$ 39,514,603	5,055,615	4,299,973	3,785,767	52,655,958
Interest rate sensitive liabilities	28,800,458	9,440,481	5,573,187	510,293	44,324,419
Interest rate sensitive gap	10,714,145	(4,384,866)	(1,273,214)	3,275,474	8,331,539
Net worth					(258,901)
Ratio of interest rate sensitive assets to liabilities (%)					118.80
Ratio of interest rate sensitive gap to net worth (%)					(3,218.04)

Unit: In thousand of USD

Item	December 31, 2021	December 31, 2021	December 31, 2021	December 31, 2021	December 31, 2021
	1-90 days	91-180 days	181 days to one year	Over one year	Total
Interest rate sensitive assets	\$ 30,597,883	5,774,746	7,007,456	2,651,865	46,031,950
Interest rate sensitive liabilities	21,020,872	12,412,675	4,907,837	503,232	38,844,636
Interest rate sensitive gap	9,577,011	(6,637,929)	2,099,619	2,148,633	7,187,314
Net worth					(105,631)
Ratio of interest rate sensitive assets to liabilities (%)					118.50
Ratio of interest rate sensitive gap to net worth (%)					(6,804.17)

Note 1: The above amount included only U.S. dollar amounts held by the Bank, and excluded contingent assets and contingent liabilities.

Note 2: Interest rate sensitivity assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues and costs affected by interest rate changes.

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

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

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(f) Other risks

(i) Operational risk and legal risk

The Bank has identified, measured and monitored operational risk and legal risk and also disclosed qualitative and quantitative information in accordance with the "Information of the Capital Adequacy and the Risk Managements" and the FSC's requirements.

According to the "The Explanations and Formats of Calculation of Bank's Self-Owned Capital and Risk-Weighted Assets," operation risks is the risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external events (including legal risk), differ from the expected losses. As legal risk is part of the operational risk, where it involves legal risk to be reported together with the operation risk to the appropriate management level.

(ii) Compliance risks

To conduct the planning, management and execution of the Bank's legal compliance, the Department of Compliance has set up the Regulations and Guidelines of Legal Compliance, which clearly states the responsibility of the competent unit (Department of Compliance). The Department of Compliance also holds the responsibility of planning, managing and executing the overall legal compliance of the Bank. For instance, the task force should look into potential risks of legal compliance and obtain the opinion and approval of the Department of Compliance before new services and products are introduced to the market or applications are submitted to the authorities for the approval of sales.

In response to continuous changes in external regulations, the Department of Compliance prepared the "Legislation and Amendment of External Financial Regulations Checklist" to make each operation unit recheck their internal guidelines and make necessary adjustments in time. The Department of Compliance passes the information to its employees about the changes in financial regulations related to the Bank's operations to lower the risk of legal compliance.

The Department of Compliance conducts the compliance risk assessment work for the whole bank every year, and submits the assessment results to the Audit Committee, the Board of Directors and the Financial Management Committee for reference. In addition, based on the results of the compliance risk assessment, the Department of Compliance further analyzes the risk management situation of each relevant unit, supervises the relevant management and improvement plan of compliance risk management, and continuously strengthens the control measures of the whole bank.

The Bank will not only comply with the requirements of the competent authority but also keep collecting domestic and foreign data and refer to the practical practice of other banks to improve the management of compliance risk.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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(iii) Money laundering and terrorist financing risks

The Bank has established and amended the related policies and procedures in accordance with the "Money Laundering Control Act" and its related sub-regulations announced by the FSC, as well as the "Template of Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism of Banks" and the 53 suspicious transaction patterns amended or issued by the bankers association of the R.O.C. The Bank took the following actions to combat money laundering and terrorism financing (AML/CFT):

1) Setting up responsible unit and appoint AML/CFT Responsible Officer

The Board of Directors of the Bank appointed the Chief Compliance Officer to serve as AML/CFT Responsible Officer, and set up "AML Center" under The Department of Compliance in January 16, 2017. A Supervisor and a Vice Supervisor are set up in the center, and the Deputy Chief Compliance Officer is appointed to serve as the Supervisor. So far, there are 16 members in the center.

2) Setting up AML/CFT Committee

The Bank sets up "Legal Compliance, Anti-Money Laundering and Combating Terrorism Financing Committee (AML/CFT Committee)" according to the "Regulations for Legal Compliance, Anti-Money Laundering and Combating Terrorism Financing Committee, Bank of Taiwan". The President is the Chairperson, and the Chief Compliance Officer is the Vice President of the committee. The managers of the 20 other departments also serve as the committee members. The AML/CFT Committee is responsible for examining and supervising AML/CFT related affairs.

3) Optimizing AML/CFT managerial mechanisms

In order to strengthen the Bank's AML/CFT managerial mechanisms, the Bank has already engaged independent certified public accountant to exam the effectiveness of its AML/CFT managerial mechanism since 2017. The Bank has continuously improved the audit findings provided by the accountant.

4) Optimizing and Expanding AML/CFT information systems

According to the Regulations Governing Anti-Money Laundering Art. 9.1., financial institutions should gradually integrate customer information and transaction data into information systems, for the purpose of enhancing its capability of account and transaction monitoring. The Bank will strengthen its policies and procedures regarding ongoing monitoring over accounts and transactions by applying risk-based approach and the assistance of information systems. In order to verify the effectiveness of the systems, consultants were hired to conduct independent tests, provide recommendations for setting transaction monitoring thresholds, and continuously optimize the system.

(Continued)

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5) Establishing AML/CFT area in its internal information network

In order for its employees to have an immediate access to AML/CFT related information, the Bank sets up an AML/CFT website within its internal network. This measure simplifies the procedures of collecting related information, and is beneficial to the Bank by providing compliance guidance to its employees in their daily operations.

6) Raising awareness about money laundering and terrorism financing

The Bank established an online course, "2022 AML/CFT Program," for staff to improve awareness on AML/CFT. To comply with the amendments related to AML/CFT, the Bank also engaged external experts to hold training for the Bank's responsible officers and supervisors. Furthermore, the Bank held a "Compliance, AML/CFT Forum" in the north, central, and south of Taiwan to propagate common mistakes in AML/CFT and build awareness on AML/CFT in each staff member.

7) Reporting the properties (including its related interests and their locations) designated by the Counter-Terrorism Financing Act and suspicious transactions to Investigation Bureau, the Ministry of Justice.

8) Improving oversight on trade-based money laundering, counter-proliferation financing, and anti-sanctions measures

To control trade-based money laundering, counter-proliferation financing, and anti-sanctions effectively, the Bank set up database of "Countries/regions with Severe AML/CFT Deficiencies as Announced by the FATF" and listed those countries/regions as high-risk countries to control the potential risk of proliferation financing in those regions. Also, the Bank kept purchasing/renting "Maritime Risk Intelligence Database" and "Commodity Price Database" to strengthen its verification on the authentication of cross-border trading and rational pricing of commodities in order to lower the threat of trade-based money laundering and proliferation financing.

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- (g) Transfer of financial assets—transferred financial assets without overall derecognition

The transferred financial assets of the Bank and subsidiary that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements or equity securities under lending agreements. The right to receive cash flow is transferred and reflects the associated liabilities to repurchase transferred financial assets at a fixed price in the future period, the Bank and subsidiary cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since the Bank and subsidiary still bear the interest rate risks and credit risks, transferred financial assets are not completely derecognized. Analysis of financial assets without overall derecognition and the associated liabilities are as follows:

Type of financial assets	December 31, 2022			
	Carrying amount of the transferred financial assets	Carrying amount of the Financial liability	Fair value of transferred financial assets	Fair value of financial liabilities
Financial asset measured at fair value through profit or loss				
Under repurchase agreements	\$ 992,659	859,647	992,659	859,647
Financial asset measured at fair value through other comprehensive income				
Under repurchase agreements	23,760,341	22,742,043	23,760,341	22,742,043
Debt instruments measured at amortized cost				
Under repurchase agreements	337,828	256,219	265,422	256,219
				9,203
Type of financial assets	December 31, 2021			
	Carrying amount of the transferred financial assets	Carrying amount of the Financial liability	Fair value of transferred financial assets	Fair value of financial liabilities
Financial asset measured at fair value through profit or loss				
Under repurchase agreements	\$ 29,971	29,979	29,971	29,979
Financial asset measured at fair value through other comprehensive income				
Under repurchase agreements	3,860,094	3,957,236	3,860,094	3,957,236
				(97,142)

(Continued)

- (h) Offsetting of financial assets and financial liabilities

The Bank and subsidiary hold financial instruments which meet Section 42 of the IAS 32 endorsed by FSC. Therefore, the financial instrument will be offset on the balance sheet.

Although the Bank and subsidiary do not engage in transactions that meet the offsetting condition in IFRSs, they have signed the net settlement contracts of similar agreements with counterparties, such as global master repurchase agreement, global securities lending agreement and similar repurchase agreement or reverse-repurchase agreement. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could opt for net settling.

The offsetting information of financial assets and financial liabilities is shown below:

December 31, 2022									
Financial assets under offsetting or general agreement of net amount settlement or similar norms					Total				
					Total recognized financial assets	Net amount of financial assets on the balance sheet	Relevant amount not offset on the balance sheet (d)		
					(a)	(c)=(a)-(b)	Financial instrument (note)	Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial assets	\$ 17,622,062	-	-	-	17,622,062	7,031,467	1,462,661	9,127,934	
December 31, 2021									
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms					Total				
					Total recognized financial liabilities	Net amount of financial liabilities on the balance sheet	Relevant amount not offset on the balance sheet (d)		
					(a)	(c)=(a)-(b)	Financial instrument (note)	Pledged cash Collaterals	Net amount (e)=(c)-(d)
Derivative financial liabilities	\$ 12,627,864	-	-	-	12,627,864	7,028,092	2,872,897	2,726,875	

Note: Master netting arrangements and non-cash financial collaterals are included.

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December 31, 2021					
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms					
Total					
Financial liabilities	Total recognized financial assets	Total recognized financial liabilities	Net amount of financial liabilities		Relevant amount not offset on the balance sheet (d)
			on the balance sheet	on the balance sheet	
Derivative financial liabilities	(a)	(b)	(c)=(a)-(b)	Financial instrument (note)	Pledged cash Collaterals
	\$ 5,812,323	-	5,812,323	1,106,416	587,821
					4,118,086

Note: Master netting arrangements and non-cash financial collaterals are included.

(9) Capital Management:

(a) The Target and Procedure of capital management

The Target of capital management is to achieve the authority's requirements for the BIS Capital Adequacy Ratio and to improve the efficiency of capital usage through capital management procedures.

The Bank consider the short-term and long-term capital demand, operating plans and the lowest requirement to the BIS ratio to draft the capital plan. The Bank conducts the stress testing, the simulation analysis periodically, consider the external conditions and other factors, such as potential risks, environment changes of the financial market and other events that will affect the risk tolerable ability to ensure the Bank can maintain sufficient capital while unfavorable events and significant changes to the market occur.

(b) The definition and regulations of capital

The Competent authority of the Bank is the FSC. The Bank follows the "Regulations Governing the Capital Adequacy and Capital Category of Banks" issued by the FSC.

The term "Ratio of Regulatory Capital to Risk-weighted Assets" shall mean Common Equity Ratio, Tier 1 Capital Ratio, and Total Capital Adequacy Ratio. Except computing the Bank's own ratios, it also calculates the ratios using the consolidated financial information according to the IFRS 10. All mentioned ratios should be in conformity with article 5 of the regulations.

(Continued)

(c) Regulatory Capital

The term "Regulatory Capital" shall mean the net Tier 1 Capital and the net Tier 2 Capital according to the Regulations Governing the Capital Adequacy and Capital Category of Banks."

(i) The term "Net Tier 1 Capital" shall mean the aggregate amount of net Common Equity Tier 1 and net additional Tier 1 Capital.

1) The common equity Tier 1 capital consists of the common equity that reduces intangible assets, the deferred tax assets due to losses from the previous year, the insufficiency of operation reserves and loan loss provisions, the revaluation surplus of real estate, unamortized losses on sales of non-performing loans, and the statutory adjustment items calculated in accordance with other rules for calculation methods. The common equity tier 1 capital shall mean the sum of the common stock and additional paid-in capital in excess of par- common stock, the capital collected in advance, the capital reserves, the statutory surplus reserves, the special reserves, the accumulated profit or loss, the non-controlling interests and the other items of interest.

2) The range of additional Tier 1 capital shall mean the total amount of the following items reduces the total amount of the deductible items in accordance with the rules for calculation methods.

- Non-cumulative perpetual preferred stock and its capital stock premium.
- Non-cumulative perpetual subordinated debts.
- The non-cumulative perpetual preferred stock and its capital stock premium, and the non-cumulative perpetual subordinated debts which are issued by banks' subsidiaries, and are not directly or indirectly held by banks.

(ii) The range of Tier 2 capital shall mean the total amount of the following items reduces the total amount of the deductible items in accordance with the rules for calculation methods.

- Cumulative perpetual preferred stock and its capital stock premium.
- Cumulative perpetual subordinated debts.
- Convertible subordinated debts
- Long-term subordinated debts
- Non-perpetual preferred stock and its capital stock premium
- When the real estate was adopted by the International Financial Reporting Standards for the first time and used the fair value or the re-estimated value as the deemed cost. The difference in amount between the deemed cost and the book value was recognized in retained earnings, the 45% of unrealized gain on Financial asset measured at fair value through other comprehensive income, as well as operational reserves and loan-loss provisions.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

- 7) The cumulative perpetual preferred stock and its capital stock premium, cumulative perpetual subordinated debts, convertible subordinated debts, long-term subordinated debts, and the non-perpetual preferred stock and its capital stock premiums which are issued by banks' subsidiaries, and are not directly or indirectly held by banks.

When a bank reports its capital adequacy ratio according to the regulations, the competent authority shall examine its capital category in accordance with the provisions of these regulations on the calculation of capital adequacy ratio.

When a bank's capital is graded as inadequate capital, significantly inadequate capital or seriously inadequate capital by the competent authority's examination, the competent authority shall take prompt corrective actions in pursuant to Sections 1 to 3, Paragraph 1, Article 44-2 of the Act.

The government regulations are formulated in accordance with the Basel Accord. The followings are the content of the Basel Accord and the implementation of the Bank.

(i) The First Pillar

The first pillar contains the capital requirements for credit risks, market risks and operation risks.

- 1) Credit risks refer to the default risk resulted from the counterparties. The credit risk is derived from the assets, liabilities or off-balance sheet items. There are two measurement methods, the Standardized Approach and the Internal Ratings-Based Approach (the IRB). The Bank uses the Standardized Approach.
- 2) Market risks refer to the loss due to the changes of the market price, such as the changes of the market interest rate, the exchange rate, the stock price and the product price. There are two measurement methods, the Standardized Approach and the Internal Model Approach. The Bank uses the Standardized Approach.

- 3) Operation risks refer that the Bank has loss caused by the internal operations, the employee's faults, the system errors or external events. The operation risks include legal risks but exclude strategy risks and reputation risks. The measurement methods are the Basic Indicator Approach, the Standardized Approach, the Alternative Standardized Approach and the Advanced Measurement Approach. The Bank uses the Standardized Approach.

(ii) The Second Pillar

The second pillar is used to ensure that each bank has sufficient internal assessment procedures and each bank can understand the capital adequacy through complete risk measurements. At the same time, it also uses proper supervisory operations to ensure the regulatory capital accord with the whole risk characteristics. The Bank reports the capital adequacy measurements and the risk management situations to the competent authority with related information.

(Continued)

(iii) The Third Pillar

The third pillar is related to the market discipline. It requires banks to disclose more information about the risks, the capital and the risk managements according to the new Basel Accord in order to increase their information transparency. As a result, the Bank has offered the "Information of the Capital Adequacy and the Risk Managements" in our website to disclose the qualitative data and the quantitative data.

(d) Capital adequacy ratio

Analyze Items	Date	December 31, 2022	December 31, 2021
Eligible capital	Common stock capital	305,202,251	294,229,293
	Other tier 1 capital	-	-
	Tier 2 capital	54,483,022	33,023,120
Eligible capital		359,685,273	327,252,413
Risk assets weighted assets	Credit	2,255,957,139	1,984,241,036
	Standardized approach		
	Internal rating based approach	-	-
	Securitization	-	-
Operational risk	Basic indicator approach	-	-
	Standardized approach/Alternative standardized approach	62,008,213	63,048,988
	Advance measurement approach	-	-
	Standardized approach		
Market risk	Standardized approach	81,314,025	98,239,575
	Internal models approach	-	-
Total risk weighted assets		2,399,279,377	2,145,529,599
Capital adequacy ratio		14.99 %	15.25 %
Common stock based capital ratio		12.72 %	13.71 %
Tier 1 risk based capital ratio		12.72 %	13.71 %
Leverage ratio		5.02 %	5.48 %

Note 1: The calculation of eligible capital, risk-weighted assets, and the total amount of risk exposure shall follow the Regulations Governing the Capital Adequacy and Capital Category of Banks, and Calculation of Equity Capital and Risk Assets.

Note 2: The annual report shall disclose the current and preceding period of BIS ratio. The semi-annual report (beside the current and preceding period) shall disclose the information one year before.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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Note 3: The table shall disclose the calculation formula as follows:

1. Equity Capital = shareholders' equity + other tier 1 capital + tier 2 capital
2. Risk-weighted assets = credit risk-weighted assets + (capital requirement for operational risk + capital requirement for market risk) × 12.5
3. Capital adequacy ratio = equity capital / internal models approach
4. Common stock - based capital ratio = shareholders' equity / total risk weighted assets
5. Tier 1 risk based capital ratio = (shareholders' equity + Other tier 1 capital) / weighted risk
6. Leverage ratio = tier 1 capital / total risk exposure

Note 4: The table may choose not to disclose in Q1 and Q3 financial report.

- (c) Stress test: In addition to the FSC's requirement regarding the stress test to be conducted by the Bank, the Bank also establishes its own stress test policy based on global environment and economic situations. The testing includes the average common equity ratio, the first class capital ratio, the capital adequacy ratio, and the leverage ratio, calculated by the Bank under different assumptions of scenarios, which had been approved by the Bank's Board of Directors and risk management committee.

(10) Related-party Transactions:

- (a) Name of related party and relationship

Name	Relationship
Taiwan Financial Holding Co., Ltd.	Parent company of the Bank
Bank Taiwan Life Insurance Co., Ltd.	Wholly-owned subsidiary of Taiwan Financial Holding Co., Ltd.
Bank Taiwan Securities Co., Ltd.	Wholly-owned subsidiary of Taiwan Financial Holding Co., Ltd.
Hua Nan Financial Holdings Co., Ltd.	Investee company of the Bank under the equity method
Tang Eng Iron Works Co., Ltd.	Investee company of the Bank under the equity method
Tai Yi Real Estate Management Co., Ltd.	Investee company of the Bank under the equity method
Taiwan Business Bank Co., Ltd.	Related- Party
Land Bank of Taiwan	Related- Party
The Export-Import Bank of the Republic of China	Related- Party
Cathay United Bank	Related- Party
Chang Hwa Bank	Related- Party
United Taiwan Bank	Related- Party
Central Pictures Corporation	Related- Party
Others	Directors, supervisors, managers and their relatives up to the second degree, affiliates and so on

(Continued)

- (b) Key Management Personnel Compensation

The related information about the salaries and bonus for the key management personnel for the years ended December 31, 2022 and 2021 was as follows:

	2022	2021
Short-term employee benefits	\$ 15,786	\$ 15,094

- (c) Other related-party transactions

- (i) Call loans to bank

	December 31, 2022		
	Highest balance	Ending balance	Interest rate range (%)
			0.03 ~ 5.28
Hua Nan Financial Holdings Co., Ltd.	\$ 17,212,685	\$ 7,577,575	0.03 ~ 5.28
			Interest income
			\$ 92,450

December 31, 2021

	Highest balance	Ending balance	Interest rate range (%)
			0.03 ~ 3.60
Hua Nan Financial Holdings Co., Ltd.	\$ 13,378,075	\$ 10,080,515	0.03 ~ 3.60
			Interest income
			\$ 18,150

- (ii) Receivables

	December 31, 2022		December 31, 2021	
Name	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 34,421	0.06	\$ 19,301	0.03
Bank Taiwan Life Insurance Co., Ltd.	19,403	0.03	61,468	0.10
Bank Taiwan Securities Co., Ltd.	582	-	31	-
Total	\$ 54,406	0.09	\$ 80,800	0.13

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(vii) Deposits

	December 31, 2022		December 31, 2021	
Name	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 750,013	0.02	866,780	0.02
BankTaiwan Life Insurance Co., Ltd.	5,444,108	0.12	7,246,429	0.17
BankTaiwan Securities Co., Ltd.	413,171	0.01	4,868,868	0.12
Hua Nan Financial Holdings Co., Ltd.		0.01	353,519	0.01
Tang Eng Iron Works Co., Ltd.	3,623	-	561	-
Total	\$ 6,986,790	0.16	13,336,157	0.32

lang Eng
Total

	December 31, 2022		December 31, 2021	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 112	-	9	-
Bank/Taiwan Life Insurance Co., Ltd.	1,635	-	88	-
Bank/Taiwan Securities Co., Ltd.	99	-	34	-
Total	\$ 1,846	-	131	-

Taiwan Financial

BankTaiwan Life Insurance Co., Ltd.	1,635	-	88	-
BankTaiwan Securities Co., Ltd.	99	-	34	-
Total	<u>\$ 1,846</u>	<u>-</u>	<u>131</u>	<u>-</u>
Other liabilities				
	December 31, 2022		December 31, 2021	
Name	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 2,853	0.03	2,807	0.03
BankTaiwan Life Insurance Co., Ltd.	493	0.01	493	0.01
BankTaiwan Securities Co., Ltd.	1,813	0.02	1,794	0.02
Total	<u>\$ 5,159</u>	<u>0.06</u>	<u>5,094</u>	<u>0.06</u>

Name	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 2,853	0.03
Bank Taiwan Life Insurance Co., Ltd.	493	0.01
Bank Taiwan Securities Co., Ltd.	1,813	0.02
Total	<u>\$ 5,159</u>	<u>0.06</u>

(x) Interest income

	2022		2021	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 312,565	0.45	204,199	0.42
Bank Taiwan Securities Co., Ltd.	5,014	0.01	508	-
Total	<u>\$ 317,579</u>	<u>0.46</u>	<u>204,707</u>	<u>0.42</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(xi) Interest expense

	2022		2021	
Name	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 1,481	-	293	-
BankTaiwan Life Insurance Co., Ltd.	45,207	0.13	7,823	0.04
BankTaiwan Securities Co., Ltd.	947	-	337	-
Total	<u>\$ 47,635</u>	<u>0.13</u>	<u>8,453</u>	<u>0.04</u>

(xii) Service fee income

	2022		2021	
Name	Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Life Insurance Co., Ltd.	\$ 251,464	5.16	393,182	7.44
BankTaiwan Securities Co., Ltd.	3,699	0.08	10,116	0.19
Total	<u>\$ 255,163</u>	<u>5.24</u>	<u>403,298</u>	<u>7.63</u>

(xiii) Service fee expense

	2022		2021	
Name	Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Securities Co., Ltd.	\$ 7,526	0.93	10,474	1.37

(xiv) Gain (loss) on financial assets or liabilities measured at fair value through profit or loss

	2022		2021	
Name	Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Life Insurance Co., Ltd.	\$ 401,568	(0.65)	76,446	0.15
BankTaiwan Securities Co., Ltd.	(1,704)	-	(873)	-
Total	<u>\$ 399,864</u>	<u>(0.65)</u>	<u>75,573</u>	<u>0.15</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(xv) Other non-interest income (expense)

	2022		2021	
Name	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 31,974	0.08	30,094	(0.06)
BankTaiwan Life Insurance Co., Ltd.	28,388	0.07	30,680	(0.06)
BankTaiwan Securities Co., Ltd.	31,218	0.08	29,273	(0.06)
Total	<u>\$ 91,580</u>	<u>0.23</u>	<u>90,047</u>	<u>(0.18)</u>

(xvi) Other general and administrative expense

	2022		2021	
Name	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 759	0.01	653	0.01

(xvii) Loans

Category	House holder amount or name of related party	Highest balance in current period	December 31, 2022	Status of performance	Type of collateral	Differences in transaction terms between related and non-related parties
			Ending balance	Performing loans		
Consumer loans	30 households	17,930	11,449	11,449	None	None
House mortgages	236 households	1,049,651	855,351	855,351	Land and buildings	None
Call loans to banks	Land Bank of Taiwan	15,734,425	3,940,625	3,940,625	None	None
Call loans to banks	Hua Nan Financial Holdings Co., Ltd.	8,016,590	3,487,160	3,487,160	None	None
Call loans to banks	Taiwan Business Bank Co., Ltd.	4,396,990	2,063,330	2,063,330	None	None
Call loans to banks	Cathay United Bank	14,141,750	4,916,000	4,916,000	None	None
Call loans to banks	The Export-Import Bank of the Republic of China	2,629,400	1,392,175	1,392,175	None	None
Call loans to securities company	Bank Taiwan Securities Co., Ltd.	535,230	276,525	276,525	None	None
Call loans to banks	Chung Hwa Bank	4,480,000	307,250	307,250	None	None
Call loans to banks	United Taiwan Bank	711,000	483,260	483,260	None	None
Short-term loans	Taiwan Financial Holding Co., Ltd.	33,500,000	33,500,000	33,500,000	None	None
Short-term secured loans	Bank Taiwan Securities Co., Ltd.	630,000	-	-	Government (or financial institutions) guarantee	None
Secured overdrafts loans	Tung Ying Iron Works Co., Ltd.	120,542	120,542	120,542	Land and factory	None

(Continued)

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Notes to the Consolidated Financial Statements

(xviii) Derivative financial instruments

December 31, 2022					Balance sheet	
Name of related party	Subject	Agreement period	Notional amounts	Current valuation adjustment	Account name	Amount
BankTaiwan Life Insurance Co., Ltd.	Swap	2019.08.19~2023.03.20	51,665,080	(108,402)	Valuation adjustment of financial liabilities measured at fair value through profit or loss - swap	373,812
					Valuation adjustment of financial liabilities measured at fair value through profit or loss - swap	(592,726)

December 31, 2021					Balance sheet	
Name of related party	Subject	Agreement period	Notional amounts	Current valuation adjustment	Account name	Amount
BankTaiwan Life Insurance Co., Ltd.	Swap	2019.08.19~2022.12.22	24,708,969	2,640	Valuation adjustment of financial liabilities measured at fair value through profit or loss - swap	-
					Valuation adjustment of financial liabilities measured at fair value through profit or loss - swap	(235,882)

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

December 31, 2022							Differences in transaction terms between related and non related parties	
Category	House holder amount or name of related party	Highest balance in current period	Ending balance	Performing loans	Non-performing loans	Type of collateral		
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	100,000	100,000	100,000	-	Land and factory		None
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	2,069,677	1,400,000	1,400,000	-	Land and factory		None
Medium-term secured loans	Tang Eng Iron Works Co., Ltd.	2,100,000	1,800,000	1,800,000	-	Land and factory		None
Medium-term secured loans	Central Pictures Corporation	950,000	947,000	947,000	-	Land and factory		None
Medium-term secured loans	Central Pictures Corporation	4,000,000	4,000,000	4,000,000	-	Land and factory		None

December 31, 2021							Differences in transaction terms between related and non related parties	
Category	House holder amount or name of related party	Highest balance in current period	Ending balance	Performing loans	Non-performing loans	Type of collateral		
Consumer loans	41 households	20,778	15,772	15,772	-	None		None
House mortgages	252 households	1,115,504	914,777	914,777	-	Land and buildings		None
Call loans to banks	Land Bank of Taiwan	16,202,180	7,445,260	7,445,260	-	None		None
Call loans to banks	Hsin Nan Financial Holdings Co., Ltd.	11,624,000	6,825,270	6,825,270	-	None		None
Call loans to banks	Taiwan Business Bank Co., Ltd.	5,111,665	4,291,665	4,291,665	-	None		None
Call loans to banks	Cathay United Bank	10,000,000	-	-	-	None		None
Call loans to banks	The Export-Import Bank of the Republic of China	1,050,000	-	-	-	None		None
Call loans to securities company	BankTaiwan Securities Co., Ltd.	278,600	248,895	248,895	-	None		None
Call loans to banks	Chung Hwa Bank	10,296,500	242,840	242,840	-	None		None
Call loans to banks	United Taiwan Bank	320,275	41,483	41,483	-	None		None
Short-term loans	Taiwan financial Holding Co., Ltd.	35,000,000	35,000,000	35,000,000	-	None		None
Short-term secured loans	BankTaiwan Securities Co., Ltd.	500,000	-	-	-	Government (or financial institutions) guarantee		None
Secured overdrafts	Tang Eng Iron Works Co., Ltd.	221,495	138,982	138,982	-	Land and factory		None
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	100,000	100,000	100,000	-	Land and factory		None
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	2,123,637	1,500,000	1,500,000	-	Land and factory		None
Medium-term secured loans	Tang Eng Iron Works Co., Ltd.	1,700,000	1,700,000	1,700,000	-	Land and factory		None
Short-term secured loans	Central Pictures Corporation	950,000	950,000	950,000	-	Land and factory		None
Medium-term secured loans	Central Pictures Corporation	3,000,000	3,000,000	3,000,000	-	Land and factory		None
Medium-term secured loans	Central Pictures Corporation	1,000,000	1,000,000	1,000,000	-	Land and factory		None

Note 1: The consumer loans to staff and mortgage loans to staff can be lumped together for disclosure. The disclosure of other loans is sorted by interested parties.

Note 2: Collateral is classified by real estate, short term notes, government bonds, secured or non secured bonds, TSEC and GTSM stocks, non TSEC and non GTSM stocks, and others.

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BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(xix) Lease

The Bank rented several buildings from its related party, BTLL, to be used as its branch office. A lease contract was signed, in which the rental fee was determined based on nearby office rental rates. The total value of the contract was \$247,513 thousand. For the years ended December 31, 2022 and 2021, the Bank recognized the amount of \$1,177 thousand and \$1,340 thousand as interest expense; \$46,884 thousand and \$43,768 thousand as depreciation expense, respectively. As of December 31, 2022 and 2021, the balance of lease liabilities amounted to \$143,882 thousand and \$114,342 thousand, respectively.

The Bank rented a building from its related party, BTS, to be used as its branch office. A lease contract was signed, in which the rental fee was determined based on nearby office rental rates. The total value of the contract was \$432 thousand. For the years ended December 31, 2022 and 2021, the Bank recognized the amount of \$3 thousand and \$1 thousand as interest expense and \$85 thousand as depreciation expense for both years. As of December 31, 2022 and 2021, the balance of lease liabilities amounted to \$340 thousand and \$0 thousand, respectively.

The Bank rented a building to its related party, TFH, to be used as its office. A lease contract was signed, in which the rental fee was determined based on nearby office rental rates. The total value of the contract was \$66,929 thousand. For the years ended December 31, 2022 and 2021, the Bank recognized the amount of \$16,896 thousand and \$16,844 thousand as rental income, respectively.

The Bank rented a building to its related party, BTLL, to be used as its office. A lease contract was signed, in which the rental fee was determined based on nearby office rental rates. The total value of the contract was \$11,838 thousand. For the years ended December 31, 2022 and 2021, the Bank recognized the amount of \$2,959 thousand as rental income for both years.

The Bank rented a building to its related party, BTS, to be used as its office. A lease contract was signed, in which the rental fee was determined based on nearby office rental rates. The total value of the contract was \$43,385 thousand. For the years ended December 31, 2022 and 2021, the Bank recognized the amount of \$10,801 thousand and \$10,816 thousand as rental income, respectively.

(xx) The price and payment conditions for related-party transactions mentioned above have no significant differences from the conditions for the transactions between the Bank and subsidiary, and non-related parties. The expense of database is allocated between the Bank and subsidiaries based on the usage of each company in the group.

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Notes to the Consolidated Financial Statements

(11) Pledged Assets:

	Pledged assets	Purpose of pledge	December 31, 2022	December 31, 2021
	Deposit reserve - account B etc.	Project fund accommodations secured	\$ 250,000,000	\$ 50,000,000
	Financial assets measured at fair value through other comprehensive income - bonds	Guarantee deposit for provisional seizure against defaulted loans and others	7,013	246,782
	Financial assets measured at fair value through other comprehensive income - bonds	Operating deposit for securities investment trust and consulting	162,879	180,279
	Financial assets measured at amortized cost - bonds	Guarantee deposit for provisional seizure against defaulted loans and others	371,218	197,808
	Financial assets measured at amortized cost - bonds	Guarantee deposits for trust business compensation reserve	-	548,336
	Financial assets measured at amortized cost - bonds	Deposit for bills	52,196	52,721
	Financial assets measured at fair value through other negotiable certificate	Payment and settlement systems of Central Bank	47,158,785	47,326,534
	Time deposit - The Local Branches of China Banks	Guarantee deposit for calling loans in CNY	1,323,300	2,170,500
	Time deposit - The Local Branches of China Banks	Guarantee deposit for liquidation account in CNY	1,323,300	1,302,300
			<u>\$ 300,398,691</u>	<u>\$ 102,025,260</u>

(12) Commitments and Contingencies:

(a) Commitments and contingencies

	December 31, 2022	December 31, 2021
Trust liabilities	\$ 812,535,541	\$ 717,098,335
Marketable securities held as custodian	2,034,093,301	2,112,805,786
Goods held in custody	26,056,380	30,963,750
Contract guarantee on behalf of counter parties	1,404,012	1,638,512
Consignment collection	47,740,709	50,495,285
Issuance of New Taiwan Dollars	3,358,816,386	2,950,404,643
Trustee of behalf of Lenders	537,290,946	481,054,151
Registered government bonds for sale	672,371,100	753,505,500
Registered short term bills for sale	261,542,722	190,259,494
Consigned sales of goods	1,330,402	1,183,791
Guarantees	88,933,844	87,006,247
Letters of credit	45,912,594	46,431,576
	<u>\$ 7,888,027,937</u>	<u>\$ 7,422,847,070</u>

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(b) Balance sheet, income statement and details of assets under trust

Trust assets	December 31, 2022	December 31, 2021
	Amount	Amount
Deposits		
Deposits in BOT	\$ 37,448,107	28,220,454
Deposits in other banks	18,398	56,430
Short term investment		
Investment in funds	170,120,394	153,482,716
Investment in bonds	363,683,689	311,437,613
Common stock investment—marketable securities	52,614,598	57,721,529
Receivables		
Interest receivable	2,472,833	2,010,992
Cash dividend receivable	2,477	3,120
Receivables from trading securities	124,400	259,893
Receivables from forward contracts	415,924	402,194
Real estate		
Land	32,334,540	31,423,360
Buildings	223,168	209,912
Construction in progress	11,953,215	7,949,758
Marketable securities under custody	141,123,798	123,920,364
Total of trust assets	<u>\$ 812,535,541</u>	<u>717,098,335</u>

(Continued)

Trust liabilities	December 31, 2022	December 31, 2021
	Amount	Amount
Payables		
Payables from trading securities	\$ 173,838	157,243
Payables from forward contracts	415,600	401,800
Payables from management fee	2,919	2,896
Payables from supervision fee	602	563
Other payables	766	753
Tax payable	61	23
Securities held in custody payable	141,123,798	123,920,364
Trust capital		
Money trust	440,008,107	407,618,076
Marketable securities trust	277,395	255,357
Real estate investment trust	46,982,521	41,390,178
Other reserve and accumulated income		
Accumulated loss	169,028,077	139,845,820
Foreign currency translation	1,337,773	(24,531,365)
Deferred unrealized income	352,956	2,036,130
Current income	12,831,128	26,000,497
Total of trust liabilities	<u>\$ 812,535,541</u>	<u>717,098,335</u>

Note: Including fund and bond investments of the offshore branch amounting to \$291,991 thousand and \$342,239 thousand as of December 31, 2022 and 2021, respectively.

Details of trust	December 31, 2022	December 31, 2021
	Amount	Amount
Deposits		
Deposits in the Bank	\$ 37,448,107	28,220,454
Deposits in other banks	18,398	56,430
Short term investment		
Investment in funds	170,120,394	153,482,716
Investment in bonds	363,683,689	311,437,613
Common stock investment—marketable securities	52,614,598	57,721,529
Real estate		
Land	32,334,540	31,423,360
Buildings	223,168	209,912
Construction in progress	11,953,215	7,949,758
Marketable securities under custody	141,123,798	123,920,364
Total	<u>\$ 809,519,907</u>	<u>714,422,136</u>

(Continued)

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Notes to the Consolidated Financial Statements

Income statement for assets under trust		2022	2021
Trust revenue			
Capital interest revenue	\$	13,380,791	11,552,812
Cash dividend revenue		2,758,746	992,983
Donation revenue		112,040	132,324
Realized capital gain – shares		-	448,762
Unrealized capital gain – shares		-	1,625,217
Realized capital gain – fund		27,792	3,496,711
Unrealized capital gain – fund		-	2,820
Realized capital gain – bond		175,307	2,587,689
Realized gain on property exchange		-	2,280,986
Realized foreign exchange gains		16,020	-
Income from beneficiary certificates		4,083,818	3,944,996
Other revenue		33	61
Total trust revenue		<u>20,554,547</u>	<u>27,065,361</u>
Trust expense			
Capital management fee		318,865	473,065
Tax expense		5,417	4,568
Supervisory fee		1,086	1,004
Storage fee		18,523	15,720
Commission fee		324	22
Donation cost		594,866	549,594
Realized capital loss – shares		23,735	-
Unrealized capital loss – shares		5,589,109	-
Unrealized capital loss – fund		447	-
Realized loss on property exchange		1,135,548	-
Realized foreign exchange losses		-	3,528
Other expense		35,499	17,363
Total trust expense		<u>7,723,419</u>	<u>1,064,864</u>
Net income	\$	<u>12,831,128</u>	<u>26,000,497</u>

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(13) Profitability:

Item	December 31, 2022		December 31, 2021	
	Before adjusting	After adjusting	Before adjusting	After adjusting
Return on total assets	0.33	0.43	0.31	0.42
(Note 6)	0.29	0.39	0.28	0.39
Return on net worth	4.81	5.78	4.32	5.34
(Note 7)	4.27	5.24	3.89	4.92
Profit margin		39.85		39.14

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 equity.

Note 3: Profit margin=Income after income tax/Total operating revenues.

Note 4: Income before (after) income tax is the income for the whole current year.

Note 5: The above profitability ratios are at annual rates.

Note 6: Return on total assets – after adjusting means assets excluding the short-term advances and long-term receivables resulted from government policies, and the assets of government employees insurance department; it also refers to income before (after) tax, plus, excess preferential interest expense. (If return on total assets after adjusting at December 31, 2022 means assets excluding the assets of government employees insurance department and the income before and after tax, plus, excess preferential interest expense and interest revenue from the advance resulted from government policies, the adjusted return on total assets before (after) tax are 0.43% and 0.39%.)

Note 7: Return on net worth after adjusting means income before (after) tax, plus, excess preferential interest expense. (If the return on net worth after adjusting at December 31, 2022 means income before (after) tax, plus, excess preferential interest expense and interest revenue from the advance resulted from government policies, the adjusted returns on net worth before and after tax are 5.88% and 5.34%.)

(14) Losses Due to Major Disasters: None.

(15) Subsequent events: None.

(16) Other:

(a) The employee benefit expenses, depreciation, depletion and amortization, categorized by function, were as follows:

By function	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
By nature						
Employee benefits expenses						
Salaries	62,464	12,054,023	12,116,487	63,512	12,052,621	12,116,133
Labor and health insurances	120,599	569,475	690,074	117,783	570,169	687,952
Pensions	3,097	1,045,960	1,049,057	3,122	1,010,681	1,013,803
Director and supervisor compensation payment	-	2,640	2,640	-	2,456	2,456
Others	1,965,733	295,650	2,261,383	2,824,135	204,197	3,028,332
Depreciation expenses	53,648	1,551,612	1,605,260	52,390	1,491,529	1,543,919
Amortization expenses	-	390,841	390,841	-	365,349	365,349

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

The average number of employees for the years ended December 31, 2022 and 2021 were 8,272 and 8,265, respectively. And among them, directors without employee position were 13 and 12, respectively.

(b) Financial Statements Audited adjustment

The accounting records as at and for the year ended December 31, 2021, have been audited and examined by the MoA, and the resulting adjustments are summarized as follows:

Government audit adjustments for fiscal year ended December 31, 2021:

Balance Sheet	As Previously Reported December 31, 2021	Adjustments – Increase (Decrease)	As Audited by the MoA, 2021
Assets			
Deferred tax assets	\$ 456,765	(1,691)	455,074
Liabilities			
Current Income Tax Liabilities	1,671,453	(4,746)	1,666,707
Stockholders' equity			
Unappropriated retained earnings	27,079,745	(127)	27,079,618
Other equity	62,463,720	3,182	62,466,902
Income statement			
Income tax expenses	\$ 1,681,954	127	1,682,081
Net profit	15,281,288	(127)	15,281,161
Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	(1,532)	(3,182)	(4,714)
Other comprehensive income	5,890,159	3,182	5,893,341
Total comprehensive income	21,171,447	3,055	21,174,502

(Continued)

Revised entries by the MoA were as follows:

Item	Adjustment accounts	Amount revised by the MoA	Explanation of revision by the MoA
1.	Current tax liabilities	\$ 4,873	MoA adjusted taxable income based on the adjustment entry from the accountant of South Africa branch.
	Unrealized Gains (losses) from investment in debt instruments measured at fair value through other comprehensive income-tax	3,182	
	Deferred tax assets	1,691	
2.	Income tax expenses	\$ 127	MoA adjusted taxable income.
	Current income tax liabilities	127	

(c) Supplementary information for government employees' insurance department

(i) Balance sheets

	December 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 51,748,515	\$ 58,142,651
Financial assets measured at fair value through profit or loss	238,758,774	301,592,477
Debt investments measured at amortized cost	109,099,725	84,698,581
Receivables, net	10,464,810	8,688,686
Property and equipment, net	11,044	14,201
Intangible assets, net	11,265	15,887
Other assets, net	595,816	567,885
Total assets	\$ 410,689,949	\$ 453,720,368
Payables	\$ 39,792	\$ 56,124
Provisions	410,650,138	453,664,223
Other liabilities	19	21
Total liabilities	\$ 410,689,949	\$ 453,720,368

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(ii) Income statement

	Government employees' insurance department	
	2022	2021
Net interest income	\$ 2,474,493	1,627,690
Service fee expenses	(19,870)	(16,017)
Gain (loss) on financial assets and liabilities at fair value through profit or loss	(61,668,558)	48,089,400
Foreign exchange gain (loss)	13,930,005	(3,362,802)
Impairment gain and reversal (loss) of assets	(2,855)	1,956
Premium income	22,626,131	23,627,599
Government subsidy (note)	9,207,821	7,721,076
Insurance payments	(29,341,339)	(22,963,851)
Provision for insurance premium reserve	43,014,084	(54,486,760)
Miscellaneous expense	(90,376)	(88,973)
Miscellaneous revenue	24,981	23,302
Net revenue	154,517	172,620
Bad debt expenses and reserve for guarantees	9,985	(2,442)
Employee benefits	137,274	143,182
Depreciation and amortization expenses	9,005	10,323
Other general and administrative expenses	18,223	16,673
Net income	164,502	170,178
	\$ -	-

Note: According to Government Employees and School Staff Insurance Act, if GESSI experiences a loss, the loss before May 30, 1999, would be covered by the Ministry of Finance; and the loss after that date would be covered by an adjustment of the insurance premium. Besides, according to the same Act, the expenses to carry on government employees and school staff insurance are subsidized by the budget designated by the Ministry of Civil Service.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(17) Notes to Disclosure Items:

(a) Information on Significant Transactions:

Following the principle of financial report for public bank, the disclosure of information on significant transaction of the Bank and subsidiary were as follow:

- (i) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 10% of the capital stock:None
- (ii) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 10% of the capital stock:None
- (iii) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 10% of the capital stock:None
- (iv) Service charge discounts on transactions with related parties in an aggregate amount of NT\$5 million or more:None
- (v) Receivables from related parties with amounts exceeding the lower of NT\$300 million or 10% of the capital stock:None
- (vi) Information on NPL disposal transaction:
 - 1) Summary table of NPL disposal:None
 - 2) Disposal of a single batch of NPL up to NT\$1 billion and information on each transaction:None
- (vii) Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information:None
- (viii) Business relationships and significant intercompany transactions:

Number	Name of Company	Name of the counter-party	Existing relationship with the counter-party	State of transaction			Percentage of the total consolidated revenues or total assets
				Account name	Amount	Terms of trading	
0	Bank of Taiwan Brokers	Bank Taiwan Insurance Brokers	1	Demand deposits	128,498	Same as regular transaction	- %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	2	Placement with banks	128,498	"	- %
0	Bank of Taiwan	Bank Taiwan Insurance Brokers	1	Time deposits	205,376	"	- %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	2	Placement with banks	205,376	"	- %
0	Bank of Taiwan	Bank Taiwan Insurance Brokers	1	Other receivables	19,739	"	- %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	2	Other payables	19,739	"	- %
0	Bank of Taiwan	Bank Taiwan Insurance Brokers	1	Service fees revenue	382,314	"	0.55 %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	2	Service fees expenses	382,314	"	0.55 %
0	Bank of Taiwan	Bank Taiwan Insurance Brokers	1	Miscellaneous revenues	589	"	- %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	2	Administrative expense	589	"	- %
0	Bank of Taiwan	Bank Taiwan Insurance Brokers	1	Refundable deposits	838	"	- %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	2	Guarantee deposits paid	838	"	- %
0	Bank of Taiwan	Bank Taiwan Insurance Brokers	1	Miscellaneous revenue	16,263	"	0.02 %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	2	Operating expenses	16,263	"	0.02 %
0	Bank of Taiwan	Bank Taiwan Insurance Brokers	1	Interest payables	270	"	- %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	2	Interest receivables	270	"	- %
0	Bank of Taiwan	Bank Taiwan Insurance Brokers	1	Interest expenses	726	"	- %
1	Bank Taiwan Insurance Brokers	Bank of Taiwan	2	Interest incomes	726	"	- %

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Number	Name of Company	Name of the counter-party	Existing relationship with the counter-party	Account name	Amount	State of transaction	Percentage of the total consolidated revenues or total assets
0	Bank of Taiwan	Bank of Taiwan Insurance Brokers	1	Other operating revenue	4,911	"	0.01 %
1	Bank of Taiwan Insurance Brokers	Bank of Taiwan	2	Right-of-use assets	641	"	- %
1	Bank of Taiwan Insurance Brokers	Bank of Taiwan	2	Lease liabilities	651	"	- %
1	Bank of Taiwan Insurance Brokers	Bank of Taiwan	2	Interest expense	32	"	- %
1	Bank of Taiwan Insurance Brokers	Bank of Taiwan	2	Depreciation expense	4,802	"	0.01 %

Note 1: Number is based on the following rules:

1) The parent company is 0.

2) Subsidiaries are numbered by company from 1.

Note 2: The relation with trader is numbered as follows:

1) The parent company to its subsidiary is 1.

2) The subsidiary to its parent company is 2.

Note 3: The transactions mentioned above have already write-off when building the financial report.

(ix) Other significant transactions that may have substantial influence upon the decisions made by financial report users: None

(b) Information on Investees:

The followings are the information on investees during 2022:

Name of the investee	Investee Location	Major Operation	% of shares	Held by the bank and related party at year-end			Notes
				Shares	Subtotal	% of Shares	
Hua Nan Financial Holdings Co., Ltd.	Taipei	Financial Holding	21.23%	3,420,763	3,420,763	25.07%	
Tung Eng Iron Works Co., Ltd.	Kaohsiung	Iron Industry	21.37%	74,802	74,802	21.37%	
Tai Yi Real Estate Management Co., Ltd.	Taipei	Real Estate Service	30.00%	1,500	1,500	30.00%	
Bank Taiwan Insurance Brokers Co., Ltd.	Taipei	Insurance Brokers	100.00%	2,000	2,000	100.00%	note 3

Note 1: The shares held or to be held by The Bank or its directors, supervisors, president, vice president and investees held by the affiliates as defined in the Company Act shall be included.

Note 2: 1) The shares to be held shall mean the shares acquired upon conversion, as hypothesized, of equity securities purchased or contracted for derivative products concluded (not yet converted to equity) in accordance with the trading terms and conditions and The Bank's intent to link with the reinvested enterprise's equity for the purpose of reinvestment provided in Article 74 of the Act.

2) The "equity securities" referred to in the preceding paragraph shall mean the valuable securities referred to in Paragraph 1 of Article 11 of the Securities and Exchange Act. The "equity securities" referred to in the preceding paragraph shall include convertible corporate bond and warrant.

3) The "equity securities" referred to in the preceding paragraph shall comply with the definition of derivative products referred to in Statement of Financial Accounting Standards No. 34, e.g., stock option.

Note 3: This transaction had been written off when the consolidated financial statements were prepared.

(c) Information on Investment in Mainland China:

(i) Information on investees' names, locations, etc. in China:

Investee Company	Main Business	Total Amount of Paid-in Capital (RMB)	Investment Types (Net)	Accumulated Investment from January 1, 2022	Accumulated Investment from January 1, 2022	Net Income from Investment	% of Shares	Equity in the Earnings (Net)	Carrying value as of December 31, 2022	Accumulated Investment
Bank of Taiwan Shanghai Branch	Banking business	4,411,000	(3)	4,411,000	4,411,000	(86,625)	100.00%	(86,625)	6,046,138	6,046,138
Bank of Taiwan Fuzhou Branch	Banking business	4,411,000	(3)	4,411,000	4,411,000	(188,141)	100.00%	(188,141)	5,157,423	-
Bank of Taiwan Kunming Branch	Banking business	4,411,000	(3)	4,411,000	4,411,000	(150,350)	100.00%	(150,350)	4,998,523	-

Note 1: Three types of investments are as follows:

1) Direct investment in Mainland China.

2) Investment in Mainland China through a company set up in a third region.

3) Via overseas branches.

Note 2: The net income from investees is not audited by an independent auditor, yet.

(Continued)

(ii) Limitation on investment in Mainland China:

Current period of accumulated investment amount remitting from Taiwan	The rationed investing amount approved by Investment Commission, MOEA	The rationed investing amount approved by Investment Commission, MOEA rationed investing amount
13,233,000	13,233,000	237,282,394

Unit: In thousands of TWD

(d) Subsidiaries lending to other parties, guarantors and endorsements for other parties, securities held as of December 31, 2022, securities for which purchase or sale amount for the period exceed \$300 million or 10% of the Bank's paid-in capital, and trading in derivative financial instruments: None.

(18) Segment Information:

(a) Bank department: include transacting deposit, loan, and foreign exchange; dispatching, managing, performing TWD and foreign currency; investing in securities, and analyzing, managing interest for loan and deposit, and etc.

(b) Government employees' insurance department: include managing government employees' insurance business; auditing insurance, cash settlement, and issue business; analyzing, managing, and taking statistics of government employees' insurance business, and etc.

(c) Department of Procurement: include managing government institutions, public schools, and public enterprises' centralized purchasing business; being agency of government institutions, public schools, and public enterprises for inter-entity supply contract, and etc.

(d) Department of Precious Metals: include managing gold, silver, precious metals and analyzing customs duty; gold, silver and precious metals intermediary trading, planning, marketing, training, settlement, risk management, assuring and etc.

(e) BankTaiwan Insurance Broker: operation businesses include insuring personal, property insurance, related services, and the business approved by the authority which related to insurance broker.

	2022					
	Bank department	Government Employees Insurance	Department of Procurement	Department of Precious Metals	BankTaiwan Insurance Brokers	Reconciliation and elimination
Interest income	\$ 67,582,709	2,474,493	103	600	726	Total
Less: interest expense	34,836,467	-	-	-	32	(726)
Interest income, net	32,746,242	2,474,493	103	600	694	34,835,741
Non-interest income, net	14,395,840	(47,761,278)	365,228	51,634	105,140	32
Other non-interest income	(5,388,033)	45,441,302	(13,696)	387,763	(1,232)	(3,288)
Net revenue	41,754,049	154,517	351,635	439,997	104,602	(21,764)
Bad debt expenses and reserve for guarantees	(634,699)	9,985	-	-	-	(25,020)
Operating expenses	(22,516,466)	(164,502)	(116,639)	(89,145)	(100,392)	(62,474)
Continuing operating income before income tax	\$ 18,602,884	-	234,996	350,852	4,207	21,654
Continuing operating income after income tax	\$ 16,400,029	-	234,996	350,852	3,366	(3,366)
Total assets	\$ 5,841,865,913	410,689,949	3,657,272	2,970,390	380,855	(81,201,185)
Total Liabilities	\$ 5,447,001,105	410,689,949	3,422,276	2,619,538	42,826	(80,863,156)

(Continued)

BANK OF TAIWAN AND SUBSIDIARY **Notes to the Consolidated Financial Statements**

	2021						
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	BankTaiwan Insurance Brokers	Reconciliation and elimination	Total
Interest income	\$ 46,660,442	1,627,690	7	607	396	(396)	48,288,746
Less: interest expense	18,651,099	-	-	-	85	(481)	18,650,703
Interest income, net	28,009,343	1,627,690	7	607	311	85	29,638,043
Non-interest income, net	16,698,168	44,712,537	339,538	12,555	192,372	(68,763)	61,886,407
Other non-interest income	(6,580,955)	(46,167,607)	(12,300)	293,672	2,253	(17,202)	(52,482,139)
Net revenue	38,126,556	172,620	327,245	306,834	194,936	(85,880)	39,042,311
Bad debt expenses and reserve for guarantees	(258,807)	(2,442)	-	-	-	-	(261,249)
Operating expenses	(21,343,808)	(170,178)	(119,976)	(91,999)	(108,952)	17,093	(21,817,820)
Continuing operating income before income tax	\$ 16,523,941	-	207,269	214,835	85,984	(68,787)	16,963,242
Continuing operating income after income tax	\$ 14,859,057	-	207,269	214,835	68,787	(68,787)	15,281,161
Total assets	\$ 5,171,610,315	453,720,368	2,627,071	1,190,699	496,476	(81,236,762)	5,548,408,167
Total Liabilities	\$ 4,769,844,862	453,720,368	2,419,802	975,864	117,862	(80,861,203)	5,146,217,555

V. Individual Financial Statements of Recent Years, and Independent Auditors' Report

Independent Auditors' Report

To the Board of Directors of Bank of Taiwan:

Opinion

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

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

Basis for Opinion

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

Emphasis of Matter

In accordance with the auditing regulations in Taiwan, the financial statements of the Bank are required to be audited by the Ministry of Audit (the "MoA"). The financial statement for the financial year ended December 31, 2021 has been audited and approved by the MoA. The adjustments made by the MoA are reflected in the financial statement. For further information, please see note 16(b). Our opinion is not modified in respect of this matter.

Other Matter

As stated in note 6(j) of the financial statements, we did not audit the financial statements of Hua Nan Financial Holdings Co., Ltd. and Tai Yi Real Estate Co., Ltd. of investments in associates accounted for using equity method of the Bank amounting to NT\$39,263,825 thousand and NT\$42,633,917 thousand as of December 31, 2022 and 2021, respectively, constituting 0.64% and 0.77% of the related total assets; nor the related shares of investment profit in associates accounted for using equity method of NT\$3,681,099 thousand and NT\$3,658,951 thousand for the years then ended, respectively, constituting 8.62% and 9.40% of the related net revenue. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts includes above, is based solely on the report of the other auditors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. The assessment of impairment of financial assets

Please refer to Note 4(k) “Impairment of assets” for related accounting policy, Note 5(c) “The evaluation of financial asset impairments” for the uncertainty of accounting assumptions and estimations, and Note 8 “Financial risk management” for the details of evaluation of financial asset impairments. .

Description of key audit matters

When assessing whether there is any indication that the financial assets other than measured at fair value through profit or loss may be impaired, the Bank relies on management for considering all kinds of observable data and using the expected credit loss model, including probability of default, loss of default, exposure at default and prospective economic factors, to calculate the impairment loss. The calculation process is complicated and involves the exercise of judgment. Eventually, the assumptions used may also affect the estimated amount significantly. Furthermore, the amount of financial assets which required impairment tests is material to the Bank as of December 31, 2022. Therefore, the assessment of impairment of financial assets has been identified as a key audit matter in our audit.

How the matter was addressed in our audit

Our principal audit procedures included (i) inspecting the internal guidelines of impairment assessment of credit and investment business, understanding the Bank's procedures of the assessment of impairment of financial assets, and testing related internal control procedures; (ii) performing analytical procedures; (iii) assessing the reasonableness of the Bank's assessment of impairment of financial assets and, if necessary, acquiring assistance from internal specialist; (iv) verifying the accuracy of loan loss provision based on “Regulations Governing the Procedures for Enterprises Engaging in Insurance to Evaluate Assets and Deal with Non performing/Non accrual Loans”; (v) assessing whether the impairment of financial assets is presented and disclosed fairly.

2. The valuation of financial instruments

Please refer to Note 4(e) “Financial instrument” for related accounting policy, Note 5(b) “The fair value valuation of non-active market or non-quoted financial instruments” for major sources of uncertainty for assumptions and estimation, and Note 7 “The fair value and fair value hierarchy of the financial instruments” for the details of valuation of financial instruments.

Description of key audit matters

The Bank holds the value of financial assets and liabilities, which shall calculated by a model are classified as level 2 and level 3 expect for which shall calculated by an observable for active market are classified as level 1. The parameters of inputs which often involve the exercise of judgment in valuation process. The valuation of financial instruments may be misstated due to the use difference of valuation techniques and assumptions. The amount of financial asset and liabilities the Bank hold as of December 31, 2022 were significant. Therefore, the valuation of financial instruments has been identified as a key audit matter in our audit.

How the matter was addressed in our audit

Our main audit procedures included (i) reviewing accounting policy about the fair value of financial instruments measurement and disclosure, and performing an assessment over the investment cycle of its initial recognition, subsequent measurement and disclosures on financial statement; (ii) for the financial instruments measured at fair value with active market, sampling test of prices are quoted in an active market; (iii) sampling to test whether the fair value of the financial instruments measured at fair value without an active market are appropriate by re-calculating and obtaining the quoted price from counter parties or independent third parties, as well as appointing our valuation specialists to assess the reasonableness of the models and parameters the Bank used when deemed necessary; (iv) assessing whether the disclosure of financial instruments in accordance with International Financial Reporting Standards.

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 Budget Law, Account Settlement Law, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, 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 auditor's 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 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 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.

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 Lin Wu and Fu-Jen Chen.



KPMG

Taipei, Taiwan (Republic of China)
March 10, 2023

Notes to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

BANK OF TAIWAN

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021			December 31, 2022		December 31, 2021	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
11000 Cash and Cash Equivalents	\$ 152,030,846	2	130,046,839	2	Deposits of Central Bank and Other Banks	\$ 273,183,040	4	301,575,853	5
11500 Placement With Central Bank and Call Loans to Banks	595,288,771	10	642,176,715	12	Due to the central bank and banks	253,840,625	4	36,170,330	1
12000 Financial Assets Measured at Fair Value through Profit or Loss	287,624,682	5	355,533,269	6	Financial Liabilities Measured at Fair Value through Profit or Loss	25,066,050	-	19,678,531	-
12100 Financial Assets Measured at Fair Value through Other Comprehensive Income	1,138,542,241	18	995,955,988	18	Hedging Derivative Financial Liabilities, net	-	-	16,241	-
12200 Debt Investments Measured at Amortized Cost	276,063,085	4	164,929,574	3	Bills and Bonds Sold under Repurchase Agreements	23,857,909	-	3,987,215	-
12300 Hedging Derivative Financial Assets	9,467	-	-	-	Payables	47,314,847	1	42,465,523	1
13000 Receivables, net	55,465,656	1	58,763,314	1	Current Income Tax Liabilities	1,448,625	-	1,662,239	-
13200 Current Income Tax Assets	167,560	-	1,497,504	-	Deposits and Remittances	4,671,239,835	77	4,209,976,571	77
13500 Loans and Discounts, net	3,418,227,678	56	2,940,449,487	52	Financial Bonds Payables	25,999,370	-	25,999,058	-
15000 Investments under Equity Method, net	40,822,662	1	44,259,229	1	Other Financial Liabilities	548,381	-	423,216	-
15500 Other Financial Assets, net	27,441,000	-	30,159,160	1	Provisions	432,695,316	7	476,714,994	9
18500 Property and Equipment, net	139,161,331	2	138,881,762	3	Lease Liabilities	1,218,855	-	1,319,965	-
18600 Right-of-Use Assets, net	1,279,796	-	1,421,474	-	Deferred Tax Liabilities	18,489,863	-	18,373,243	-
18700 Investment Property, net	15,238,207	-	15,238,207	-	Other Liabilities	8,322,370	-	8,199,904	-
19000 Intangible Assets, net	1,133,286	-	1,052,853	-	Total liabilities	5,783,225,086	93	5,146,562,883	93
19300 Deferred Tax Assets	330,178	-	449,836	-	Equity attributable to owners of parent :				
19500 Other Assets, net	29,869,296	1	27,938,284	1	Capital Stock	109,000,000	2	109,000,000	2
					Capital Surplus	108,453,043	2	108,453,043	2
					Retained earnings:				
					Legal Reserve	54,663,265	1	50,631,691	1
					Special Reserve	49,933,409	1	44,559,358	1
					Unappropriated Retained Earnings	30,751,075	-	27,079,618	-
					Other Equity	135,347,749	2	122,270,667	2
					Total equity	42,669,864	1	62,466,902	1
Total assets	\$ 6,178,695,742	100	\$ 5,548,753,495	100	Total liabilities and equity	\$ 6,178,695,742	100	\$ 5,548,753,495	100

BANK OF TAIWAN
Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2022		2021		Change
		Amount	%	Amount	%	%
Revenue and income:						
41000	Interest income	\$ 70,057,905	164	48,288,746	124	45
51000	Less: Interest expense	<u>34,836,467</u>	<u>82</u>	<u>18,651,099</u>	<u>48</u>	87
	Net interest income	35,221,438	82	29,637,647	76	19
Non-interest income, net						
49100	Service fees ,net	3,965,227	9	4,326,749	11	(8)
49200	Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	(61,355,261)	(144)	50,909,669	131	(221)
49310	Realized gains from financial assets measured at fair value through other comprehensive income	4,588,552	11	4,455,998	11	3
49450	Net gain from derecognition of financial assets measured at amortized cost	1,727	-	-	-	-
49600	Foreign exchange gain (loss)	16,234,086	38	(2,002,749)	(5)	911
49700	Gain on reversal (provision) of impairment loss on assets	(19,224)	-	6,435	-	(399)
49750	Share of profit (loss) of associates and joint ventures accounted for using equity method	3,636,317	9	4,066,696	10	(11)
49837	Net premium	(6,715,208)	(16)	663,748	2	(1,112)
49843	Sales income	507,814	1	411,131	1	24
48054	Subsidized income from government	9,207,821	22	7,721,076	20	19
49898	Excess preferential interest expenses	(5,810,891)	(14)	(6,842,192)	(18)	15
49871	Provisions for (reversal of) policyholders' premium	43,014,084	101	(54,486,760)	(139)	179
49899	Other miscellaneous income, net	<u>223,715</u>	<u>1</u>	<u>65,808</u>	<u>-</u>	<u>240</u>
	Net Revenue	42,700,197	100	38,933,256	100	10
58200	Bad debts expense, commitment and guarantee liability provision	(624,714)	(1)	(261,249)	(1)	139
Expenses:						
58500	Employee benefits expenses	(13,914,268)	(33)	(13,784,853)	(35)	1
59000	Depreciation and amortization expenses	(1,941,456)	(5)	(1,855,932)	(5)	5
59500	Other general and administrative expenses	<u>(7,031,027)</u>	<u>(16)</u>	<u>(6,085,177)</u>	<u>(16)</u>	<u>16</u>
	Total Expenses	(22,886,751)	54	(21,725,962)	56	5
	Profit from continuing operations before tax	19,188,732	45	16,946,045	43	13
61003	Less: Income tax expenses	2,142,855	5	1,664,884	4	29
	Net profit	17,045,877	40	15,281,161	39	12
65000	Other comprehensive income:					
65200	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
65201	Losses on remeasurements of defined benefit plans	335,035	1	(1,886,524)	(5)	118
65205	Change in fair value of financial liability attributable to change in credit risk of liability	24,698	-	66,727	-	(63)
65204	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(5,360,932)	(13)	13,691,633	35	(139)
65207	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(433,776)	(1)	679,401	2	(164)
65220	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(5,434,975)	(13)	12,551,237	32	(143)
65300	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
65301	Exchange differences on translation of foreign financial statements	1,684,083	4	(339,843)	(1)	596
65308	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(12,456,246)	(29)	(5,109,095)	(13)	(144)
65307	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(4,402,402)	(10)	(1,213,672)	(3)	(263)
65320	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>(25,683)</u>	<u>-</u>	<u>(4,714)</u>	<u>-</u>	<u>(445)</u>
	Components of other comprehensive income that will be reclassified to profit or loss	(15,148,882)	(35)	(6,657,896)	(17)	(128)
65000	Other comprehensive income	(20,583,857)	(48)	5,893,341	15	(449)
	Total comprehensive income	\$ (3,537,980)	(8)	21,174,502	54	(117)
	Basic earnings per share(In dollars)	\$ 1.56		\$ 1.40		

BANK OF TAIWAN
Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Share capital Ordinary shares	Retained earnings					Other equity interest						
		Legal reserve	Special reserve	Undistributed earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Change in fair value of financial assets attributable to change in credit risk of liability	Gains (losses) on financial instruments for hedging	Other comprehensive income reclassified by applying overlay approach	Total	Total equity	
Balance at January 1, 2021													
Appropriation and distribution of retained earnings:													
	-	3,015,488	-	(3,015,488)	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	4,020,651	(4,020,651)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	(2,125,912)	(2,125,912)	-	-	-	-	-	-	(2,125,912)
Cash dividends of ordinary share	-	-	-	-	15,281,161	15,281,161	-	-	-	-	-	-	15,281,161
Net income for the period	-	-	-	-	(1,927,800)	(1,927,800)	(473,744)	8,202,247	66,727	25,799	7,821,141	5,893,341	
Other comprehensive income	-	-	-	-	-	-	(473,744)	8,202,247	66,727	25,799	7,821,141	5,893,341	
Total comprehensive income	-	-	-	-	-	-	(473,744)	8,202,247	66,727	25,799	7,821,141	21,174,502	
Disposal of investments in equity instruments designated at fair value through other comprehensive income													
	-	-	-	85,218	85,218	-	-	(85,218)	-	-	(85,218)	-	-
Balance at December 31, 2021	109,000,000	50,631,691	44,559,358	27,079,618	122,270,667	(3,281,013)	65,697,429	(19,502)	4,099	65,889	62,466,902	402,190,612	
Appropriation and distribution of retained earnings:													
	-	4,031,574	-	(4,031,574)	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	5,375,432	(5,375,432)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	(3,181,976)	(3,181,976)	-	-	-	-	-	(3,181,976)	
Cash dividends of ordinary share	-	-	-	-	1,381	1,381	-	-	-	-	-	-	-
Reservar of special reserve due to sale of land	-	-	(1,381)	-	-	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	17,045,877	17,045,877	-	-	-	-	-	-	17,045,877	
Other comprehensive income	-	-	-	496,815	496,815	2,405,606	(23,386,268)	24,698	3,081	(127,789)	(21,080,672)	(20,583,857)	
Total comprehensive income	-	-	-	-	-	-	2,405,606	(23,386,268)	24,698	3,081	(127,789)	(21,080,672)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income													
	-	-	-	(1,283,634)	(1,283,634)	-	-	1,283,634	-	-	1,283,634	-	-
Balance at December 31, 2022	\$ 109,000,000	108,453,043	54,663,265	49,933,409	30,751,075	135,347,749	(875,407)	43,594,795	5,196	(61,900)	42,669,864	395,470,656	

BANK OF TAIWAN
Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 19,188,732	16,946,045
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,604,427	1,543,113
Amortization expense	390,676	365,210
Expected credit loss	624,714	261,249
Interest expense	34,836,467	18,651,099
Interest income	(70,057,905)	(48,288,746)
Dividend income	(11,703,882)	(9,165,666)
Net change in other provisions	(43,014,084)	54,486,006
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(3,636,317)	(4,066,696)
Loss on disposal of property and equipment	41,813	32,982
Impairment loss (Reversal profit) on financial assets	19,532	(20,140)
Impairment loss on non-financial assets	(308)	13,705
Total adjustments to reconcile profit	(90,894,867)	13,812,116
Changes in operating assets and liabilities:		
Decrease (increase) in due from the central bank and call loans to banks	104,372,390	(4,784,509)
Decrease (increase) in financial assets measured at fair value through profit or loss	56,352,746	(41,295,627)
Increase in financial assets measured at fair value through other comprehensive income	(61,945,738)	(100,470,953)
Increase in investments in debt instruments measured at amortised cost	(110,172,332)	(3,947,260)
Increase in financial assets for hedging	(9,467)	-
Decrease (increase) in receivables	16,948,291	(7,084,853)
Increase in discounts and loans	(478,333,564)	(71,556,827)
Decrease in other financial assets	2,718,160	7,604,108
Decrease (increase) in other assets	980,498	(12,107,045)
(Decrease) increase in deposits from the central bank and banks	(28,392,813)	33,128,145
Increase (decrease) in financial liabilities measured at fair value through profit or loss	5,387,519	(12,658,747)
Decrease in financial liabilities for hedging	(16,241)	(33,653)
Increase (decrease) in notes and bonds issued under repurchase agreement	19,870,694	(2,430,873)
(Decrease) increase in payables	(12,052)	1,964,653
Increase in deposits and remittances	461,263,264	36,876,129
(Decrease) increase in provisions for employee benefits	(978,689)	2,075,570
(Decrease) increase in other liabilities	(308,224)	68,668
Total adjustments	(103,170,425)	(160,840,958)
Cash outflow generated from operations	(83,981,693)	(143,894,913)
Interest received	63,266,717	49,985,936
Dividends received	6,998,649	9,951,091
Interest paid	(29,974,779)	(19,786,659)
Income taxes paid	(790,247)	(309,086)
Net Cash flows used in operating activities	(44,481,353)	(104,053,631)
Cash flows from (used in) investing activities:		
Acquisition of property and equipment	(1,298,611)	(716,689)
Increase in refundable deposits	(2,853,904)	-
Decrease in refundable deposits	-	755,644
Acquisition of intangible assets	(469,817)	(436,365)
Net cash flows used in investing activities	(4,622,332)	(397,410)
Cash flows from (used in) financing activities:		
Increase in due to the central bank and banks	217,670,295	20,320,930
Proceeds from issuing bank financial debentures	-	1,000,000
Increase in guarantee deposits received	430,690	-
Decrease in guarantee deposits received	-	(3,086,169)
Payment of lease liabilities	(484,326)	(603,246)
Increase in other financial liabilities	125,165	-
Decrease in other financial liabilities	-	(501,455)
Cash dividends paid	(3,300,000)	(2,181,976)
Net cash flows from financing activities	214,441,824	14,948,084
Effect of exchange rate changes on cash and cash equivalents	2,363,860	(462,041)
Net increase (decrease) in cash and cash equivalents	167,701,999	(89,964,998)
Cash and cash equivalents at beginning of period	835,223,391	925,188,389
Cash and cash equivalents at end of period	\$ 1,002,925,390	\$ 835,223,391
Composition of cash and cash equivalents:		
Cash and cash equivalents reported in the statement of financial position	\$ 152,030,846	130,046,839
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	318,411,878	260,912,556
Other items qualifying for cash and cash equivalents under the definition of IAS 7	532,482,666	444,263,996
Cash and cash equivalents at end of period	\$ 1,002,925,390	\$ 835,223,391

See accompanying notes to parent company only financial statements.



Review of Financial Conditions, Financial Performance, and Risk Management

196	I . Analysis of Financial Status
196	II . Financial Performance
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198	IV . Investment Policy of Last Year, Main Reasons for the Profits/Losses Generated thereby, Improvement Plans, and Investment Plans for the Coming Year
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Review of Financial Conditions, Financial Performance, and Risk Management

I. Analysis of Financial Status

Unit: NT\$1,000

Items \ Year	Dec. 31, 2022	Dec. 31, 2021	Change	
			Amount	%
Total Assets	6,178,383,194	5,548,408,167	629,975,027	11.35
Total Liabilities	5,782,912,538	5,146,217,555	636,694,983	12.37
Total Equity	395,470,656	402,190,612	(6,719,956)	(1.67)

Notes: Consolidated financial reports serve as the accounting basis.

Analysis of changes in the value: The increase in total assets in 2022 compared with 2021 was due mainly to an increase in interbank deposits, interbank lending, and loan business. The increase in total liabilities in 2022 compared with 2021 was due mainly to cooperate with government policy financing projects. The decrease in total equity in 2022 compared with 2021 was due mainly to an increase in unrealized losses of debt instrument and equity instrument.

II. Financial Performance

Unit: NT\$1,000

Items \ Year	2022	2021	Change	
			Amount	%
Net Interest Income	35,222,164	29,638,043	5,584,121	18.84
Non-Interest Income, net	7,557,616	9,404,268	(1,846,652)	(19.64)
Net Revenue	42,779,780	39,042,311	3,737,469	9.57
Bad Debt Expense and Commitment and Reserve for Guarantees	624,714	261,249	363,465	139.13
Operating Expenses	22,965,493	21,817,820	1,147,673	5.26
Net Income before Tax	19,189,573	16,963,242	2,226,331	13.12
Income Tax Expenses	2,143,696	1,682,081	461,615	27.44
Net Income after Tax	17,045,877	15,281,161	1,764,716	11.55

Note: Consolidated financial reports serve as the accounting basis.

Analysis of changes in the value:

1. The increase in net income before tax in 2022 compared with 2021 was due mainly to an increase in net interest income and an increase in net foreign exchange gains.
2. The increase in net interest income in 2022 compared with 2021 was due mainly to the fact that the widening interest rate gap between Taiwan and the United States, and the Bank's active absorption of US dollar deposits for bond investment and interbank lending.
3. The decrease in non-interest net income in 2022 compared with 2021 was due mainly to a decrease in gain on financial assets or financial liabilities at fair value through profit or loss.
4. The increase in bad debt expense and reserve for guarantees in 2022 compared with 2021 was caused mainly by an increase in loan loss provision.
5. Income tax expenses for 2022 were up from 2021, mainly due to an increase in income tax expense as calculated in accordance with the provisions of tax legislation.

III. Analysis of Cash Flow

1. Liquidity Analysis for the Past Year

(1) Cash Flow Analysis

Unit: NT\$1,000

Item	Year	2022	2021	Change	
				Amount	%
Net Cash Inflow (Outflow)		167,701,999	(89,964,998)	257,666,997	(286.41)

The main reasons for the net change were as follows:

Unit: NT\$1,000

Items	Amount
Decrease in net cash outflow from placement with Central Bank and call loans to banks	109,156,899
Decrease in net cash outflow from financial assets measured at fair value through profit or loss	97,648,373
Decrease in net cash outflow from financial assets measured at fair value through other comprehensive income	38,541,612
Increase in net cash outflow from debt investments measured at amortized cost	(106,225,072)
Increase in net cash outflow from hedging financial assets	(9,467)
Decrease in net cash outflow from receivables	17,174,203
Increase in net cash outflow from loans and discounts	(406,776,737)
Decrease in net cash inflow from other financial assets	(4,885,948)
Decrease in net cash outflow from other assets	13,087,526
Decrease in net cash inflow from deposits of Central Bank and other banks	(61,520,958)
Decrease in net cash outflow from financial liabilities measured at fair value through profit or loss	18,046,266
Decrease in net cash outflow from hedging financial liabilities	17,412
Decrease in net cash outflow from bills and bonds purchased under resell agreements	22,301,567
Decrease in net cash inflow from payables	(1,983,600)
Increase in net cash inflow from deposits and remittances	424,450,569
Decrease in net cash inflow from employee benefit obligations	(3,066,473)
Decrease in net cash inflow from other liabilities	(376,892)
Decrease in net cash inflow from other operating activities	(96,006,400)
Increase in net cash outflow from investing activities	(4,225,395)
Increase in net cash inflow from financing activities	199,493,612
Others	2,825,900
Total	257,666,997

Note: Consolidated financial reports serve as the accounting basis.

(2) Remedy for Estimated Shortage of Liquidity: Not applicable.

2. Liquidity Analysis for the Coming Year

Unit: NT\$1,000

Beginning Cash Balance (a)	Annual Net Cash Flow from Operating Activities (b)	Annual Net Cash Flow from Other Activities (c)	Cash Balance (Shortage) (a)+(b)+(c)	Remedy for Estimated Cash Shortage	
				Investment Plan	Financial Plan
1,002,925,420	3,307,317	570,575	1,006,803,312	-	-

Note: Consolidated financial reports serve as the accounting basis.

(1) Cash Flow Analysis

A. Operating activities: Due primarily to a net cash inflow produced by the increase in interest income from loans.

B. Investing activities: Mainly due to a net cash inflow produced by receipts of investment interest and dividends.

C. Financing activities: Primarily due to a net cash outflow produced by cash dividends paid.

(2) Remedial Action to Make Up for Cash Inadequacy, and Liquidity Analysis: Not applicable.

IV. Investment Policy of Last Year, Main Reasons for the Profits/Losses Generated thereby, Improvement Plans, and Investment Plans for the Coming Year

To assure the quality of investment and to heighten return on investment, the Bank plans for the disposal of reinvested enterprises that are performing poorly; sends letters asking for the formulation of improvement measures to reinvested enterprises whose operations resulted in losses on a regular basis in the hope of improving their operations, upgrading their operating performance, creating profits, and protecting investment costs; and participates in meetings of the boards of directors and supervisors of invested enterprises so as to remain aware of their business conditions and take necessary improvement measures in time.

The domestic economy grew steadily in 2022, and the Bank's reinvestment business made stable profits. In 2022, the Bank's investment gains (recognized under the equity method) plus stock dividends came to a total of roughly NT\$6.94 billion (including BOT subsidiary BankTaiwan Insurance Brokers Co. Ltd), so investment performance was quite good.

V. Risk Management

Qualitative & Quantitative Information on Different Types of Risk

(1) Credit Risk Management System and Accrued Capital

A. Credit Risk Management System

Year 2022

Items	Contents
Credit Risk Strategies, Goals, Policies, and Procedures	1. Credit Risk Strategies, Goals, and Policies (1) In accordance with the loan, investment strategies and operating directions approved by the Board of Directors, and in compliance with the New Basel Capital Accord and the regulations of competent authorities, the Bank readjusts its credit risk management strategies whenever necessary, and in response to changes in the macroeconomic market, loan portfolio risk, asset quality, and government policy. (2) The Bank establishes and implements a sound credit risk management mechanism to reduce credit risk, achieves operational and management objectives, and takes into account business development and risk control. (3) When the Bank engages in business and management procedures related to credit risk, it evaluates the probability and severity of losses from the investment or loan and adopts appropriate credit risk management countermeasures in consideration of the Bank's risk appetite and cost effectiveness. Risk management countermeasures include risk hedging, risk transfer or mitigation, risk control, and assumption of risk. 2. Credit Risk Management Procedures (1) Credit risk assessment and monitoring are carried out in accordance with the relevant regulations of the competent authority and the Bank, and reports are submitted to the Bank's Board of Directors and Risk Management Committee. (2) Risk quotas and early-warning indexes are established by industry, country, conglomerate, and trading partner in order to control the concentration of risk, and monitoring and reporting are carried out. (3) To effectively measure the quality of loan assets, the Bank has established pre-loan investigation and screening rules and procedures. It has also strengthened post-loan management, and has adopted the following control and measurement mechanisms: a loan review and follow-up evaluation system, and loan early-warning mechanism; monitoring of asset quality; full allocation of loss provisions; and adequate capital provision.
Organization and Framework of Credit Risk Management	The Bank's organizational framework of credit risk management includes the Board of Directors, Risk Management Committee, Department of Risk Management, units in charge of business, and other business units. The Board of Directors is the Bank's supreme policymaking, management and supervision unit and has final responsibility for the Bank's overall credit risk management. The Risk Management Committee is responsible for the Bank's risk management policy, system, rules, organization, and overall risk assessment, and for supervising and examining revision affairs.

Items	Contents
Scope and Characteristics of the Credit Risk Reports and Measuring System	1. Credit Risk Reports (1) The Bank's credit risk reports include the standard system-produced credit risk reports that are submitted to the competent authority, and monthly credit risk monitoring reports. (2) To prevent overconcentration of credit risks, and to monitor changes in credit assets, the Bank complies with ceilings on credit extensions to a single company, a single corporate group, or a single economic sector, and the Bank periodically reports various types of important credit risk information to the Risk Management Committee or the Board or the Board of Directors, including mainland China credit risks, overseas credit asset portfolios, credit asset portfolio quality and early warning indicators, and NPL ratios. 2. Credit Risk Measuring System (1) The Bank conducts periodic credit reviews and follow-up evaluations to improve its post-loan understanding of the financial (and operating) condition of customers, and for customers that fare poorly in their credit reviews the Bank increases the frequency of follow-up evaluations and reports its findings to senior management. (2) System for reporting of material unforeseen events: If a business unit discovers its customers are involved in irregular business practices or litigation, to be experiencing financial difficulties, or to be otherwise affected by a material unforeseen event, the unit promptly uses its reporting system to report the matter to the unit responsible for that line of business, and continues to pay close attention to the situation. (3) Assessment of asset impairments and provision of asset valuation reserve: For credit assets, the Bank uses a three-stage model for recognition of credit losses, with possible impairments assessed either by portfolio or individually on the basis of loss given default (LGD) and exposure at default (EAD). Allowances for bad debts are set aside accordingly.
Credit Risk Hedging or Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	1. Credit Risk Hedging and Mitigation Policy (1) The Bank has adopted risk concentration limits for firms to avoid excessive risk concentrations, and has continued to monitor for any problems of this sort. The Bank also adjusts risk concentration limits both periodically and randomly to ensure that its business is run in a safe and sound manner. (2) The Bank has established a loan review and follow-up auditing system to strengthen post-loan management, and continuous monitoring of the condition of borrowers. Loan review is carried out within the term of loans in accordance with the review rating, and follow-up auditing is carried out for important loan cases. (3) The Bank operates in accordance with its loan policy and rules for the handling of collateral to seek the provision of collateral or guarantees to augment the creditworthiness of borrowers and lower credit risk. 2. Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments (1) The Bank monitors the status of and changes in credit risk concentration quotas, distribution of risk exposure, asset quality, and types of collateral exposure on a scheduled basis; reviews trigger ratios and limit ratios whenever necessary. Scheduled reports are submitted to the Risk Management Committee for use in compiling statements on effective strategies and procedures, and in studying countermeasures. (2) The Bank has set up a collateral management system that can effectively handle its collateral and calculate accurately of the results of collateral mitigation.
Method of Legal Capital Allocation	Standardized Approach

B. Exposure and Accrued Capital Following Risk Mitigation Using the Standardized Credit Risk Approach

Dec. 31, 2022

Unit: NT\$1,000

Type of Exposure	Exposure Following Risk Mitigation	Accrued Capital
Sovereign Nations	1,622,352,319	177,219
Non-Central Government Public Sector	989,747,412	25,203,001
Banks (Including Multilateral Development Banks)	598,673,388	23,297,535
Enterprises (Including Securities and Insurance Firms)	717,006,681	63,998,781
Retail Loans	194,378,089	7,074,406
Real Estate	1,525,944,286	87,053,632
Equity Investment	72,204,500	12,661,042
Equity Investments in Investment Funds and Venture Capital firms	2,510	3,294
Other Assets	227,743,489	17,361,299
Total	5,948,052,674	236,830,209

Notes: 1. Accrued capital = Exposure amount after risk mitigation × Risk weight and minimum regulatory capital ratio (10.5% since 2019).

2. Securitization risk has not been factored into the figures in this table.

(2) Securitization Risk Management System, Exposure, and Accrued Capital

A. Securitization Risk Management System

Year 2022

Items	Contents
Securitization Management Strategies and Procedures	1. The Bank has not acted as the originator of securitized products, but only as investor. 2. The Bank's management strategies and procedures for investment in securitized products are handled in accordance with the rules contained in the Bank's "Investment Policy," "Rules for Trading and Management of NT Dollar Funds," and "Operating Rules for Engaging in the Offshore Banking Business."
Organization and Framework of Securitization Management	The Bank has not played the role of originator bank, and the risks potentially associated with its investment in securitized products (including credit risk, market risk, liquidity risk, interest rate risk, and operational risk) are controlled in accordance with the organizations and frameworks related to the different categories of risk as well as with the Bank's risk management system and reporting mechanism.
Scope and Characteristics of the Securitization Risk Reports and Measuring System	The Bank carries out prior evaluation of the risks and benefits associated with investment in securitized products in accordance with the relevant investment rules; evaluates profit and loss on a monthly basis; submits risk reports to the unit in charge, Department of Risk Management, senior management, and Investment Commission; and reports regularly to the Risk Management Committee and the Board of Directors.
Method of Legal Capital Allocation	Standardized Approach

B. Status of Securitization

None

C. Securitization Risk Exposure and Accrued Capital (According to the Type of Transactions)

Dec. 31, 2022

Unit: NT\$1,000

Bank's Role	Type of Exposure	Asset Class	Traditional					Synthetic		Total		
			Risk Exposure				Accrued Capital (2)	Risk Exposure	Accrued Capital (4)	Risk Exposure (5)=(1)+(3)	Accrued Capital (6)=(2)+(4)	Accrued Capital before Securitization
			Retention or Purchasing	The Provision of Liquidity Facilities	The Provision of Credit Enhancement	Subtotal (1)						
Non-Originating Bank	Banking Book	MBS	2,156,679	0	0	2,156,679	45,290	0	0	2,156,679	45,290	
		ABS	0	0	0	0	0	0	0	0	0	
	Trading Book	REITs	33,786	0	0	33,786	4,730	0	0	33,786	4,730	
	Subtotal		2,190,465	0	0	2,190,465	50,020	0	0	2,190,465	50,020	
Originating Bank	Banking Book											
	Trading Book											
	Subtotal											
Total			2,190,465	0	0	2,190,465	50,020	0	0	2,190,465	50,020	

D. Securitized Product Information

a. Summary of information about investment in securitization products

Dec. 31, 2022

Unit: NT\$1,000

Item	Account	Original Cost	Accumulated Value Income	Accumulated Impairment	Book Value
Mortgage-Backed Securities (MBS)	130222 Financial assets measured at fair value through other comprehensive income -noncurrent	1,563,223	-361,368	0	1,201,855
Mortgage-Backed Securities (MBS)	130224 Financial assets measured at amortized cost -noncurrent	1,294,757	638	0	1,295,395
Asset-Backed Securities (ABS)	130222 Financial assets measured at fair value through other comprehensive income -noncurrent	0	0	0	0
Real Estate Investment Trusts (REITs)	110401 Financial assets measured at fair value through profit or loss -current-closed end fund	26,533	7,253	0	33,786

Notes: 1. This table includes both domestic and overseas securitization products.

2. This table includes beneficial interest securities or asset-backed securities held by the bank as an originator.

b. Summary of information about original cost of single transaction for investment in securitization products amounting to more than NT\$300 million

Dec. 31, 2022

Unit: NT\$1,000

Securities	Account	Currency	Issuer & Place	Trade Date	Maturity Date	Interest Rate	Credit Rating	Repayment	Original Cost	Accumulated Value Income	Accumulated Impairment	Book Value	Attachment Point	Asset Pool
GNR 2018-120 JP MTGE (US38380YVQ50)	130222 Financial assets measured at fair value through other comprehensive income -noncurrent	USD	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (US)	Sep. 6, 2018	Sep. 20, 2048	4%	Aaa/AA+/AAA	Interest and principal paid monthly	27,671	-1,392	0	26,279	N.A.	First-Lien Mortgage Loans
GNR 2018-154 TP MTGE (US38381AVP82)	130222 Financial assets measured at fair value through other comprehensive income -noncurrent	USD	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (US)	Nov. 2, 2018	Nov. 20, 2048	4%	Aaa/AA+/AAA	Interest and principal paid monthly	17,696	-935	0	16,761	N.A.	First-Lien Mortgage Loans
GNR 2019-18 EC MTGE (US38381BZ989)	130222 Financial assets measured at fair value through other comprehensive income -noncurrent	USD	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (US)	Feb. 1, 2019	Nov. 20, 2048	3.5%	Aaa/AA+/AAA	Interest and principal paid monthly	4,291	-110	0	4,181	N.A.	First-Lien Mortgage Loans
GNR 2020-148 BA MTGE (US38382KYK32)	130222 Financial assets measured at fair value through other comprehensive income -noncurrent	USD	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (US)	Oct. 20, 2020	Oct. 20, 2050	1%	Aaa/AA+/AAA	Interest and principal paid monthly	378,736	-86,049	0	292,687	N.A.	First-Lien Mortgage Loans
GNR 2020-167 GY MTGE (US38382LAB71)	130222 Financial assets measured at fair value through other comprehensive income -noncurrent	USD	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (US)	Oct. 21, 2020	Nov. 20, 2050	1%	Aaa/AA+/AAA	Interest and principal paid monthly	463,951	-114,969	0	348,982	N.A.	First-Lien Mortgage Loans
GNR 2020-183 CB MTGE (US38382LUT69)	130222 Financial assets measured at fair value through other comprehensive income -noncurrent	USD	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (US)	Dec. 10, 2020	Dec. 20, 2050	1.25%	Aaa/AA+/AAA	Interest and principal paid monthly	670,878	-157,913	0	512,965	N.A.	First-Lien Mortgage Loans
FNR 2021-1 KB MTGE (US3136BDX784)	130224 Financial assets measured at amortized cost -noncurrent	USD	FANNIE MAE (US)	Jan. 28, 2021	Feb. 25, 2051	1%	Aaa/AA+/AAA	Interest and principal paid monthly	752,369	363	0	752,732	N.A.	First-Lien Mortgage Loans
FHR 5085 JA MTGE (US3137FFYW18)	130224 Financial assets measured at amortized cost -noncurrent	USD	FREDDIE MAC (US)	Feb. 3, 2021	Mar. 25, 2051	1.25%	Aaa/AA+/AAA	Interest and principal paid monthly	542,388	275	0	542,663	N.A.	First-Lien Mortgage Loans

Note: This table includes both domestic and overseas securitization products.

(3) Operational Risk Management System and Accrued Capital

A. Operational Risk Management System

Year 2022

Items	Contents
Operational Risk Management Strategies and Procedures	The Bank has established multi-level authorization rules and reporting procedures in its business rules and operating manuals, in regard to bank customers, products and business activities, business sources, sales channels, and transaction complexity and volume, and in consideration of potential risk. In its SOP, the Bank also stipulates that in their review work officers should pay attention to risk control, strengthen identification, emphasize potential risk, formulate evaluation procedures, and establish a frequency of risk monitoring on a regular basis.
Organization and Framework of Operational Risk Management	1. The Bank's organizational framework of operational risk management includes the Board of Directors, Risk Management Committee, Department of Risk Management, units in charge of business, and other business units. 2. The Board of Directors is the Bank's operational risk management supreme policymaking unit, which approves the Bank's operation management policies and makes sure that the Bank effectively carries out the operational risk management mechanism. 3. The Risk Management Committee implements operational risk management policies approved by the Board of Directors, establishes and maintains operational risk management mechanism, and coordinates interdepartmental operational risk management matters. 4. The Department of Risk Management is responsible for establishing systematic criteria to identify, measure, evaluate and monitor operational risk management, and submits reports to the Risk Management Committee on bank-wide operation risk information. 5. The units in charge of different areas of business have established business rules, operating manuals and standard operating procedures in order to distinguish operational risk. 6. The different units bank-wide carry out their various businesses in accordance with business rules, operating manuals, and standard operating procedures. 7. The Department of Auditing (Board of Directors) is the Bank's independent auditing unit, and evaluates the effectiveness, design and implementation of operational risk management.
Scope and Characteristics of the Operational Risk Reports and Measuring System	1. The Bank's operational risk monitoring and control measures focus on such matters as the following: collection and analysis of loss events at each unit; maintenance, tracking, and inspection of standard operating procedures (SOP); implementation of key risk indicators (KRIs); and risk concept reports. 2. The Department of Risk Management prepares monthly operational risk monitoring reports and submits them to top management, and on a quarterly basis it submits the reports to the Risk Management Committee, the Audit Committee, and the Board of Directors. The reports contain information on: bank-wide operational risk exposures; collection and analysis of loss events; implementation of KRIs; maintenance, tracking, and inspection of standard operating procedures (SOP); ongoing monitoring of corrective actions to mitigate material operational risks; and establishment of a risk management culture. 3. The Bank currently uses the standardized operational risk approach to calculate capital charges for operational risk, has established the Loss Data Collection (LDC) system, Operational Risk Control Self-Assessment (RCSA), and Key Risk Indicators (KRIs) as tools for measuring operational risk, and produces various reports, which it uses to prepare monitoring reports.

Items	Contents
Operational Risk Hedging or Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	1. The BOT carries out education and training to ensure that employees are properly familiar with the rules and procedures. In response to a changing business environment, the Bank improved business processes, job rotation schedules, trader position limits, and legal compliance, strengthened on-site inspections of the first line of defense in internal control, and established systemic methods to reduce or avoid operational risk. 2. In accordance with its accumulated experience and operating procedures, as well as in consideration of various types of business cost/effectiveness analysis, the Bank uses insurance (such as employee fidelity insurance, cash insurance, building insurance and miscellaneous equipment insurance) and remote backup to offset operational risk losses caused by operational negligence, personnel, assets, or systems. The outsourcing of operations is handled in accordance with the Bank's "Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Operations" in order to prevent operational risk from outsourced operations.
Method of Legal Capital Allocation	Standardized Approach

B. Operational Risk Accrued Capital

Dec. 31, 2022

Unit: NT\$1,000

Year	Gross Income	Accrued Capital
2020	30,608,161	
2021	34,691,968	
2022	38,188,619	
Total	103,488,748	4,960,657

(4) Market Risk Management System and Accrued Capital

A. Market Risk Management System

Year 2022

Items	Contents
Market Risk Management Strategies and Procedures	In accordance with the risk management strategies and operating directions approved by the Board of Directors, and in compliance with the New Basel Capital Accord and the regulatory provisions of the competent authority, the Bank has established a market risk management system and policy. The Bank also sets up different investment quotas and stop-loss limits in order to identify, evaluate, measure, and monitor the risks involved in various investment businesses, and reports are submitted to the Board of Directors, Risk Management Committee, and senior management.

Items	Contents
Organization and Framework of Market Risk Management	1. The Bank's organizational framework of market risk management includes the Board of Directors, Risk Management Committee, Department of Risk Management, units in charge of business, and trading units. 2. The Board of Directors is the Bank's supreme market risk management and monitoring unit, which is responsible for the risk policies and the Bank's quota limits approval. 3. The Risk Management Committee is responsible for the Bank's risk management policy, rules, organization, overall risk assessment, supervision, and examining revision affairs. 4. The Department of Risk Management is responsible for the planning and revision of risk management, handles formulation and integration of risk management regulations. 5. Units in charge of the various lines of business adopt internal business rules and operating procedures. They also monitor and control the risk management performance of each trading unit, and work with the Department of Risk Management to control all risks faced by the Bank as a whole. 6. BOT trading units are required to comply with the Bank's various market risk management rules, manage positions, control position limits, and furnish required reports to units in charge of business or the Department of Risk Management.
Scope and Characteristics of the Market Risk Reports and Measuring System	1. The Bank's Department of Risk Management produces market risk monitoring reports and submits them to the chief executive on a monthly basis, and also makes regular reports to the Board of Directors and Risk Management Committee. The contents of these reports include risk-control conditions such as the status of bank-wide exposure to market risk, capital requirement, financial instruments quotas and limit exceeding, analysis of the management of risk concentration, and securities that have been targeted for special monitoring, among others. The Department also tracks and reports the impact and response to the Bank's investment in accordance with changes in the international financial situation or major events in a timely manner. 2. The Bank currently uses the standardized market risk approach to calculate capital charges, and establish a "Capital Requirements Management System for Bank's Regulatory Capital and Risk-Weighted Assets" which are used to compile monitoring reports for ranking executives, the Risk Management Committee, and the Board of Directors. 3. To strengthen the control of transactions intended to be held for short-term holding for sale, or to profit from actual or expected short-term price fluctuations, the Bank has incorporated VaR limits management mechanism into "Bank of Taiwan Trading Book Management Provision," which are monitored daily and reported monthly.
Market Risk Hedging or Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	1. The Bank's "Operating Rules for Engaging in the Offshore Banking Business" clearly specify the range of trading in the offshore banking business and establish trading limits according to the credit rating and world ranking of counterparties, issuing institutions, and guarantor institutions. The Rules also have strict specifications regarding categories of securities, with trading quotas and stop-loss limits being established for the trading book positions of different units. 2. In accordance with the "Operating Criteria for Derivatives Products", and Internal Control Operating Methods, the Bank uses the following risk-hedging principles to trade in derivative financial products by trading units: (1) Principal and loss quotas are reviewed on a regular basis. (2) Reverse-squaring trading for derivatives positions has been provided for, and can be used for the mutual offsetting of positions, which are listed as net amounts. (3) The market risk of structured derivative financial products is calculated under the principle of decomposition. For products that do not admit of decomposition, positions should be covered in round lots, with no retained positions allowed.
Method of Legal Capital Allocation	Standardized Approach

B. Market Risk Accrued Capital

Dec. 31, 2022

Unit: NT\$1,000

Risk Category	Accrued Capital
Interest Rate Risk	1,061,682
Equity Security Risk	3,457,610
Foreign Exchange Risk	1,985,830
Option Risk	0
Commodity Risk	0
Total	6,505,122

Note: The calculation includes securitization exposure.

(5) Liquidity Risk

The Bank uses two methods to manage liquidity risk: total amount management, and flow management. Total amount management is carried out according to the Central Bank's "Directions for Auditing Liquidity of Financial Institutions," and liquidity reserves are allocated in reference to fluctuations in the Bank's flow of funds. The implementation of flow management depends on the time of inflow and outflow of funds and is divided into real-time management and medium and long-term management. When the flow of funds reaches a set limit, business units are required to submit a report immediately so as to maintain a grasp of the status of capital and provide for the adoption of advance countermeasures. In addition, a monthly analytic report on the Bank's New Taiwan Dollar and Foreign Currencies funds liquidity risk and interest rate risk is compiled and submitted to the Assets and Liabilities Management Committee.

A. New Taiwan Dollar-Denominated Maturity Date Structure

Dec. 31, 2022

Unit: NT\$ 1,000

Items	Total	Amounts by Time Remaining before Maturity					
		0-10 days	11-30 days	31-90 days	91-180 days	181 days-one year	Over one year
Major Inflows of Matured Funds	5,725,697,477	585,399,942	861,416,857	658,884,139	457,557,672	522,475,612	2,639,963,255
Major Outflows of Matured Funds	6,983,721,308	342,331,446	352,516,541	742,502,815	736,293,722	1,658,235,112	3,151,841,673
Period Gap	-1,258,023,831	243,068,496	508,900,316	-83,618,676	-278,736,050	-1,135,759,500	-511,878,418

Note: The table includes New Taiwan Dollar Amounts held in the head office, the domestic and overseas branches, and Offshore Banking Branch.

B. U.S. Dollar-Denominated Maturity Date Structure

Dec. 31, 2022

Unit: US\$ 1,000

Items	Total	Amounts by Time Remaining before Maturity				
		0-30 days	31-90 days	91-180 days	181 days-one year	Over one year
Major Inflows of Matured Funds	58,732,006	22,217,754	11,349,361	4,699,816	3,139,408	17,325,667
Major Outflows of Matured Funds	60,101,515	15,648,654	15,046,556	7,011,063	5,680,418	16,714,824
Period Gap	-1,369,509	6,569,100	-3,697,195	-2,311,247	-2,541,010	610,843

Note: The table includes USD Amounts held in the head office, the domestic and overseas branches, and Offshore Banking Branch.



Special Disclosure

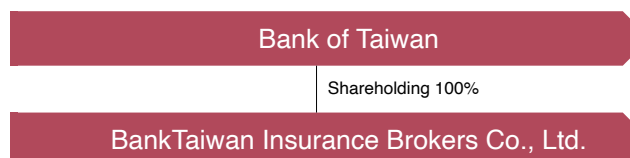
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I . Information on Affiliated Enterprises

Special Disclosure

I. Information on Affiliated Enterprises

1. The Bank's Subsidiaries (Dec. 31, 2022)



2. Basic Data of the Bank's Subsidiaries

Dec. 31, 2022

Unit: NT\$1,000

Enterprise Name	Establishment Date	Address	Paid-in Capital	Major Operations
BankTaiwan Insurance Brokers Co., Ltd.	Jan. 23, 2013	4F., No. 49, Sec. 1, Wuchang St., Zhongzheng Dist., Taipei City	20,000	Life Insurance Agency Property Insurance Agency

3. Information on Chairman, Directors, Supervisors and President of the Bank's Subsidiaries

Dec. 31, 2022

Enterprise Name	Position	Company Name and Representative	Shareholding	
			Shares	%
BankTaiwan Insurance Brokers Co., Ltd.	Chairman Director Director Supervisor President	Bank of Taiwan Legal Representative: Kang, Fan Legal Representative: Ho, Ming-Yao Legal Representative: Chow, Bin Legal Representative: Lou, Mei-Chung Ho, Ming-Yao	2,000,000	100%

4. Operation Overview of the Bank's Subsidiaries

Dec. 31, 2022

Unit: NT\$1,000

Enterprise Name	Capital	Total Assets	Total Liabilities	Equity	Operating Revenue	Operating Profits	Income (After Tax)	EPS in NT\$ (After Tax)
BankTaiwan Insurance Brokers Co., Ltd.	20,000	380,855	47,545	333,310	487,489	4,745	3,366	1.68



Directory of Head Office and Branches

- | | |
|-----|-----------------------------|
| 212 | I . Domestic Business Units |
| 212 | II . Overseas Units |

Directory of Head Office and Branches

I. Domestic Business Units

Please refer to BOT website: <https://www.bot.com.tw/English/BusinessUnits>

II. Overseas Units

Branch	Address	Telephone	FAX	SWIFT
New York Branch	100 Wall Street, 11th Floor, New York, NY 10005 U.S.A.	1-212-968-8128	1-212-968-8370	BKTWUS33
Los Angeles Branch	601 S. Figueroa St., Suite 4525, Los Angeles, CA 90017 U.S.A.	1-213-629-6600	1-213-629-6610	BKTWUS6L
Hong Kong Branch	23/F., Central Tower, 28 Queen's Road Central, Central, Hong Kong	852-2521-0567	852-2869-4957	BKTWHKHH
Tokyo Branch	7F, Fukoku Seimei Building, 2-2 Uchisaiwaicho 2-Chome Chiyoda-Ku, Tokyo 100-0011, Japan	813-3504-8881	813-3504-8880	BKTWJPJT
Singapore Branch	80 Raffles Place #28-20 UOB Plaza 2 Singapore 048624	65-6536-5536	65-6536-8203	BKTWSGSG
South Africa Branch	11, Cradock Ave. Rosebank 2196, Johannesburg, South Africa	27-11-880-8008	27-11-447-1868	BKTWZAJJ
London Branch	Level 17, 99 Bishopsgate, London, EC2M 3XD, U.K.	44-20-7382-4530	44-20-7374-8899	BKTWGB2L
Shanghai Branch	30F, No.1788, Nan-Jing West Rd., Jing-An District, Shanghai, P.R.C. 200040	86-21-3256-9900	86-21-3256-9477	BKTWCNSH
Guangzhou Branch	Guangzhou International Finance Center, Unit 04-06, 24F, No. 5, Zhujiang Xi Road, Zhujiang New Town, Tian He District, Guangzhou, Guangdong Province, P.R.C.	86-20-8367-3000	86-20-8883-1933	BKTWCN22
Fuzhou Branch	Suite 3908, 39F, Sheng Long Building, No.1, Guangming South Road, Taijiang District, Fuzhou City, Fujian Province, P.R.C.	86-591-8361-3189	86-591-2830-1020	BKTWCNBF
Sydney Branch	Suite 10.02, Level 10, Chifley Tower, 2 Chifley Square, Sydney NSW 2000, Australia	61-2805-15300	61-2893-74530	BKTWAUS2
Shanghai JiaDing Sub-Branch	Room 203, 2F. No.1, Lane 819, Yin-Xiang Rd., Jia-Ding Dist., Shanghai, P.R.C. 201802	86-21-5910-5311	86-21-5910-5312	BKTWCNSH
Mumbai Representative Office	Level 11, Platina, C-59, G-Block, BKC, Bandra (East), Mumbai, India 400051	91-2268841454	—	—
Yangon Representative Office	Rose Garden Offices, Unit 1 & 2, 1st Floor, No.171, Upper Pansodan Road, Mingalar Taung Nyunt Township, Yangon, The Republic of the Union of Myanmar	95-1-371992	95-1-371993	—
Silicon Valley Representative Office	75E. Santa Clara St., Suite 1210, San Jose, CA 95113, U.S.A.	1-408-963-0451	1-408-389-0883	—
Bangkok Representative Office	Unit 3, 22nd Floor, AIA Sathorn Tower, 11/1 South Sathorn Road, Yannawa, Sathorn, Bangkok 10120, Thailand	66-20464926	66-20464924	—
Frankfurt Representative Office	4F, Bockenheimer Landstrasse 51-53, 60325 Frankfurt, Germany	49-699-77887600	49-699-77887601	—
Manila Representative Office	Unit 1404, Tower 1 & Exchange Plaza, Ayala Avenue, Makati City, Philippines	632-53101688	632-53101687	—
Ho Chi Minh City Representative Office	Rm 503-1, 5F, Royal Tower B, Royal Centre Building, 235 Nguyen Van Cu Street, Nguyen Cu Trinh Ward, District 1, Ho Chi Minh City, Vietnam	84-28-39253096	84-28-39253095	—
Jakarta Representative Office	Gedung Artha Graha Lt 26, 26-03 SCBD, Jl. Jend. Sudirman Kav. 52-53, Jakarta 12190, Indonesia	62-215153386	62-215153346	—
Kuala Lumpur Representative Office	Unit 1-30-3A, Level 30, Menara Bangkok Bank, No. 105, Jalan Ampang, 50450 Kuala Lumpur, Malaysia	60-321811616	60-321815588	—
Phoenix Representative Office	22601 N. 19th Ave. Suite 216, Phoenix, AZ 85027, U.S.A.	1-623-600-8932	1-623-600-8963	—

BANK OF TAIWAN



Chairman

Joseph Yu



臺灣金控
TAIWAN FINANCIAL HOLDINGS



臺灣銀行
BANK OF TAIWAN



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