KGI Bank Co., Ltd. and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

KGI Bank Co., Ltd.

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as of June 30, 2022, December 31, 2021 and June 30, 2021, and their consolidated financial performance for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, and their consolidated cash flows for the six months then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, guidelines issued by authority and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the ROC. 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 its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the ROC, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matters for the consolidated financial statements of the Bank and its subsidiaries for the six months ended June 30, 2022 are stated as follows:

Impairment of Discounts and Loans

The management assesses impairment of discounts and loans according to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans ("the Procedures") issued by the FSC of the ROC and IFRS 9, respectively and then recognizes the higher estimated amount as a reserve for asset impairment. Under the Procedures, impairment is based on the length of time overdue and the status of the collaterals; and, under IFRS 9, impairment is assessed by considering the probability of default and loss given default estimated based on historical experience, present market situation and forward-looking information. The estimation of impairment requires the use of critical judgments and estimates and impairment has significant impact on the financial statements; therefore, the impairment of discounts and loans is deemed to be a key audit matter for the six months ended June 30, 2022.

Refer to Notes 4, 5 and 46 for the significant accounting policies, critical judgment, estimation uncertainty and related disclosure of the impairment of discounts and loans.

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

We understood the accounting policies and internal controls related to the recognition of impairment. We verified that the impairment assessment procedures including the classification of the credit assets, the length of time overdue and the status of the collaterals complied with the Procedures. We evaluated that the methodology, assumptions and parameters adopted in the impairment model conform to IFRS 9 and had appropriately reflected the actual situation of the discounts and loans. We selected samples of discounts and loans and evaluated the reasonableness of recognized impairment.

Other Matter

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, guidelines issued by authority and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the FSC of the ROC, 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 ability of the Bank and its subsidiaries 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 its subsidiaries 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 financial reporting process of the Bank and its subsidiaries.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the ROC 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 Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the ROC, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank and its subsidiaries.

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 ability of the Bank and its subsidiaries 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 and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank and its subsidiaries audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Yi-Chun Wu and Jr-Shian Ke.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 18, 2022

Notice to Readers

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

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

KGI BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2022		December 31, 2021		June 30, 2021	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 6 and 42)	$ 8,206,889	1	$ 9,038,592	1	$ 6,215,291	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 7 and 43)	26,388,514	4	48,914,268	7	34,459,520	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 42)	45,867,979	6	23,904,374	3	52,950,871	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11, 16 and 43)	192,465,854	26	197,504,473	27	204,151,441	27
DEBT INVESTMENTS MEASURED AT AMORTIZED COST (Notes 4 and 10)	19,766,984	3	13,112,516	2	13,472,853	2
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 11)	2,067,317	-	251,279	-	161,329	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 12)	8,453,271	1	3,609,158	-	20,390,068	3
RECEIVABLES, NET (Notes 4, 13, 42 and 43)	33,489,037	4	26,818,396	4	26,574,497	3
DISCOUNTS AND LOANS, NET (Notes 4, 14 and 42)	387,920,718	51	373,670,389	52	375,621,821	50
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Note 15)	4,922,776	1	5,006,128	1	1,641,442	-
OTHER FINANCIAL ASSETS, NET (Notes 17 and 43)	2,220,150	-	1,086,875	-	2,155,750	-
PROPERTY AND EQUIPMENT, NET (Notes 18 and 43)	5,880,988	1	5,935,241	1	5,596,701	1
RIGHT-OF-USE ASSETS, NET (Notes 19 and 42)	3,456,284	-	3,667,189	1	3,924,245	-
INVESTMENT PROPERTY, NET (Notes 20 and 43)	1,504,085	-	1,524,686	-	1,395,063	-
INTANGIBLE ASSETS, NET	1,081,131	-	957,794	-	906,460	-
DEFERRED TAX ASSETS (Notes 4 and 40)	699,261	-	524,763	-	925,801	-
OTHER ASSETS, NET (Notes 21, 42 and 43)	11,293,950	2	3,680,609	1	6,263,704	1
TOTAL	$ 755,685,188	100	$ 719,206,730	100	$ 756,806,857	100
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from the Central Bank and banks (Note 22)	$ 20,522,868	3	$ 20,823,546	3	$ 21,516,986	3
Due to the Central Bank and banks	-	-	129,490	-	97,870	-
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 42)	41,064,041	5	20,307,688	3	47,606,367	6
Financial liabilities for hedging (Notes 4 and 11)	619,039	-	73,006	-	301,767	-
Notes and bonds issued under repurchase agreements (Notes 8, 9, 10 and 23)	59,156,821	8	42,781,169	6	52,150,895	7
Payables (Notes 24 and 42)	7,724,919	1	7,242,027	1	6,208,633	1
Current tax liabilities (Notes 4, 40 and 42)	948,563	-	885,677	-	961,784	-
Deposits and remittances (Notes 25 and 42)	500,901,364	66	502,613,757	70	507,574,462	67
Bank debentures payable (Notes 11 and 26)	24,630,877	3	25,241,122	3	25,332,612	3
Principal received on structured notes	26,382,043	4	17,930,084	2	15,270,378	2
Commercial paper payable, net (Note 27)	5,514,480	1	4,539,179	1	3,063,577	-
Other borrowings (Note 28)	828,884	-	859,896	-	1,574,697	-
Provisions (Note 29)	370,476	-	483,881	-	492,970	-
Lease liabilities (Notes 19 and 42)	3,604,970	-	3,813,405	1	4,025,120	1
Deferred tax liabilities (Notes 4 and 40)	19,831	-	60,915	-	19,946	-
Other liabilities (Notes 31 and 42)	3,725,658	1	5,133,272	1	4,688,632	1
Total liabilities	696,014,834	92	652,918,114	91	690,886,696	91
EQUITY (Note 32)						
Equity attributable to owners of parent						
Capital						
Common stock	46,061,623	6	46,061,623	6	46,061,623	6
Capital surplus						
Additional paid-in capital	7,245,723	1	7,245,723	1	7,245,723	1
Other capital surplus	55,402	-	13,151	-	5,583	-
Total capital surplus	7,301,125	1	7,258,874	1	7,251,306	1
Retained earnings						
Legal reserve	8,998,877	1	7,333,228	1	7,333,228	1
Special reserve	210,736	-	42,319	-	42,319	-
Unappropriated earnings	2,223,630	1	5,552,163	1	3,556,041	1
Total retained earnings	11,433,243	2	12,927,710	2	10,931,588	2
Other equity	(5,333,972)	(1)	(168,417)	-	1,473,537	-
Total equity of parent company	59,462,019	8	66,079,790	9	65,718,054	9
Non-controlling interests	208,335	-	208,826	-	202,107	-
Total equity	59,670,354	8	66,288,616	9	65,920,161	9
TOTAL	$ 755,685,188	100	$ 719,206,730	100	$ 756,806,857	100

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

KGI BANK CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 33 and 42)	$ 3,458,076	101	$ 2,846,303	95	$ 6,461,278	98	$ 5,716,107	99
INTEREST EXPENSE (Notes 19, 33 and 42)	(977,519)	(29)	(609,637)	(20)	(1,599,232)	(24)	(1,215,870)	(21)
NET INTEREST	2,480,557	72	2,236,666	75	4,862,046	74	4,500,237	78
NET REVENUE OTHER THAN INTEREST								
Service fee income, net (Notes 34 and 42)	502,219	15	473,367	16	1,027,081	16	977,435	17
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss, net (Note 35)	568,471	17	(81,454)	(3)	824,317	12	13,097	-
Realized gain (loss) on financial assets measured at fair value through other comprehensive income (Note 36)	(310,385)	(9)	275,226	9	(594,349)	(9)	379,387	7
Foreign exchange gain (loss), net	184,911	5	106,027	4	427,376	6	(99,401)	(2)
Reversal of impairment loss (impairment loss) on assets, net (Note 37)	4,786	-	8,423	-	(5,940)	-	4,244	-
Share of the loss of associates accounted for using equity method	(40,505)	(1)	(61,319)	(2)	(28,741)	-	(46,470)	(1)
Rental revenue	29,007	1	39,698	1	58,691	1	78,019	1
Other non-interest loss, net	11,479	-	(4,112)	-	25,553	-	(9,223)	-
Total net revenue other than interest	949,983	28	755,856	25	1,733,988	26	1,297,088	22
TOTAL NET REVENUE	3,430,540	100	2,992,522	100	6,596,034	100	5,797,325	100
REVERSAL (PROVISION) OF ALLOWANCE FOR BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION	48,035	2	(12,841)	(1)	154,517	2	66,623	1
OPERATING EXPENSES (Notes 19, 30, 38, 39 and 42)								
Employee benefits expense	(995,653)	(29)	(950,811)	(32)	(2,033,143)	(31)	(1,920,839)	(33)
Depreciation and amortization expense	(225,092)	(7)	(229,282)	(8)	(444,141)	(7)	(462,054)	(8)
Other general and administrative expenses	(485,527)	(14)	(405,217)	(13)	(893,560)	(13)	(804,360)	(14)
Total operating expenses	(1,706,272)	(50)	(1,585,310)	(53)	(3,370,844)	(51)	(3,187,253)	(55)
INCOME BEFORE INCOME TAX	1,772,303	52	1,394,371	46	3,379,707	51	2,676,695	46
INCOME TAX EXPENSE (Notes 4 and 40)	(252,098)	(8)	(209,383)	(7)	(496,408)	(7)	(403,628)	(7)
NET INCOME	1,520,205	44	1,184,988	39	2,883,299	44	2,273,067	39

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KGI BANK CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME(LOSS) (Note 40)								
Items that will not be reclassified subsequently to profit or loss, net of tax								
Gain (loss) on equity instruments measured at fair value through other comprehensive income	$ (1,238,043)	(36)	$ (178,307)	(6)	$ (1,695,936)	(26)	$ 812,444	14
Share of other comprehensive gain (loss) of associates accounted for using equity method	(133,455)	(4)	(16,741)	(1)	(178,393)	(3)	544	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	102,004	3	(103,271)	(3)	88,771	2	(174,387)	(3)
Items that will be reclassified subsequently to profit or loss, net of tax								
Exchange differences on translation of foreign financial statements	(26,968)	(1)	(15,865)	-	169,258	3	79,046	1
Share of other comprehensive income (loss) of associates accounted for using equity method	33,037	1	(20,279)	(1)	61,728	1	(19,556)	-
Gain (loss) on debt instruments measured at fair value through other comprehensive income	(2,335,226)	(68)	758,005	25	(4,559,980)	(69)	(1,571,075)	(27)
Impairment loss (reversal of impairment loss) on debt instruments measured at fair value through other comprehensive income	(3,388)	-	(8,284)	-	5,484	-	(4,097)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	151,646	5	(36,136)	(1)	294,183	4	75,497	1
Other comprehensive income (loss), net of tax	(3,450,393)	(100)	379,122	13	(5,814,885)	(88)	(801,584)	(14)
TOTAL COMPREHENSIVE INCOME(LOSS), NET OF TAX	$ (1,930,188)	(56)	$ 1,564,110	52	$ (2,931,586)	(44)	$ 1,471,483	25

(Continued)

KGI BANK CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:								
Owners of parent	$ 1,515,861	44	$ 1,182,251	39	$ 2,874,616	44	$ 2,267,724	39
Non-controlling interests	4,344	-	2,737	-	8,683	-	5,343	-
	$ 1,520,205	44	$ 1,184,988	39	$ 2,883,299	44	$ 2,273,067	39
TOTAL COMPREHENSIVE INCOME(LOSS) ATTRIBUTABLE TO:								
Owners of parent	$ (1,934,231)	(56)	$ 1,561,200	52	$ (2,941,925)	(44)	$ 1,465,967	25
Non-controlling interests	4,043	-	2,910	-	10,339	-	5,516	-
	$ (1,930,188)	(56)	$ 1,564,110	52	$ (2,931,586)	(44)	$ 1,471,483	25
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 41)								
Basic	$ 0.33		$ 0.26		$ 0.62		$ 0.49	

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

KGI BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent									
			Retained Earnings			Other Equity				
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Total Equity Attributable to Owners of the Parent	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2021	$ 46,061,623	$ 7,251,306	$ 6,161,355	$ 42,605	$ 3,906,244	$ (141,646)	$ 3,705,257	$ 66,986,744	$ 205,536	$ 67,192,280
Appropriation of earnings										
Legal reserve	-	-	1,171,873	-	(1,171,873)	-	-	-	-	-
Reversal of special reserve	-	-	-	(286)	286	-	-	-	-	-
Cash dividends - common stock	-	-	-	-	(2,734,657)	-	-	(2,734,657)	-	(2,734,657)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	1,288,317	-	(1,288,317)	-	-	-
Net income for the six months ended June 30, 2021	-	-	-	-	2,267,724	-	-	2,267,724	5,343	2,273,067
Other comprehensive income(loss) for the six months ended June 30, 2021, net of income tax	-	-	-	-	-	59,490	(861,247)	(801,757)	173	(801,584)
Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	2,267,724	59,490	(861,247)	1,465,967	5,516	1,471,483
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(8,945)	(8,945)
BALANCE AT JUNE 30, 2021	$ 46,061,623	$ 7,251,306	$ 7,333,228	$ 42,319	$ 3,556,041	$ (82,156)	$ 1,555,693	$ 65,718,054	$ 202,107	$ 65,920,161
BALANCE AT JANUARY 1, 2022	$ 46,061,623	$ 7,258,874	$ 7,333,228	$ 42,319	$ 5,552,163	$ (120,064)	$ (48,353)	$ 66,079,790	$ 208,826	$ 66,288,616
Appropriation of earnings										
Legal reserve	-	-	1,665,649	-	(1,665,649)	-	-	-	-	-
Special reserve	-	-	-	168,417	(168,417)	-	-	-	-	-
Cash dividends - common stock	-	-	-	-	(3,718,097)	-	-	(3,718,097)	-	(3,718,097)
Share-based payments	-	42,251	-	-	-	-	-	42,251	-	42,251
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(650,986)	-	650,986	-	-	-
Net income for the six months ended June 30, 2022	-	-	-	-	2,874,616	-	-	2,874,616	8,683	2,883,299
Other comprehensive income(loss) for the six months ended June 30, 2022, net of income tax	-	-	-	-	-	230,986	(6,047,527)	(5,816,541)	1,656	(5,814,885)
Total comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	2,874,616	230,986	(6,047,527)	(2,941,925)	10,339	(2,931,586)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(10,830)	(10,830)
BALANCE AT JUNE 30, 2022	$ 46,061,623	$ 7,301,125	$ 8,998,877	$ 210,736	$ 2,223,630	$ 110,922	$ (5,444,894)	$ 59,462,019	$ 208,335	$ 59,670,354

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

KGI BANK CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,379,707	$ 2,676,695
Adjustments for:		
Depreciation expense	332,630	365,710
Amortization expense	111,511	96,344
Reversal of allowance for bad debts expense, commitments and guarantee liability provisions	(154,517)	(66,623)
Net gain on financial assets and liabilities measured at fair value through profit or loss, net	(824,317)	(11,347)
Interest expense	1,599,232	1,215,870
Interest income	(6,461,278)	(5,716,107)
Dividend income	(402,852)	(79,664)
Shared-based payments	42,251	-
Share of loss of associates accounted for using equity method	28,741	46,470
(Reversal of impairment loss) impairment loss on financial assets	5,940	(4,244)
Others	(1,100)	(135)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(2,236,389)	(2,636,333)
Financial assets at fair value through profit or loss	(3,808,225)	9,105,404
Financial assets at fair value through other comprehensive income	(3,096,070)	(3,497,780)
Debt investments measured at amortized cost	(6,656,674)	(1,945,836)
Securities purchased under resell agreements	(108,610)	-
Receivables	(6,289,748)	4,034,911
Discounts and loans	(14,173,505)	(728,937)
Other financial assets	(1,133,275)	(1,059,975)
Other assets	(7,535,130)	3,262,792
Deposits from the Central Bank and banks	(300,678)	10,090,248
Financial liabilities at fair value through profit or loss	3,425,290	(13,554,500)
Notes and bonds issued under repurchase agreements	16,375,652	(7,135,862)
Payables	(131,057)	(665,413)
Deposits and remittances	(1,712,393)	(5,715,127)
Other financial liabilities	8,451,959	(6,370,385)
Other liabilities	(1,457,969)	(1,548,945)
Cash outflow generated from operations	(22,730,874)	(19,842,769)
Interest received	6,443,588	5,750,901
Dividends received	74,993	37,010
Interest paid	(984,949)	(1,006,083)
Income taxes paid	(266,165)	(67,834)
Net cash flows used in operating activities	(17,463,407)	(15,128,775)

(Continued)

KGI BANK CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2022	**2021**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	$ -	$ (865,127)
Acquisition of property and equipment	(100,259)	(219,797)
Proceeds from disposal of property and equipment	25,852	19,036
Acquisition of intangible assets	(234,185)	(40,340)
Other investing activities	-	14
Net cash flows used in investing activities	(308,592)	(1,106,214)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	319,000	(31,609)
Increase (decrease) in due to the Central Bank and banks	(129,490)	21,840
Increase in commercial paper payable	975,301	629,774
Issuance of bank debentures payable	-	5,000,000
(Repayments of) proceeds from long-term borrowings	(350,012)	60,179
Payments of lease liabilities	(174,866)	(124,097)
Cash dividends paid	(3,718,097)	(2,734,657)
Changes in non-controlling interests	(10,830)	(8,945)
Net cash flows (used in) generated from financing activities	(3,088,994)	2,812,485
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,650	(1,899)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(20,858,343)	(13,424,403)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	46,533,436	58,751,650
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 25,675,093	$ 45,327,247

(Continued)

KGI BANK CO., LTD. AND SUBSIDIARIES

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

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of June 30, 2022 and 2021:

	June 30	
	2022	**2021**
Cash and cash equivalents in the consolidated balance sheets	$ 8,206,889	$ 6,215,291
Due from the Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 endorsed by FSC	9,178,569	18,721,888
Securities purchased under agreements to resell qualifying as cash and cash equivalents under the definition of IAS 7 endorsed by FSC	8,289,635	20,390,068
Cash and cash equivalents in the consolidated statements of cash flows	$ 25,675,093	$ 45,327,247

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

KGI BANK CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

KGI Bank Co., Ltd. (the “Bank”) engages in banking operations regulated by the Banking Act of the Republic of China (the “Banking Act”).

As of June 30, 2022, the Bank had an international banking department, a trust department, an insurance department, various major departments, an offshore banking unit (OBU), and 51 domestic branches.

On April 8, 2014, the Bank’s extraordinary shareholders’ meeting resolved to the exchange 0.2 share of China Development Financial Holding Corporation (CDFH) and NT$13.4 for one share of the Bank. On August 11, 2014, the Bank’s board of directors approved September 15, 2014 as the date of the share swap after this transaction was approved by the Financial Supervisory Commission (FSC). Upon completion of the share swap, the Bank became CDFH’s wholly owned subsidiary and the trading of the Bank’s shares on the Taiwan Stock Exchange was terminated.

On October 9, 2014, under the approval of the board of directors, who had been authorized to exercise the functions of the shareholders’ meeting, Cosmos Bank’s name became KGI Bank Co., Ltd since January 2015. The FSC approved the name change on November 10, 2014.

On March 2, 2015 and April 13, 2015, the Bank’s board of directors again exercised the functions of the shareholders’ meeting and approved the transfer to the Bank from CDIB Capital Group (formerly China Development Industrial Bank) of (a) the assets and liabilities associated with the commercial banking business of CDIB Capital Group and (b) CDIB Capital Group’s holdings of shares in leasing subsidiaries and in the Taiwan Financial Asset Service Corporation. On April 16, 2015, the transaction was approved by the FSC, and the chairman was authorized by the board of directors to approve the date of transfer of business on May 1, 2015.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank’s board of directors and authorized for issue on August 18, 2022.

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

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”), endorsed and issued into effect by the FSC

   The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Bank and its subsidiaries’ accounting policies.

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

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

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

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Compared Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, guidelines issued by authority and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in the accompanying interim financial report is less than that required for a full set of annual financial reports.

Basis of Preparation

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

The operating cycle in the banking industry cannot be reasonably identified; thus, asset and liability accounts were not classified as current or noncurrent. Nevertheless, these accounts were properly categorized in accordance with the nature of each account and sequenced according to their liquidity. Please refer to Note 46 for the maturity analysis of assets and liabilities.

Principles for Preparing Consolidated Financial Statements

The consolidated financial statements include the financial statements of the Bank and its subsidiaries. All significant intra-group transactions, balances, income and expenses have been eliminated in full upon consolidation.

The consolidated entities were as follows:

Investor	Subsidiary	Main Business	Percentage of Ownership (%)		
			June 30, 2022	December 31, 2021	June 30, 2021
The Bank	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	100.00
CDIB Management Consulting Corporation	CDC Finance & Leasing Corporation	Leasing	76.04	76.04	76.04
	CDIB International Leasing Corporation	Leasing	100.00	100.00	100.00

Financial Instruments

Financial assets and financial liabilities are recognized when the Bank and its subsidiaries become a party to the contractual provisions of the instruments.

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

Financial assets

All regular way transactions of financial assets are recognized and derecognized on a trade date basis. Regular way transactions are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a. Classification and measurement

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

1) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising from any dividends or interest earned and remeasurement on the financial assets recognized in net revenues other than interest. Fair value is determined in the manner described in Note 45.

2) Financial assets at amortized cost

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

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Except for interest income of financial assets have subsequently become credit-impaired is calculated by multiplying the effective interest rate to the gross carrying amount of a financial asset, others are calculated by multiplying the effective interest rate to the amortized cost of the financial asset.

3) Investments in debt instruments at FVTOCI

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

a) The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

4) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

The Bank and its subsidiaries recognize a loss allowance for expected credit losses on financial assets at amortized cost, investments in debt instruments at FVTOCI, installment accounts and lease receivables.

For the financial assets, the Bank and its subsidiaries recognize lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Bank and its subsidiaries measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

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

In addition to the analysis of impairment mentioned above, based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual loans, credit assets classified as normal (this balance should be net of the balance of borrowings by ROC government agencies from the Bank), special mention, substandard, with doubtful collectability and uncollectable or loss incurring are evaluated on the basis of the borrowers'/clients' financial condition and delinquency record on interest and principal payments, and these assets have allowances at 1%, 2%, 10%, 50% and 100%, respectively, of outstanding credit. The doubtful accounts of credit cards receivables are evaluated on the basis of the Regulations Governing Institutions Engaging In Credit Card Business. The above is listed the minimum allowance for credit assets on or off balance sheet.

Based on Order No. 10300329440 issued by the FSC, for the Bank to have an enhanced risk coverage, the minimum provision for the loan loss reserve is 1.5% of the mortgage and construction loans that have been classified as normal assets, excluding policy-based loan, effective from January 1, 2011. Based on Order No. 10410001840 issued by the FSC, for the Bank to have an enhanced control on the exposure to the risk in mainland China, the minimum provision for credit loss reserve is 1.5% of the credit, which includes short-term trade financing that were granted to companies based in mainland China and classified as normal assets.

Credit deemed uncollectable may be written off under the approval of the board of directors.

c. Derecognition of financial assets

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

<u>Equity instruments</u>

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

Equity instruments issued by the Bank and its subsidiaries are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Bank's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Bank's own equity instruments.

<u>Financial liabilities</u>

a. Subsequent measurement

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

- Financial liabilities at FVTPL

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

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

  1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

  2) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Bank and its subsidiaries' documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

3) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, and remeasurement gains or losses on such financial liabilities are recognized in net revenue other than interest. For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

b. Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

Derivative financial instruments

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

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

Other Significant Accounting Policy

Please refer to the consolidated financial statements for the year ended December 31, 2021 for the significant accounting policies, except for those described below.

Retirement Benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Bank and its subsidiaries took the economic impact of COVID-19 into consideration. The estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of Discounts and Loans

The Bank and its subsidiaries review loans portfolios in accordance with IFRS 9 to assess impairment periodically. To determine whether an impairment loss should be recognized, the management exercises its judgments on whether there has been a significant increase in credit risk or there is any indication of credit impairment. For the purpose of impairment assessment, the management determines the expected future cash flows based on past events, present conditions and future economic circumstances of the assets with similar credit risks. The management also reviews periodically the methodology and assumptions adopted for both expected future cash flow and its timing to decrease the difference between estimated and actual amount of impairment. Also, the management should consider the specifications of the Procedures to make sure that it is in compliance with the minimum eligibility criteria. Furthermore, on 2022, the uncertainty of COVID-19 subsequently development and the turmoil of financial market impacted on financial assets credit risk, lead the uncertainty of estimating default probability and default loss rate to increase.

6. CASH AND CASH EQUIVALENTS

	June 30, 2022	December 31, 2021	June 30, 2021
Due from banks	$ 5,379,231	$ 6,554,062	$ 4,242,421
Cash on hand	1,458,081	1,538,997	1,488,179
Excess margin from futures	863,782	326,505	241,641
Checks for clearing	368,298	478,711	117,203
Cash in banks	137,497	140,317	125,847
	$ 8,206,889	$ 9,038,592	$ 6,215,291

Cash and cash equivalents as of December 31, 2021 as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated balance sheets as follows; please refer to the consolidated statement of cash flows for the reconciliation information as of June 30, 2022 and 2021:

	December 31, 2021
Cash and cash equivalents in the consolidated balance sheets	$ 9,038,592
Due from the Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 endorsed by FSC	33,940,712
Securities purchased under agreements to resell qualifying as cash and cash equivalents under the definition of IAS 7 endorsed by FSC	3,554,132
Cash and cash equivalents in the consolidated statements of cash flows	$ 46,533,436

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

	June 30, 2022	December 31, 2021	June 30, 2021
Call loans to banks	$ 6,507,289	$ 27,017,500	$ 13,632,108
Deposit reserve - demand accounts	11,719,304	11,198,024	11,870,968
Deposit reserve - checking accounts	4,599,366	7,545,247	5,387,553
Due from the Central Bank - interbank settlement funds	3,402,035	3,003,971	3,418,394
Deposit reserve - foreign currencies	160,520	149,526	150,497
	$ 26,388,514	$ 48,914,268	$ 34,459,520

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar - denominated deposit reserves are determined monthly at prescribed rates based on average balance of the Bank’s deposits. Deposit reserve - demand account should not be used, except for adjusting the deposit reserve monthly.

In addition, separate foreign-currency deposit reserves are determined at prescribed rates based on balances of foreign-currency deposits. These reserves may be withdrawn anytime at no interest.

For the information on due from the Central Bank and call loans to banks pledged as collaterals by the Bank and its subsidiaries, please refer to Note 43.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets mandatorily classified as at FVTPL			
Derivative instruments			
Currency swap contracts	$ 24,749,419	$ 5,650,742	$ 8,982,280
Interest rate swap contracts	3,494,181	3,611,085	19,243,731
Option contracts	1,450,292	401,838	6,476,813
Others	812,137	324,947	417,219
	30,506,029	9,988,612	35,120,043
Non-derivative financial assets			
Commercial papers	9,071,342	10,260,772	12,363,103
Corporate bonds	1,887,651	483,525	535,611
Bank debentures	1,736,624	242,274	2,064,894
Government bonds	299,974	1,449,729	1,603,069
Stocks	-	1,079,964	423,862
Others	395,467	399,498	470,258
	13,391,058	13,915,762	17,460,797
	43,897,087	23,904,374	52,580,840
Financial assets designated as at FVTPL			
Government bonds	1,970,892	-	202,758
Others	-	-	167,273
	1,970,892	-	370,031
Financial assets at FVTPL	$ 45,867,979	$ 23,904,374	$ 52,950,871
Financial liabilities held for trading			
Derivative instruments			
Currency swap contracts	$ 23,499,507	$ 4,903,895	$ 8,763,264
Interest rate swap contracts	4,517,021	3,852,507	21,535,106
Option contracts	1,572,599	745,408	6,283,723
Others	773,281	451,513	382,305
	30,362,408	9,953,323	36,964,398
Financial liabilities designated as at FVTPL			
Bank debentures payable	10,701,633	10,354,365	10,618,281
Other	-	-	23,688
	10,701,633	10,354,365	10,641,969
Financial liabilities at FVTPL	$ 41,064,041	$ 20,307,688	$ 47,606,367

As of June 30, 2022, December 31, 2021 and June 30, 2021, bank debentures issued by the Bank and designated as at FVTPL were as follows:

Name	June 30, 2022	December 31, 2021	June 30, 2021	Issuance Period	Method of Paying Principal and Interests	Interest Rate
P18KGIB1	$ 5,945,200	$ 5,538,000	$ 5,574,000	2018.01.30-2048.01.30 (Note 1)	Principal due on maturity	0%
P18KGIB2	4,756,160	4,430,400	4,459,200	2018.02.27-2048.02.27 (Note 1)	Principal due on maturity	0%
	10,701,360	9,968,400	10,033,200			
Valuation adjustments	273	385,965	585,081			
	$ 10,701,633	$ 10,354,365	$ 10,618,281			

Note 1: Based on 100% of the carrying value of each bond principal plus the interest; the Bank may redeem all the debentures after five years from the issue date (inclusive).

The contract (notional) amounts of the Bank and its subsidiaries' outstanding derivative financial instruments June 30, 2022, December 31, 2021 and June 30, 2021 were summarized as follows:

	Contract Amount		
	June 30, 2022	**December 31, 2021**	**June 30, 2021**
Currency swap contracts	$ 1,360,322,874	$ 1,449,091,150	$ 1,392,997,657
Interest rate swap contracts	359,851,354	381,385,426	760,728,330
Option contracts	173,397,439	130,488,851	589,639,851
Futures contracts	18,738,012	8,187,933	8,561,870
Cross-currency swap contracts	14,214,646	14,645,334	13,980,310
Forward exchange contracts	13,931,299	15,629,740	19,240,689
Non-deliverable forward contracts	9,782,251	9,392,919	6,210,569
Commodity swap contracts	209,366	151,744	2,345
Asset swap contracts	-	-	44,500

As of June 30, 2022, December 31, 2021 and June 30, 2021, financial assets at fair value through profit or loss with aggregate carrying values of $2,464,604 thousand, $0 thousand and $239,997 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

The Bank and its subsidiaries had not pledged any of financial assets at fair value through profit or loss as collateral.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2022	December 31, 2021	June 30, 2021
Investments in debt instruments at FVTOCI	$ 185,185,277	$ 186,924,141	$ 193,597,939
Investments in equity instruments at FVTOCI	7,280,577	10,580,332	10,553,502
	$ 192,465,854	$ 197,504,473	$ 204,151,441

a. Investments in debt instruments at FVTOCI

	June 30, 2022	December 31, 2021	June 30, 2021
Negotiable certificates of deposit issued by the Central Bank	$ 68,391,041	$ 70,115,980	$ 64,722,309
Government bonds	52,587,075	59,989,564	71,410,338
Corporate bonds	49,793,590	42,778,032	44,400,178
Bank debentures	12,304,700	11,997,717	10,739,734
Others	2,108,871	2,042,848	2,325,380
	$ 185,185,277	$ 186,924,141	$ 193,597,939

As of June 30, 2022, December 31, 2021 and June 30, 2021, investments in debt instruments at FVTOCI, with aggregate carrying values of $52,924,962 thousand, $42,518,114 thousand and $51,513,751 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

There was no significant increase in the credit risk of investments in debt instruments at FVTOCI of the Bank and its subsidiaries; therefore, the impairment loss was assessed based on 12 months expected credit losses. An adjustment in the investment portfolio resulted in the recognition of impairment loss of $34,665 thousand, $29,181 thousand and $32,769 thousand on June 30, 2022, December 31, 2021 and June 30, 2021, respectively.

b. Investments in equity instruments at FVTOCI

	June 30, 2022	December 31, 2021	June 30, 2021
Listed and OTC stocks	$ 6,308,551	$ 9,633,709	$ 9,593,133
Unlisted stocks	972,026	946,623	960,369
	$ 7,280,577	$ 10,580,332	$ 10,553,502

For the six months ended June 30, 2022 and 2021, the Bank and its subsidiaries sold its shares in order to manage its investment portfolio. The sold shares had a fair value of $8,328,685 thousand and $5,664,308 thousand and the Bank and its subsidiaries transferred loss of $650,986 thousand and gain of $1,288,317 thousand from other equity related-unrealized gain (loss) on financial assets at fair value through other comprehensive income to retained earnings.

For the three months and six months ended June 30, 2022 and 2021, dividend income were $348,373 thousand, $65,664 thousand, $402,852 thousand and $77,914 thousand, respectively, and those related to investments held as of June 30, 2022 and 2021 were $68,715 thousand and $43,372 thousand, and those related to investments derecognized June 30, 2022 and 2021 were $334,137 thousand and $34,542 thousand, respectively.

For the information on financial assets at fair value through other comprehensive income pledged as collateral for the Bank and its subsidiaries, please refer to Note 43.

10. DEBT INVESTMENTS MEASURED AT AMORTIZED COST

	June 30, 2022	December 31, 2021	June 30, 2021
Bank debentures	$ 15,196,921	$ 12,820,440	$ 13,144,110
Corporate bonds	4,263,794	-	-
Others	311,270	294,780	331,500
	19,771,985	13,115,220	13,475,610
Accumulated impairment	(5,001)	(2,704)	(2,757)
Net amount	$ 19,766,984	$ 13,112,516	$ 13,472,853

As of June 30, 2022, December 31, 2021 and June 30, 2021, debt investments measured at amortized cost, with aggregate carrying values of $3,767,255 thousand, $263,055 thousand and $397,147 thousand had been sold respectively under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

The Bank and its subsidiaries had not pledged any of the debt investments measured at amortized cost as collateral.

There was no significant increase in the credit risk of debt investments measured at amortized cost of the Bank and its subsidiaries; therefore, the impairment loss was assessed based on 12 months expected credit losses. An adjustment in the investment portfolio resulted in the recognition of impairment loss of $5,001 thousand, $2,704 thousand and $2,757 thousand on June 30, 2022, December 31, 2021 and June 30, 2021, respectively.

11. FINANCIAL INSTRUMENTS FOR HEDGING

	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets for hedging			
Fair value hedge - interest rate swap	$ 2,067,317	$ 251,279	$ 161,329
Financial liabilities for hedging			
Fair value hedge - interest rate swap	$ 619,039	$ 73,006	$ 301,767

Fair Value Hedges

The Bank and its subsidiaries are exposed to the risk of adverse fair value fluctuations due to changes in interest rates for the debt instruments and bank debentures issued. Since the risk is considered material, the Bank and its subsidiaries enter into interest rate swap contracts to hedge against this risk.

The following tables summarize the information relating to the hedges for interest rate risk.

June 30, 2022

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount	
				Asset	Liability
Fair value hedge					
Interest rate swap contracts	$ 40,436,909	2024.05.18-2032.05.15	Financial assets and liabilities for hedging	$ 2,067,317	$ 619,039

Hedged Items	Carrying Amount		Accumulated Amount of Fair Value Adjustments	
	Asset	Liability	Asset	Liability
Fair value hedge				
Financial assets at fair value through other comprehensive income	$ 22,423,240	$ -	$ (2,067,716)	$ -
Bank debentures payable	-	15,180,877	-	(619,123)

December 31, 2021

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount	
				Asset	Liability
Fair value hedge					
Interest rate swap contracts	$ 35,745,107	2022.05.03-2031.09.14	Financial assets and liabilities for hedging	$ 251,279	$ 73,006

Hedged Items	Carrying Amount		Accumulated Amount of Fair Value Adjustments	
	Asset	Liability	Asset	Liability
Fair value hedge				
Financial assets at fair value through other comprehensive income	$ 21,067,311	$ -	$ (187,193)	$ -
Bank debentures payable	-	15,791,122	-	(8,878)

June 30, 2021

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount	
				Asset	Liability
Fair value hedge					
Interest rate swap contracts	$ 35,150,141	2022.05.03-2031.06.01	Financial assets and liabilities for hedging	$ 161,329	$ 301,767

Hedged Items	Carrying Amount		Accumulated Amount of Fair Value Adjustments	
	Asset	Liability	Asset	Liability
Fair value hedge				
Financial assets at fair value through other comprehensive income	$ 20,992,044	$ -	$ 223,048	$ -
Bank debentures payable	-	15,882,612	-	82,612

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	June 30, 2022	December 31, 2021	June 30, 2021
Commercial papers	$ 6,847,821	$ 2,098,902	$ 14,144,857
Negotiable certificates of deposit	500,119	-	2,870,999
Bank debentures	453,669	638,814	613,584
Government bonds	402,103	318,576	242,804
Corporate bonds	249,559	552,866	2,517,824
	$ 8,453,271	$ 3,609,158	$ 20,390,068
Agreed-upon resell amounts	$ 8,456,402	$ 3,609,849	$ 20,392,691
Last maturity date	September 2022	March 2022	September 2021

13. RECEIVABLES, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Accounts receivables factoring without recourse	$ 12,405,553	$ 8,152,050	$ 8,167,981
Installment accounts and lease receivables	6,860,005	6,061,915	5,051,323
Accounts receivable - forfaiting	6,026,083	5,624,574	5,325,417
Interest receivable	3,342,852	3,286,968	2,924,529
Credit cards	3,279,779	3,389,969	3,078,397
Receivable on securities sold	1,045,576	11,009	1,640,419
PEM receivable	894,495	833,229	838,646
Rental deposits	467,748	467,748	467,748
Others	948,071	622,168	682,339
	35,270,162	28,449,630	28,176,799
Less: Unrealized interest	(349,531)	(307,271)	(262,745)
Allowance for bad debts	(1,431,594)	(1,323,963)	(1,339,557)
Net amount	$ 33,489,037	$ 26,818,396	$ 26,574,497

As of June 30, 2022, December 31, 2021 and June 30, 2021, the rental deposits receivable amounting to $467,748 thousand and the allowance for bad debts was $409,848 thousand, resulted from the relocation to Bank-owned property, of which, deposits from Prince Motors and Cosmos Construction Management Corporation amounted to $101,901 thousand, and the allowance for bad debts on these deposits was $44,001 thousand.

On February 14, 2014, the Taipei District Court had judged that the Bank lost the lawsuit against the third party who claimed that the Bank had fraudulently infringed the rights of the creditors regarding property rights of Dun Nun Building, and the Bank then filed an appeal. The court has revoked the original adjudication and rejected the third party appeal on July 26, 2017. The third party then filed an appeal for third trial. The Supreme Court decided in the third instance and the case was sent back to the High Court on November 9, 2018. The High Court made a verdict on August 17, 2021. Please refer to Note 44 for details.

From May 2007 to February 2008, the Bank sold structured notes, which were issued by GVEC Resource Inc. (GVEC), amounting to US$48,920 thousand through a specific trust fund. PEM Group, which GVEC was subordinate to, was found to have committed fraud by the U.S. Securities and Exchange Commission (SEC). In view of its social responsibility, the Bank's board of directors decided to buy back the structured notes before March 31, 2010 and ask for compensation from PEM Group.

PEM Group had invested in life insurance policy products, etc. In order to recover its creditor's rights effectively and to protect shareholders' equity, the Bank's board of directors adopted a resolution on December 21, 2010, to take over all the insurance policies and hold these policies in the form of trust. The Bank completed the transfer of the life insurance policies from PEM Group on March 7, 2011. The Bank measured the policies' cost based on an actuarial report less administration fees, and then recognized the cost amounting to $218,386 thousand (US$7,423 thousand). At the same time, the Bank wrote off the initial cost and provision for life insurance policies amounting to $433,061 thousand (US$14,721 thousand).

As of June 30, 2022, the PEM receivable amounting to $894,495 thousand (US$30,091 thousand) was measured as the abovementioned PEM receivable plus premiums paid thereon, less any recovery amount. After assessing the possibility of recovery based on the latest information provided by the trust entity, the balance of the PEM receivable and its allowance for bad debts were as follows:

(In Thousands of USD/NTD)

	June 30, 2022	
	USD	**NTD**
Life insurance policies	$ 14,525	$ 431,797
Non-life insurance policies	15,566	462,698
	30,091	894,495
Less: Allowance for bad debts	(16,731)	(497,352)
Net amount	$ 13,360	$ 397,143

	December 31, 2021	
	USD	**NTD**
Life insurance policies	$ 14,525	$ 402,222
Non-life insurance policies	15,566	431,007
	30,091	833,229
Less: Allowance for bad debts	(16,731)	(463,287)
Net amount	$ 13,360	$ 369,942

	June 30, 2021	
	USD	**NTD**
Life insurance policies	$ 14,525	$ 404,837
Non-life insurance policies	15,566	433,809
	30,091	838,646
Less: Allowance for bad debts	(17,113)	(476,937)
Net amount	$ 12,978	$ 361,709

Changes in Loss Allowance on Receivables

The reconciliation statements of loss allowance for receivables of the Bank and its subsidiaries were as follows:

For the six months ended June 30, 2022

	Stage 1	Stage 2		Stage 3				
	12 Months ECL	**Lifetime ECL (Collectively Assessed)**	**Lifetime ECL (Individually Assessed)**	**Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)**	**Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)**	**Impairment in Accordance With IFRS 9**	**The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans**	**Total**
Balance at January 1	$ 48,561	$ 18,939	$ -	$ 1,061,897	$ -	$ 1,129,397	$ 194,566	$ 1,323,963
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(147)	1,647	-	(1,500)	-	-		-
Transferred to credit - impaired financial assets	(170)	(1,161)	-	1,331	-	-		-
Transferred to 12 months ECL	970	(703)	-	(267)	-	-		-
Derecognizing financial assets during the current period	(22,777)	(475)	-	(3,231)	-	(26,483)		(26,483)
Purchased or originated new financial assets	34,282	383	-	277	-	34,942		34,942
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							64,291	64,291
Write-off	-	-	-	(893)	-	(893)		(893)
Recovery of written-off	-	-	-	4,089	-	4,089		4,089
Effect of exchange rate changes and others	(12,554)	(636)	214	44,661	-	31,685		31,685
Balance at June 30	$ 48,165	$ 17,994	$ 214	$ 1,106,364	$ -	$ 1,172,737	$ 258,857	$ 1,431,594

For the six months ended June 30, 2021

	Stage 1	Stage 2		Stage 3				
	12 Months ECL	**Lifetime ECL (Collectively Assessed)**	**Lifetime ECL (Individually Assessed)**	**Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)**	**Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)**	**Impairment in Accordance With IFRS 9**	**The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans**	**Total**
Balance at January 1	$ 54,052	$ 39,244	$ -	$ 1,098,055	$ -	$ 1,191,351	$ 237,123	$ 1,428,474
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(169)	2,472	-	(2,303)	-	-		-
Transferred to credit - impaired financial assets	(148)	(1,302)	-	1,450	-	-		-
Transferred to 12 months ECL	490	(252)	-	(238)	-	-		-
Derecognizing financial assets during the current period	(17,379)	(3,858)	-	(6,606)	-	(27,843)		(27,843)
Purchased or originated new financial assets	12,942	26	-	32	-	13,000	-	13,000
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							(50,916)	(50,916)
Write-off	-	-	-	(2,796)	-	(2,796)		(2,796)
Recovery of written-off	-	-	-	12,175	-	12,175		12,175
Effect of exchange rate changes and others	(7,115)	(9,059)	428	(16,791)	-	(32,537)		(32,537)
Balance at June 30	$ 42,673	$ 27,271	$ 428	$ 1,082,978	$ -	$ 1,153,350	$ 186,207	$ 1,339,557

Changes in total carrying amount of receivables of the Bank and its subsidiaries were as follows:

For the six months ended June 30, 2022

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	
Balance at January 1	$ 26,298,634	$ 213,353	$ -	$ 1,630,372	$ -	$ 28,142,359
Conversion from individual financial instruments to lifetime ECL	(205)	-	205	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(66,118)	31,034	-	35,084	-	-
Purchased or originated new receivables	13,905,200	5,320	-	3,924	-	13,914,444
Write-off	-	-	-	(893)	-	(893)
Derecognition	(7,050,487)	(33,351)	-	(27,009)	-	(7,110,847)
Effect of exchange rate changes and others	(94,036)	4,107	142	65,355	-	(24,432)
Balance at June 30	$ 32,992,988	$ 220,463	$ 347	$ 1,706,833	$ -	$ 34,920,631

For the six months ended June 30, 2021

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	
Balance at January 1	$ 29,977,874	$ 239,811	$ -	$ 1,686,563	$ -	$ 31,904,248
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(55,477)	39,998	-	15,479	-	-
Purchased or originated new receivables	5,218,131	294	-	183	-	5,218,608
Write-off	-	-	-	(2,796)	-	(2,796)
Derecognition	(8,788,467)	(34,541)	-	(28,923)	-	(8,851,931)
Effect of exchange rate changes and others	(331,247)	(1)	685	(23,512)	-	(354,075)
Balance at June 30	$ 26,020,814	$ 245,561	$ 685	$ 1,646,994	$ -	$ 27,914,054

For the impairment loss analysis of receivables, please refer to Note 46.

For the information on receivables pledged as collateral for the Bank and its subsidiaries, please refer to Note 43.

14. DISCOUNTS AND LOANS, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Short-term loans	$ 74,340,692	$ 73,846,711	$ 75,437,071
Medium-term loans	221,824,819	210,621,330	215,433,223
Long-term loans	96,501,290	93,818,326	89,403,164
Overdue loans	287,391	278,416	367,134
Export negotiations	26,893	32,089	143,104
	392,981,085	378,596,872	380,783,696
Less: Allowance for bad debts	(5,005,006)	(4,874,255)	(5,097,912)
Less: Discounts on discounts and loans	(55,361)	(52,228)	(63,963)
Net amount	$ 387,920,718	$ 373,670,389	$ 375,621,821

Changes in Loss Allowance on Discounts and Loans

The reconciliation statements of loss allowance for discounts and loans of the Bank and its subsidiaries were as follows:

For the six months ended June 30, 2022

	Stage 1	Stage 2		Stage 3				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Balance at January 1	$ 856,760	$ 102,498	$ -	$ 499,580	$ -	$ 1,458,838	$ 3,415,417	$ 4,874,255
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(1,714)	13,182	36	(11,504)	-	-		-
Transferred to credit - impaired financial assets	(3,352)	(19,796)	-	23,148	-	-		-
Transferred to 12 months ECL	9,674	(1,944)	-	(7,730)	-	-		-
Derecognizing financial assets during the current period	(241,853)	(7,298)	-	(48,509)	-	(297,660)		(297,660)
Purchased or originated new financial assets	603,521	52,127	-	30	-	655,678		655,678
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							227,881	227,881
Write-off	-	-	-	(243,821)	-	(243,821)		(243,821)
Recovery of written-off	-	-	-	378,097	-	378,097		378,097
Effect of exchange rate changes and others	(545,378)	(45,196)	136,368	(135,218)	-	(589,424)		(589,424)
Balance at June 30	$ 677,658	$ 93,573	$ 136,404	$ 454,073	$ -	$ 1,361,708	$ 3,643,298	$ 5,005,006

For the six months ended June 30, 2021

	Stage 1	Stage 2		Stage 3				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Balance at January 1	$ 1,213,597	$ 89,205	$ -	$ 557,519	$ -	$ 1,860,321	$ 3,135,568	$ 4,995,889
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(2,259)	17,168	-	(14,909)	-	-		-
Transferred to credit - impaired financial assets	(4,197)	(14,969)	-	19,166	-	-		-
Transferred to 12 months ECL	9,876	(2,676)	-	(7,200)	-	-		-
Derecognizing financial assets during the current period	(259,514)	(7,917)	-	(50,655)	-	(318,086)		(318,086)
Purchased or originated new financial assets	584,054	5	-	273	-	584,332		584,332
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							440,550	440,550
Write-off	-	-	-	(219,681)	-	(219,681)		(219,681)
Recovery of written-off	-	-	-	354,106	-	354,106		354,106
Effect of exchange rate changes and others	(703,926)	14,666	82,045	(131,983)	-	(739,198)		(739,198)
Balance at June 30	$ 837,631	$ 95,482	$ 82,045	$ 506,636	$ -	$ 1,521,794	$ 3,576,118	$ 5,097,912

Changes in total carrying amount of discounts and loans of the Bank and its subsidiaries were as follows:

For the six months ended June 30, 2022

	Stage 1	Stage 2		Stage 3		
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance at January 1	$ 375,003,104	$ 1,441,474	$ -	$ 2,152,294	$ -	$ 378,596,872
Conversion from individual financial instruments to lifetime ECL	(127,836)	-	127,836	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(490,813)	195,063	-	295,750	-	-
Purchased or originated new discounts and loans	299,116,327	123,664	-	596	-	299,240,587
Write-off	-	-	-	(243,821)	-	(243,821)
Derecognition	(288,360,127)	(274,203)	-	(130,876)	-	(288,765,206)
Effect of exchange rate changes and others	4,136,145	532	8,568	7,408	-	4,152,653
Balance at June 30	$ 389,276,800	$ 1,486,530	$ 136,404	$ 2,081,351	$ -	$ 392,981,085

For the six months ended June 30, 2021

	Stage 1	Stage 2		Stage 3		
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance at January 1	$ 376,225,602	$ 1,426,197	$ -	$ 2,303,265	$ -	$ 379,955,064
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(523,918)	177,655	-	346,263	-	-
Purchased or originated new discounts and loans	278,291,839	70	-	461	-	278,292,370
Write-off	-	-	-	(219,681)	-	(219,681)
Derecognition	(274,614,810)	(151,085)	-	(196,228)	-	(274,962,123)
Effect of exchange rate changes and others	(2,409,542)	(2,106)	131,546	(1,832)	-	(2,281,934)
Balance at June 30	$ 376,969,171	$ 1,450,731	$ 131,546	$ 2,232,248	$ -	$ 380,783,696

For the impairment loss analysis of discounts and loans, please refer to Note 46.

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET

Immaterial associates:

	June 30, 2022		December 31, 2021		June 30, 2021	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
Suyin KGI Consumer Finance Co., Ltd.	$ 4,284,954	36.17	$ 4,113,459	36.17	$ 769,725	33.40
CDIB & Partners Investment Holding Corporation	637,822	4.95	892,669	4.95	871,717	4.95
	$ 4,922,776		$ 5,006,128		$ 1,641,442	

The above investments accounted for using the equity method and the Bank and its subsidiaries' share of earnings and other comprehensive income had been calculated on the basis of the audited financial statements, except the financial statement of Suyin KGI Consumer Finance Co., Ltd. had not been audited on June 30, 2021.Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of the investments which have not been audited.

The Bank and its subsidiaries had not pledged any of the investments accounted for using equity method as collateral.

16. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

a. The Bank and its subsidiaries have asset securitization products in which the Bank and its subsidiaries do not have significant influence but rights and obligations in accordance with the contract. The funds of unconsolidated structured entities are from the Bank and its subsidiaries and external third parties.

b. The carrying amounts of the Bank and its subsidiaries' involvement with the structured entities, which were recognized in the consolidated balance sheet were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Asset securitization			
Financial assets at fair value through other comprehensive income	$ 298,153	$ 280,424	$ 279,385

The amount of the maximum exposure to loss is the carrying amount of the assets held by the Bank and its subsidiaries.

c. The Bank and its subsidiaries did not provide any financial support to the unconsolidated structured entities for the six months ended June 30, 2022.

17. OTHER FINANCIAL ASSETS, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Due from banks except for cash and cash equivalents	$ 2,219,850	$ 1,086,575	$ 2,155,450
Overdue receivables	20,094	13,615	13,038
Pledged time deposits	300	300	300
	2,240,244	1,100,490	2,168,788
Less: Allowance for bad debts - overdue receivables	(20,094)	(13,615)	(13,038)
Net amount	$ 2,220,150	$ 1,086,875	$ 2,155,750

For the information on other financial assets pledged as collateral by the Bank and its subsidiaries, please refer to Note 43.

18. PROPERTY AND EQUIPMENT, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Land	$ 3,347,784	$ 3,339,790	$ 3,094,432
Buildings and facilities	1,303,751	1,318,856	1,310,632
Machinery and computer equipment	634,429	671,449	652,913
Leasehold improvements	453,459	230,202	189,063
Miscellaneous equipment	105,345	73,646	30,864
Transportation equipment	32,190	69,966	116,199
Prepayments for acquisition of properties	4,030	231,332	202,598
	$ 5,880,988	$ 5,935,241	$ 5,596,701
Assets used by the Bank and its subsidiaries	$ 5,536,918	$ 5,543,064	$ 5,146,916
Assets leased under operating leases	344,070	392,177	449,785
	$ 5,880,988	$ 5,935,241	$ 5,596,701

Except for depreciation recognized, the Bank and its subsidiaries had no significant addition, disposal and impairment of property and equipment during the six months ended June 30, 2022 and 2021.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings and facilities	5-60 years
Machinery and computer equipment	4-10 years
Transportation equipment	5 years
Miscellaneous equipment	3-15 years
Leasehold improvements	Depends on the age or the durable life of the lease, whichever is shorter

The operating leases of the Bank’s subsidiaries are mainly based on leased light passenger vehicles with lease terms of 1 to 5 years. The above contracts do not contain market review clauses. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable was as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Year 1	$ 10,290	$ 24,016	$ 42,261
Year 2	602	2,475	9,851
Year 3	-	174	602
Year 4	-	-	-
Year 5	-	-	-
	$ 10,892	$ 26,665	$ 52,714

The equipment leased by the Bank and its subsidiaries under operating leases is depreciated on a straight-line basis over their estimated useful lives as follows:

	Estimated Useful Lives
Machinery equipment	4-20 years
Transportation equipment	2-5 years

For the information on property and equipment pledged as collateral by the Bank and its subsidiaries, please refer to Note 43.

19. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2022	December 31, 2021	June 30, 2021
Carrying amounts			
Buildings and facilities	$ 3,422,878	$ 3,624,368	$ 3,872,564
Computer equipment	29,882	37,837	45,792
Transportation equipment	3,021	4,441	5,862
Miscellaneous equipment	503	543	27
	$ 3,456,284	$ 3,667,189	$ 3,924,245

	For the Six Months Ended June 30	
	2022	2021
Additions to right-of-use assets	$ 22,554	$ 2,416,917

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Depreciation of right-of-use assets				
Buildings and facilities	$ 86,601	$ 96,011	$ 173,791	$ 194,666
Computer equipment	3,978	3,978	7,955	7,955
Transportation equipment	711	710	1,421	1,409
Miscellaneous equipment	20	21	40	41
	$ 91,310	$ 100,720	$ 183,207	$ 204,071

b. Lease liabilities

	June 30, 2022	December 31, 2021	June 30, 2021
Carrying amounts	$ 3,604,970	$ 3,813,405	$ 4,025,120

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Interest expense (other interest expenses)	$ 7,449	$ 7,546	$ 15,332	$ 15,537

Ranges of discount rates for lease liabilities were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Buildings and facilities	0.52%-3.84%	0.64%-3.84%	0.65%-3.84%
Computer equipment	0.91%-0.92%	0.91%-0.92%	0.91%-0.92%
Transportation equipment	0.53%-0.92%	0.53%-0.92%	0.53%-0.92%
Miscellaneous equipment	1.03%	1.03%	1.20%

The maturity analysis of lease liabilities (undiscounted) was as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Less than 1 year	$ 378,234	$ 388,151	$ 375,668
1 year to 5 years	1,440,170	1,485,163	1,554,654
Over 5 years	1,959,559	2,131,936	2,306,126
	$ 3,777,963	$ 4,005,250	$ 4,236,448

c. Material lease activities and terms

The Bank and its subsidiaries lease buildings and facilities, computer equipment, transportation equipment and miscellaneous equipment with lease terms of 1 to 15 years. In the contracts, the Bank and its subsidiaries have the option to lease the building at the end of the lease terms. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

d. Other lease information

For lease arrangements under operating leases for the leasing out of investment properties and freehold property and equipment for the Bank and its subsidiaries, please refer to Notes 18 and 20, respectively.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Expenses relating to short-term leases	$ 2,091	$ 21,240	$ 3,716	$ 42,629
Expenses relating to low-value asset leases	$ 2,709	$ 296	$ 2,976	$ 590
Total cash outflow for leases			$ 196,904	$ 176,538

Short-term lease commitments with lease terms commencing after the balance sheet dates are as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Short-term lease commitments	$ 5,251	$ 836	$ 68,291

20. INVESTMENT PROPERTY, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Land	$ 1,150,304	$ 1,158,297	$ 1,033,030
Buildings and facilities	353,781	366,389	362,033
	$ 1,504,085	$ 1,524,686	$ 1,395,063

Except for depreciation recognized, the Bank and its subsidiaries had no significant addition, disposal and impairment of investment property during the six months ended June 30, 2022 and 2021.

Investment property is depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings and facilities	
Main building and parking spaces	30-60 years

The fair values of the Bank and its subsidiaries' investment properties were assessed by an external independent appraiser and are reviewed by the Bank and its subsidiaries' management that consider the validity of appraisal report in 2021 and 2020 and regard the fair value as effective. The sales comparison approach and income approach were used in the valuation, whereby the sales comparison approach compares a subject property's characteristics with those of comparable properties which have been recently sold in similar transactions, and the income approach takes the net operating income of the rent collected and divides it by the capitalization rate. Based on these valuations, the fair values of the Bank and its subsidiaries' investment properties as of June 30, 2022, December 31, 2021 and June 30, 2021 were $1,805,595 thousand, $1,845,502 thousand and $1,611,511 thousand, respectively. Investment properties were categorized into Level 3.

The lease terms of the leasing of investment properties is 1 to 10 years. Some lessees have the priority to rent the leased property under the same terms after the leases have expired. The lessees do not have bargain purchase options to acquire the investment property at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment property was as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Year 1	$ 44,988	$ 47,217	$ 41,592
Year 2	35,775	39,241	39,453
Year 3	34,082	29,494	24,857
Year 4	25,124	24,138	22,643
Year 5	11,664	10,093	15,207
Over 5 years	19,676	15,948	18,370
	$ 171,309	$ 166,131	$ 162,122

The above items of investment property are depreciated on a straight-line basis over their estimated useful lives as follows:

	Estimated Useful Lives
Buildings and facilities	30-60 years

For the information on investment property pledged as collateral by the Bank and its subsidiaries, please refer to Note 43.

21. OTHER ASSETS, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Guarantee deposits paid	$ 10,357,536	$ 2,831,733	$ 5,485,063
Prepaid expenses	812,418	715,224	621,475
Operating guarantee deposits and settlement funds	57,100	57,100	57,100
Others	66,896	76,552	100,066
	$ 11,293,950	$ 3,680,609	$ 6,263,704

For the information on other assets pledged as collateral by the Bank and its subsidiaries, please refer to Note 43.

22. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	June 30, 2022	December 31, 2021	June 30, 2021
Call loans from banks	$ 20,332,722	$ 20,633,400	$ 21,326,840
Deposits from Chunghwa Post Co., Ltd.	190,146	190,146	190,146
	$ 20,522,868	$ 20,823,546	$ 21,516,986

23. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	June 30, 2022	December 31, 2021	June 30, 2021
Corporate bonds	$ 37,963,522	$ 26,098,779	$ 31,273,926
Government bonds	10,907,917	9,508,118	11,815,675
Bank debentures	10,211,055	7,174,272	8,821,297
Others	74,327	-	239,997
	$ 59,156,821	$ 42,781,169	$ 52,150,895
Repurchase amounts	$ 59,340,516	$ 42,810,348	$ 52,178,389
Last maturity date	October 2022	April 2022	October 2021

24. PAYABLES

	June 30, 2022	December 31, 2021	June 30, 2021
Accrued interest	$ 2,878,572	$ 2,249,116	$ 1,998,291
Accounts payable factoring	1,852,837	1,212,972	1,605,550
Collection payable	794,859	177,847	203,280
Accrued expenses	784,143	1,249,765	643,380
Payable for securities purchased	409,993	1,100,482	917,547
Payable for checks for clearing	368,298	478,711	117,203
Others	636,217	773,134	723,382
	$ 7,724,919	$ 7,242,027	$ 6,208,633

25. DEPOSITS AND REMITTANCES

	June 30, 2022	December 31, 2021	June 30, 2021
Time deposits	$ 220,112,767	$ 234,166,608	$ 241,443,593
Savings deposits	149,865,493	143,663,711	142,195,124
Demand deposits	111,776,734	113,759,668	117,082,157
Negotiable certificates of deposit	15,196,300	4,578,300	3,683,700
Checking deposits	3,779,059	6,184,673	3,105,048
Remittances	171,011	260,797	64,840
	$ 500,901,364	$ 502,613,757	$ 507,574,462

26. BANK DEBENTURES PAYABLE

Name	June 30, 2022	December 31, 2021	June 30, 2021	Issuance Period	Method of Paying Principle and Interests	Interest Rate
P07 KGIB 1	$ 3,000,000	$ 3,000,000	$ 3,000,000	2018.12.27, no maturity date	Interest payable annually (Note)	2.35%
P07 KGIB 2	3,350,000	3,350,000	3,350,000	2018.12.27-2033.12.27	Interest payable annually; principal due on maturity	1.68%
P08KGIB 1	3,100,000	3,100,000	3,100,000	2019.06.26-2034.06.26	Interest payable annually; principal due on maturity	1.40%
P09KGIB 1	1,200,000	1,200,000	1,200,000	2020.03.05-2027.03.05	Interest payable annually; principal due on maturity	0.75%
P09KGIB 2	4,800,000	4,800,000	4,800,000	2020.03.05-2030.03.05	Interest payable annually; principal due on maturity	0.80%
P09KGIB 3	4,800,000	4,800,000	4,800,000	2020.08.07-2030.08.07	Interest payable annually; principal due on maturity	0.71%
P10KGIB 1	4,300,000	4,300,000	4,300,000	2021.02.04-2031.02.04	Interest payable annually; principal due on maturity	0.57%
P10KGIB 2	700,000	700,000	700,000	2021.05.18-2024.05.18	Interest payable annually; principal due on maturity	0.40%
	25,250,000	25,250,000	25,250,000			
Valuation adjustments	(619,123)	(8,878)	82,612			
Net amount	$ 24,630,877	$ 25,241,122	$ 25,332,612			

Note: The Bank has the right to redeem the bonds after 5 years and 1 month from the issue date if its self-owned capital adequacy ratio is still in compliance with the requirements set by the competent authority. The Bank is allowed to redeem the bonds based on the carrying value of each bond plus interest after approved by the competent authority.

27. COMMERCIAL PAPER PAYABLE, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Commercial paper payable	$ 5,515,000	$ 4,540,000	$ 3,065,000
Less: Unamortized discount	(520)	(821)	(1,423)
	$ 5,514,480	$ 4,539,179	$ 3,063,577
Range of interest rates	0.72%-1.34%	0.68%-1.06%	0.81%-0.89%
Last maturity date	June 2023	December 2022	September 2021

28. OTHER BORROWINGS

	June 30, 2022	December 31, 2021	June 30, 2021
Note issuance facility	$ 509,884	$ 859,896	$ 1,499,697
Short-term secured borrowings	219,000	-	75,000
Short-term credited borrowings	100,000	-	-
	$ 828,884	$ 859,896	$ 1,574,697
Range of interest rates	0.95%-1.35%	0.93%-0.95%	0.85%-1.30%
Last maturity date	October 2023	October 2023	October 2023

For the information on the assets pledged as collaterals for borrowings, please refer to Note 43.

29. PROVISIONS

	June 30, 2022	December 31, 2021	June 30, 2021
Provisions for guarantee liabilities	$ 164,714	$ 242,096	$ 273,877
Provisions for loan commitments	63,658	92,341	80,798
Provisions for decommissioning, restoration and rehabilitation cost	47,381	42,641	46,558
Provisions for employee benefits	18,146	27,652	9,499
Others	76,577	79,151	82,238
	$ 370,476	$ 483,881	$ 492,970

30. RETIREMENT BENEFIT PLANS

The Bank and its subsidiaries' retirement plans consist of defined contribution and defined benefit plans. For defined benefit plans, employee benefit expenses for the six months ended June 30, 2022 and 2021 were calculated using the actuarially determined pension cost discount rates as of December 31, 2021 and 2020, respectively.

For the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, the Bank and its subsidiaries (a) recognized their contributions under the defined benefit plans as pension expenses (recognized as employee benefits expense) of $1,123 thousand, $882 thousand, $2,158 thousand and $1,755 thousand, respectively, and (b) recognized under the defined contribution plans pension expenses (recognized as employee benefits expense) of $34,155 thousand, $33,809 thousand, $67,763 thousand and $67,078 thousand, respectively.

31. OTHER LIABILITIES

	June 30, 2022	December 31, 2021	June 30, 2021
Guarantee deposits received	$ 2,515,131	$ 3,106,508	$ 3,010,197
Temporary receipts and suspense accounts	1,057,787	1,918,039	1,584,992
Others	152,740	108,725	93,443
	$ 3,725,658	$ 5,133,272	$ 4,688,632

32. EQUITY

a. Capital

Common stock

	June 30, 2022	December 31, 2021	June 30, 2021
Number of shares authorized (in thousands) (Note)	20,000,000	20,000,000	20,000,000
Shares authorized	$ 200,000,000	$ 200,000,000	$ 200,000,000
Number of shares issued and fully paid (in thousands) (Note)	4,606,162	4,606,162	4,606,162
Shares issued	$ 46,061,623	$ 46,061,623	$ 46,061,623

Note: Par value of shares is NT$10.

b. Capital surplus

	June 30, 2022	December 31, 2021	June 30, 2021
Additional paid-in capital	$ 7,245,723	$ 7,245,723	$ 7,245,723
Share-based payments	55,217	12,966	5,398
Change in capital surplus from investments in associates accounted for using equity method	185	185	185
	$ 7,301,125	$ 7,258,874	$ 7,251,306

The premium of additional paid-in capital (share premium from issuance of common shares, treasury share transactions, and excess of the consideration received over the carrying amount of the subsidiaries' net assets during disposal or acquisition) and donations may be used to offset a deficit; in addition, when the Bank has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital once a year within a certain percentage of the Bank's capital surplus.

The capital surplus from investments under the equity method may not be used for any purpose.

c. Legal and special reserves

Under the Company Act, when the Bank incurs no loss, the shareholders' meeting may resolute to distribute legal reserve by issuing new shares or cash dividend, which is limited by the 25% balance of legal reserve minus capital. In addition, under the Banking Act, the Bank should retain 30% of its after-tax earnings as legal reserve before distributing these earnings. Further, if the amount of legal reserve is less than the total amount of capital, the maximum amount of earnings that may be distributed in cash should not exceed 15% of the total capital. However, this restriction will not apply if the amount of legal reserve equals or exceeds the amount of the total capital or if the Bank is in sound financial condition and is in compliance with the Company Act.

After applying IFRSs, the Bank recognizes and reverses special reserve according to Order No. 1010012865 and 1090150022 issued by the FSC and the rule of "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs".

Under Order No. 10510001510 issued by the FSC on May 25, 2016, the Public Bank shall appropriate 2016 to 2018 annual surplus which is based on 0.5% to 1% of net income for special reserve. From fiscal year of 2017, the Bank can reverse the amount of expenditure of employees' transfer arising from financial technology development within the amount of the above special reserve. However, in response of the development of financial technology and the protection of the rights and interests of employees in the domestic banks, it is not applicable to appropriate special reserve in accordance with the Order No. 10802714560 issued by the FSC. When paying the expense of employees' turnover or resettlement expenditures and the training in response of financial technology or business development of the bank, the Bank reverses the special reserve within the scope mentioned above.

d. Appropriation of earnings and dividend policy

In order to expand the Bank's operations and consider the benefit of shareholders as well as comply with the Banking Act and relevant regulations, the Bank applies the residual dividend policy. In principle, the Bank pays dividends in the form of cash. The cash dividends should not be more than 15% of paid-in capital when legal reserve is less than paid-in capital.

The current year's earnings will be first applied to offset the prior years' losses as well as settle all taxes payable. After covering losses and settling taxes, the balance will then be used to appropriate legal reserve and special reserve and to reverse a special reserve in accordance with the Banking Act and relevant regulations. The remainder and the prior years' adjusted unappropriated earnings are subject to the board of directors' decision to propose a distribution plan to be submitted to the shareholders' meeting for approval.

When the Bank's legal reserve equals its paid-in capital, or when the Bank has complied with the FSC's financial soundness requirements and has provided a legal reserve based on the Company Act and relevant regulations, the Bank is no longer subject to the requirement for legal reserve appropriation and to the 15%-of-paid-in capital limit on cash dividend distribution.

The appropriation of earnings should be presented for approval at the shareholders' meeting in the year following, and given effect to in the financial statements of the year following the year of earnings generation.

Under the Financial Holding Company Act, because the Bank has only one shareholder, CDFH, the Company Act provisions on shareholders' meetings do not apply to the Bank and the board of directors is thus entitled to exercise shareholders' meeting functions.

Appropriations of the 2021 and 2020 earnings approved by Bank's board of directors which are authorized to execute shareholders' meeting function on April 21, 2022 and April 22, 2021, respectively were as follows:

	2021	2020
Legal reserve	$ 1,665,649	$ 1,171,873
Special reserve (reversal on special reserve)	168,417	(286)
Cash dividends	3,718,097	2,734,657

Related information can be accessed at the Market Observation Post System website of the Taiwan Stock Exchange.

33. NET INTEREST

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Interest revenue				
Discounts and loans	$ 2,397,837	$ 2,038,122	$ 4,517,439	$ 4,112,557
Securities	796,754	653,564	1,502,400	1,299,331
Others	263,485	154,617	441,439	304,219
	3,458,076	2,846,303	6,461,278	5,716,107
Interest expense				
Deposits	661,311	436,386	1,103,382	919,700
Notes and bonds issued under repurchase agreements	112,990	33,460	156,830	72,700
Structured notes	68,227	18,971	109,622	39,786
Bank debentures	60,595	87,249	118,945	117,900
Others	74,396	33,571	110,453	65,784
	977,519	609,637	1,599,232	1,215,870
	$ 2,480,557	$ 2,236,666	$ 4,862,046	$ 4,500,237

34. SERVICE FEE INCOME, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Service fee revenue				
Loans	$ 210,977	$ 111,592	$ 401,887	$ 201,847
Trust	102,290	140,219	219,567	316,900
Insurance commission	95,592	106,996	213,124	207,327
Credit card	35,029	42,843	71,163	86,425
Guarantee	29,883	33,623	63,584	62,075
Underwriting	20,711	30,573	53,384	64,059
Others	102,926	90,550	205,896	205,803
	597,408	556,396	1,228,605	1,144,436
Service fee expense				
Agency	32,816	27,333	62,958	53,193
Interbank	23,692	21,408	47,938	43,532
Others	38,681	34,288	90,628	70,276
	95,189	83,029	201,524	167,001
	$ 502,219	$ 473,367	$ 1,027,081	$ 977,435

35. GAINS (LOSSES) ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Realized gain (loss)				
Derivative instruments	$ 1,259,869	$ (53,151)	$ 2,098,015	$ (973,317)
Bonds	(284,644)	(57,382)	(463,734)	(76,650)
Stocks	(30,710)	(11,116)	(64,511)	46,916
Others	16,671	12,440	29,177	25,396
	961,186	(109,209)	1,598,947	(977,655)
Revaluation gain (loss)				
Derivative instruments	(619,440)	(50,816)	(1,108,597)	812,427
Bonds	235,967	83,984	375,270	197,352
Stocks	(713)	(4,307)	(13,041)	(16,532)
Others	(8,529)	(1,106)	(28,262)	(2,495)
	(392,715)	27,755	(774,630)	990,752
	$ 568,471	$ (81,454)	$ 824,317	$ 13,097

For the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, the realized gain or loss on the Bank and its subsidiaries' financial assets or liabilities at FVTPL included (a) disposal gain of $1,127,040 thousand, disposal loss of $23,315 thousand, disposal gain of $1,915,866 thousand and disposal loss of $797,118 thousand, respectively, (b) interest revenue of $45,685 thousand, $32,779 thousand, $88,452 thousand and $57,578 thousand, respectively, (c) dividend income of $0 thousand, $0 thousand, $0 thousand and $1,750 thousand, respectively, and (d) interest expense of $211,539 thousand, $118,673 thousand, $405,371 thousand and $239,865 thousand, respectively.

36. REALIZED GAINS (LOSSES) ON FINANCIAL ASSETS MEASURED AT FVTOCI

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Gain (loss) on disposal of bonds	$ (658,758)	$ 209,562	$ (997,201)	$ 301,473
Dividend income	348,373	65,664	402,852	77,914
	$ (310,385)	$ 275,226	$ (594,349)	$ 379,387

37. REVERSAL OF IMPAIRMENT LOSS (IMPAIRMENT LOSS) ON ASSETS

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Debt instruments at fair value through other comprehensive income	$ 4,340	$ 8,298	$ (3,734)	$ 4,013
Debt instruments at amortized cost	446	125	(2,206)	231
	$ 4,786	$ 8,423	$ (5,940)	$ 4,244

38. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Employee benefit expense				
Salaries and wages	$ 828,986	$ 800,173	$ 1,675,233	$ 1,594,202
Employee insurance	62,054	62,758	140,728	140,303
Pension	35,278	34,691	69,921	68,833
Others	69,335	53,189	147,261	117,501
	$ 995,653	$ 950,811	$ 2,033,143	$ 1,920,839
Depreciation and amortization expenses	$ 225,092	$ 229,282	$ 444,141	$ 462,054

The Company's Articles of Incorporation for the six months ended June 30, 2021 before modified stipulated to distribute compensation of employee at the rates no less than 0.01% and no higher than 3% of net profit before income tax and employee's compensation. From the six months ended June 30, 2022, following the modified Company's Articles of Incorporation, which stipulates to distribute compensation of employee at the rates 0.01%-3% and remuneration of director at the rates no higher than 1% of net profit before income tax and compensation of employee and remuneration of director, however, if the Bank had incurred cumulative losses, the profit should be used to offset the losses first. For the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, the compensation of employees amounted to $1,100 thousand, $1,390 thousand, $2,800 thousand and $2,669 thousand, respectively. For the three months ended June 30, 2022 and for the six months ended June 30, 2022, the remuneration of director accounted to $11,000 thousand and $27,000 thousand, respectively.

The distribution of the compensation of employees and remuneration of director for 2021 and 2020 approved by the board of directors on March 10, 2022 and March 19, 2021 were as follows:

	For the Year Ended December 31	
	2021	**2020**
Compensation of employee	$ 5,000	$ 4,411
Remuneration of director	49,000	

There was no difference between the amounts resolved by the board of directors and the respective amounts recognized in the financial statements for the years.

If there is a change in the proposed amounts after the consolidated financial statements of the fiscal year were authorized for issue, the differences will be recorded as a change in the accounting estimate.

The information on the proposed and approved compensation of employees and remuneration of director is available at the Market Observation Post System website of the Taiwan Stock Exchange.

39. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	**2021**	**2022**	**2021**
Taxation	$ 137,636	$ 106,989	$ 268,335	$ 220,577
Computer information	99,818	64,797	165,097	121,365
Professional services	40,741	35,878	77,445	67,488
Marketing	36,568	37,514	74,335	73,564
Others	170,764	160,039	308,348	321,366
	$ 485,527	$ 405,217	$ 893,560	$ 804,360

40. INCOME TAX

a. Income tax expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	**2021**	**2022**	**2021**
Current income tax				
Current year	$ 226,356	$ 112,564	$ 444,463	$ 210,745
Prior year's adjustments	(17,056)	108	(17,056)	108
	209,300	112,672	427,407	210,853
Deferred income tax	42,798	96,711	69,001	192,775
Income tax expenses	$ 252,098	$ 209,383	$ 496,408	$ 403,628

b. Income tax recognized in other comprehensive income:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Current income tax				
Changes in fair value of equity instruments at fair value through other comprehensive income	$ (102,004)	$ 103,271	$ (88,771)	$ 174,387
Deferred income tax				
Changes in fair value of debt instruments at fair value through other comprehensive income	(151,646)	36,136	(294,183)	(75,497)
Income tax expense (benefit)	$ (253,650)	$ 139,407	$ (382,954)	$ 98,890

c. The estimated receivables/payables resulting from the use of the linked-tax system on the Bank's consolidated tax returns were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Taxes paid to the parent company	$ 939,023	$ 878,223	$ 957,202

d. Income tax assessments

Since 2015, the Bank used the linked-tax system in filing together its income tax and unappropriated earnings returns and those of its parent company and eligible subsidiaries.

The income tax returns of the Bank through 2016 had been examined by the tax authorities.

The income tax returns of CDIB Management Consulting Corporation through 2020 had been examined by the tax authorities. The income tax returns of CDC Finance & Leasing through 2019 had been examined by the tax authorities.

41. EARNINGS PER SHARE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Earnings used in the computation of the EPS	$ 1,515,861	$ 1,182,251	$ 2,874,616	$ 2,267,724
Weighted average number of common shares outstanding (shares in thousands)	4,606,162	4,606,162	4,606,162	4,606,162
Basic EPS (in dollars)	$0.33	$0.26	$0.62	$0.49

42. RELATED-PARTY TRANSACTIONS

The significant transactions and relationship with related parties (in addition to those disclosed in other notes) are summarized below:

Related Party	Relationship with the Bank and Its Subsidiaries
China Development Financial Holding Corporation	Parent company
CDIB Capital Group and its subsidiaries	Subsidiary of the parent company
KGI Securities Co., Ltd. and its subsidiaries	Subsidiary of the parent company
China Life Insurance Co., Ltd.	Subsidiary of the parent company
China Development Asset Management Corporation	Subsidiary of the parent company
Others	Other related parties

a. Future contracts (recognized as cash and cash equivalents and financial assets at fair value through profit or loss)

Cash and cash equivalents

	Amount
June 30, 2022	$ 863,782
December 31, 2021	326,505
June 30, 2021	241,641

Financial assets at fair value through profit or loss

	Amount
June 30, 2022	$ 191,972
December 31, 2021	89,623
June 30, 2021	134,312

b. Service fee revenue receivable (recognized as receivables, net)

	Amount
June 30, 2022	$ 11,026
December 31, 2021	22,934
June 30, 2021	13,343

c. Credit card receivable (recognized as receivables, net)

	Amount
June 30, 2022	$ 13,691
December 31, 2021	20,006
June 30, 2021	8,817

d. Receivables on securities sold (recognized as receivables, net)

	Amount
June 30, 2022	$ 789,819
June 30, 2021	171,269

e. Discounts and loans

		Amount	Interest Rate (%)
June 30, 2022	$	908,716	1.25-15.00
December 31, 2021		993,280	0.00-10.99
June 30, 2021		962,383	0.00-5.99

For the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, the interest revenues from discounts and loans were $3,630 thousand, $3,132 thousand, $6,743 thousand and $6,247 thousand, respectively.

June 30, 2022

Category	Number of Accounts	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	28	$ 21,015	$ 15,487	$ 15,487	$ -	None/SME credit guarantee fund	Yes
Residential mortgage loans	77	1,044,649	873,798	873,798	-	Real estate	Yes
Others	5	31,333	19,431	19,431	-	Real estate	Yes

December 31, 2021

Category	Number of Accounts	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	37	$ 35,672	$ 19,064	$ 19,064	$ -	None/SME credit guarantee fund	Yes
Residential mortgage loans	85	1,295,373	944,915	944,915	-	Real estate	Yes
Others	8	44,003	29,301	29,301	-	Real estate	Yes

June 30, 2021

Category	Number of Accounts	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	29	$ 25,778	$ 18,947	$ 18,947	$ -	None/SME credit guarantee fund	Yes
Residential mortgage loans	75	1,107,787	915,332	915,332	-	Real estate	Yes
Others	8	35,814	28,104	28,104	-	Real estate	Yes

f. Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the six months ended June 30, 2022</u>		
Subsidiary of the parent company	$ 598,311	$ -
<u>For the six months ended June 30, 2021</u>		
Subsidiary of the parent company	849,624	59,500

g. Lease arrangements (as a lessee)

Acquisition of right-of-use assets

	For the Six Months Ended June 30	
	2022	**2021**
Subsidiary of the parent company	$ 104,599	$ 2,281,685

Lease liabilities

	June 30, 2022	**December 31, 2021**	**June 30, 2021**
Subsidiary of the parent company	$ 2,386,668	$ 2,352,433	$ 2,470,697

	For the Three Months Ended June 30		**For the Six Months Ended June 30**	
	2022	**2021**	**2022**	**2021**
Interest expense				
Subsidiary of the parent company	$ 4,725	$ 3,757	$ 9,347	$ 6,936
Lease expense				
Subsidiary of the parent company	16	19,159	85	38,307

The above rental price is determined based on the market price and paid monthly/quarterly.

h. Guarantee deposits paid (recognized as other assets, net)

	Amount
June 30, 2022	$ 44,929
December 31, 2021	41,029
June 30, 2021	65,028

i. Payable to parent (recognized as current tax liabilities)

	June 30, 2022	**December 31, 2021**	**June 30, 2021**
Parent company	$ 939,023	$ 878,223	$ 957,202

The payables resulted from CDFH and its eligible subsidiaries adopting the linked-tax system in the filing of tax returns.

j. Payables for securities purchased (recognized as payables)

	Amount
December 31, 2021	$ 883,997
June 30, 2021	383,748

k. Deposits

	Amount	Interest Rate (%)
June 30, 2022	$ 33,808,622	0-5.76
December 31, 2021	20,997,025	0-5.35
June 30, 2021	20,997,965	0-5.35

For the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, the interest expenses for deposits were $24,198 thousand, $8,588 thousand, $34,485 thousand and $19,774 thousand, respectively.

l. Temporary receipts and suspense accounts (recognized as other liabilities)

	June 30, 2022	December 31, 2021	June 30, 2021
Subsidiary of the parent company	$ 826,945	$ 1,662,596	$ 1,340,683

The above accounts is temporary receipts of Automated Clearing House (ACH).

m. Service fee revenue

	For the Three Months Ended June 30	For the Six Months Ended June 30
2022		
Subsidiary of the parent company	$ 44,679	$ 98,653
Other related parties	6	114
2021		
Subsidiary of the parent company	67,063	96,236
Other related parties	8	121

Service fee revenue mainly comprised sale of insurance, funds, and trust affiliated business, etc.

n. Insurance expenses (recognized as employee benefits expense)

	For the Three Months Ended June 30	For the Six Months Ended June 30
2022	$ 5,299	$ 11,008
2021	5,927	11,716

o. Donations (recognized as other general and administrative expenses)

	For the Three Months Ended June 30	For the Six Months Ended June 30
2022	$ 20,000	$ 20,000

p. Other general and administrative expenses

	For the Three Months Ended June 30	For the Six Months Ended June 30
2022	$ 22,929	$ 47,411
2021	21,310	44,307

q. Outstanding derivative financial instruments

June 30, 2022

Related Party	Contract Type	Contract Period	Notional Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Currency swap contracts	September 1, 2021 - November 28, 2022	$ 20,659,570	$ 368,602	Financial assets at FVTPL	$ 377,592
					Financial liabilities at FVTPL	12,070
	Non-deliverable forward contracts	August 26, 2021 - May 26, 2023	6,108	(519)	Financial liabilities at FVTPL	650
	Cross-currency swap contracts	February 23, 2021 - May 26, 2025	541,740	(49,981)	Financial liabilities at FVTPL	39,670

December 31, 2021

Related Party	Contract Type	Contract Period	Notional Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Currency swap contracts	August 16, 2021 - September 6, 2022	$ 17,920,968	$ (56,773)	Financial liabilities at FVTPL	$ 56,773
	Non-deliverable forward contracts	February 23, 2021 - May 26, 2023	13,967	(1,227)	Financial liabilities at FVTPL	1,227
	Cross-currency swap contracts	March 12, 2020 - May 26, 2025	583,858	(36,290)	Financial assets at FVTPL	12,199
					Financial liabilities at FVTPL	491

June 30, 2021

Related Party	Contract Type	Contract Period	Notional Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	October 23, 2019 - September 30, 2022	$ 1,500	$ (16)	Financial assets at FVTPL	$ 41
	Asset swap - option contracts	October 23, 2019 - September 16, 2022	1,500	(739)	Financial liabilities at FVTPL	1,165
	Currency swap contracts	June 1, 2021 - December 6, 2021	19,988,364	86,930	Financial assets at FVTPL	110,356
					Financial liabilities at FVTPL	23,426
	Non-deliverable forward contracts	February 23, 2021 - May 26, 2022	2,293	-	Financial assets at FVTPL	-
	Cross-currency swap contracts	March 12, 2020 - May 26, 2023	555,936	(11,568)	Financial assets at FVTPL	36,431

r. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Salary and short-term employee benefits	$ 62,558	$ 52,310	$ 132,501	$ 107,341
Share-based payment	11,347	-	19,515	-
Post-employment benefits	475	490	924	972
	$ 74,380	$ 52,800	$ 152,940	$ 108,313

In addition to the above, the Bank also paid housing rental, car rental and drivers' salaries, which amounted to $1,130 thousand, $723 thousand, $2,068 thousand and $1,656 thousand for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, respectively.

The terms of transactions with related parties were similar to those for unrelated parties, except for certain preferential interest rate on deposits for the Bank's employees with limited deposit amounts.

Based on Articles 32 and 33 of the Banking Act, except for consumer loans and government loans, credits extended by the Bank to any related party were fully secured, and the other terms for these credits were similar to those for unrelated parties.

43. PLEDGED ASSETS

The assets pledged as collateral of the Bank and its subsidiaries were as follows:

Assets	Object	Purpose	June 30, 2022	December 31, 2021	June 30, 2021
Due from the Central Bank and call loans to banks	Deposit reserve	Financing project of small and medium enterprise loans	$ 500,000	$ 500,000	$ 500,000
Installment accounts and lease receivables	Notes receivable	Commercial paper payable and short-term borrowings	632,983	262,312	2,409,263
Financial assets at fair value through other comprehensive income	Government bonds	Guarantees for provisional seizure	46,588	48,046	14,407
Financial assets at fair value through other comprehensive income	Government bonds	Guarantees and provisions	156,289	156,446	157,875
Financial assets at fair value through other comprehensive income	Negotiable certificates of deposit issued by the Central Bank	As collateral for day-term overdraft and U.S. dollar liquidation and other transactions of the guarantee	17,807,323	18,035,956	17,845,922
Other financial assets, net	Time deposits	As collateral for day-term overdraft	-	1,086,575	2,155,450
Property and equipment, net	Real estate	Commercial paper payable and short-term borrowings	11,524	11,680	11,836
Investment property, net	Investment property	Commercial paper payable and short-term borrowings	32,837	33,481	36,806
Other financial assets, net	Time deposits	Short-term borrowings	300	300	300
Other assets, net	Cash in banks - impound account	Commercial paper payable and short-term borrowings	15,293	27,654	23,928

44. COMMITMENTS AND CONTINGENCIES

In December 2012, a third party filed a lawsuit claiming that the Bank fraudulently infringed upon the property rights of creditors on Dun Nan building. On February 14, 2014, the Taipei District Court adjudicated that the mortgage is cancelled and the Bank has to return the amount of $1,786,318 thousand. The Bank has appealed against this sentence on March 10, 2014. The original adjudication in favor of the third party was revoked by the court. The third party filed a new appeal and the Supreme Court ordered the High Court to conduct a new trial on November 9, 2018. The High Court issued a judgement on August 17, 2021, upholding the original Taipei District Court's decision to revoke the part of the mortgage, and dismissed the third party's request for the Bank to pay the received money. In September 2021, the Bank and the third party each filed a third-instance appeal for losing part of the lawsuit. As of the day which board of directors adopts the consolidation financial report, the case is being heard by the Supreme Court.

45. FAIR VALUE AND HIERARCHY INFORMATION

a. The fair value hierarchy of financial instruments is defined as follows:

   1) Level 1 fair values are quoted prices in active markets for financial instruments.

   2) Level 2 fair values refer to directly or indirectly observable inputs other than Level 1 quoted prices, such as the quoted prices of similar financial instruments in active markets; in less active markets, fair values are quoted prices of the same or similar financial instruments or financial instruments that can be generated by using pricing models that use inputs such as interest rates and volatility rates, which are derived from or can be corroborated with observable market data.

   3) Level 3 refers to inputs that are not based on observable market data.

b. Financial instruments measured at fair value

   1) The fair value hierarchy of financial instruments measured at fair value is as follows:

June 30, 2022

	Level 1	Level 2	Level 3	Total
Measured on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Bond investments	$ 3,624,275	$ 299,974	$ -	$ 3,924,249
Commercial paper	-	9,071,342	-	9,071,342
Others	-	-	395,467	395,467
Financial assets designated as at FVTPL	-	1,970,892	-	1,970,892
Financial assets at FVTOCI				
Stock investments	6,308,551	-	972,026	7,280,577
Bond investments	58,113,267	58,680,969	-	116,794,236
Negotiable certificates of deposit issued by the Central Bank	-	68,391,041	-	68,391,041
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	-	10,701,633	-	10,701,633

(Continued)

	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Assets				
Financial assets at FVTPL	$ 191,972	$ 29,741,992	$ 572,065	$ 30,506,029
Financial assets for hedging	-	2,067,317	-	2,067,317
Liabilities				
Financial liabilities at FVTPL	-	29,790,397	572,011	30,362,408
Financial liabilities for hedging	-	619,039	-	619,039

December 31, 2021

	Level 1	Level 2	Level 3	Total
Measured on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Bond investments	$ 725,800	$ 1,449,729	$ -	$ 2,175,529
Commercial paper	-	10,260,772	-	10,260,772
Others	1,079,964	-	399,497	1,479,461
Financial assets at FVTOCI				
Stock investments	9,633,709	-	946,623	10,580,332
Bond investments	53,799,182	63,008,979	-	116,808,161
Negotiable certificates of deposit issued by the Central Bank	-	70,115,980	-	70,115,980
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	-	10,354,365	-	10,354,365
Derivative financial instruments				
Assets				
Financial assets at FVTPL	89,623	9,721,065	177,924	9,988,612
Financial assets for hedging	-	251,279	-	251,279
Liabilities				
Financial liabilities at FVTPL	-	9,774,922	178,401	9,953,323
Financial liabilities for hedging	-	73,006	-	73,006

June 30, 2021

	Level 1	Level 2	Level 3	Total
Measured on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Bond investments	$ 2,804,360	$ 1,464,549	$ -	$ 4,268,909
Commercial paper	-	12,363,103	-	12,363,103
Others	423,862	-	404,923	828,785
Financial assets designated as at FVTPL	-	370,031	-	370,031

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Stock investments	$ 9,593,133	$ -	$ 960,369	$ 10,553,502
Bond investments	64,117,427	64,259,806	-	128,377,233
Negotiable certificates of deposit issued by the Central Bank	-	64,722,309	-	64,722,309
Treasury bills	-	498,397	-	498,397
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	-	10,641,969	-	10,641,969
Derivative financial instruments				
Assets				
Financial assets at FVTPL	134,313	34,835,138	150,592	35,120,043
Financial assets for hedging	-	161,329	-	161,329
Liabilities				
Financial liabilities at FVTPL	-	36,813,697	150,701	36,964,398
Financial liabilities for hedging	-	301,767	-	301,767

(Concluded)

2) Valuation technique of fair value

For financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income, fair value is determined at quoted market prices. When market prices of the Bank's various financial instruments are not readily available, fair values are estimated by using appropriate valuation models or the counterparties' transaction prices. The information used by the Bank for fair value estimation is consistent with that generally used in the market, and the pricing models used are commonly recognized by the industry as helpful tools in determining fair value. Related framework of the methodology can be outlined as analytical solution model (such as Black-Scholes model) and numeric method model (such as Monte Carlo simulation).

3) Fair value adjustment

a) The limitation of valuation techniques and uncertain inputs

Valuation techniques incorporate assumptions that depend on the financial instrument type and available market data. However, certain inputs used in valuation techniques may be less readily determinable. In these circumstances, a valuation model would use additional parameters and/or model assumptions-model risk, liquidity risk, and so on to make fair value adjustments. Thus, on the basis of its valuation management policies and relevant control procedures, the management considers valuation adjustments as necessary and appropriate. For the Bank and its subsidiaries to make appropriate valuation adjustments, all parameters and price information are evaluated thoroughly and market conditions are taken into consideration.

b) Credit risk valuation adjustment

Credit risk valuation adjustment consists of credit valuation adjustment and debit valuation adjustment, and definitions are the following:

The credit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the counterparty may default and that the Corporation may not receive the full market value of the transactions.

The debit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the Corporation may default, and that the Corporation may not pay full market value of the transactions.

The Bank does credit valuation adjustment using probability of default (PD) multiplied by loss given default (LGD) multiplied by exposure at default (EAD). To estimate the PD to be used as basis for the allowance for doubtful accounts, the Bank refers to the ratings published by international credit rating institutions, valuation models and valuation method specified in IFRS 9.

For EAD calculation, the market values of OTC derivative instruments are estimated in calculating EAD. The Bank uses PD no lower than 60%.

The above parameters used in risk valuation adjustment that is based on the fair values of financial instruments reflect the credit risks of counterparties and the credit quality of the Bank.

4) Transfer between Level 1 and Level 2

There was no transfer of financial instrument between Level 1 and Level 2 for the six months ended June 30, 2022 and 2021.

5) Reconciliation of Level 3 items of financial instruments

The movements of financial assets with Level 3 fair value were as follows:

For the Six Months Ended June 30, 2022

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		Profit and Loss	Other Compre-hensive Income	Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL	$ 577,421	$ 455,995	$ -	$ -	$ -	$ (65,884)	$ -	$ 967,532
Financial assets at FVTOCI	946,623	-	25,403	-	-	-	-	972,026

For the Six Months Ended June 30, 2021

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		Profit and Loss	Other Compre-hensive Income	Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL	$ 157,737	$ 6,255	$ -	$ 404,923	$ -	$ (13,400)	$ -	$ 555,515
Financial assets at FVTOCI	1,089,139	-	(128,770)	-	-	-	-	960,369

The movements of financial liabilities with Level 3 fair value were as follows:

For the Six Months Ended June 30, 2022

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Profit and Loss	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL	$ 178,401	$ 456,578	$ -	$ -	$ (62,968)	$ -	$ 572,011

For the Six Months Ended June 30, 2021

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Profit and Loss	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL	$ 157,804	$ 4,863	$ -	$ -	$ (11,966)	$ -	$ 150,701

In relation to the above, valuation gains and losses are recognized in gain and loss in the period. As of June 30, 2022 and 2021, the gains and losses on assets and liabilities were loss of $32,177 thousand and $63 thousand, respectively.

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

The table below lists quantitative unobservable inputs of financial instruments with Level 3 fair value:

	Fair Value at June 30, 2022	**Valuation Technique(s)**	**Significant Unobservable Inputs**	**Range**	**The Relationship Between Inputs and Fair Value**
Repetitive basis to fair value measurement items					
Non-derivative financial instruments					
Financial assets at FVTPL	$ 395,467	Quoted price of counterparties	Liquidity discount ratios	Beyond estimation	Use quoted price of counterparties, because the market is not liquid, resulting in a lack of observable market liquidity reduction factors, so no items are disclosed
Financial assets at FVTOCI	972,026	Market approach	P/B, Lack of liquidity discount	1.12 27.2%	Multiplier is proportional to fair value, fair value is inversely proportional to discount for lack of liquidity
		Net asset method	Lack of liquidity discount and control discount	11%	Fair value is inversely proportional to discount for lack of liquidity and control
Derivative financial instruments					
Financial assets at FVTPL	572,065	Hull White Model, Libor Market Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, shift Parameter/ liquidity discount ratios	Adjusted daily based on market information /beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; use quoted price of counter-parties, because the market is not liquid, resulting in a lack of observable market liquidity reduction factors, so no items are disclosed
Financial liabilities at FVTPL	572,011	Hull White Model, Libor Market Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, shift Parameter/ liquidity discount ratios	Adjusted daily based on market information /beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; use quoted price of counter-parties, because the market is not liquid, resulting in a lack of observable market liquidity reduction factors, so no items are disclosed

	Fair Value at December 31, 2021	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial instruments					
Financial assets at FVTPL	$ 399,497	Quoted price of counterparties	Liquidity discount ratios	Beyond estimation	Use quoted price of counterparties, because the market is not liquid, resulting in a lack of observable market liquidity reduction factors, so no items are disclosed
Financial assets at FVTOCI	946,623	Market approach	P/E, Lack of liquidity discount	12.47 27.2%	Multiplier is proportional to fair value, fair value is inversely proportional to discount for lack of liquidity
		Net asset method	Lack of liquidity discount and control discount	11%	Fair value is inversely proportional to discount for lack of liquidity and control
Derivative financial instruments					
Financial assets at FVTPL	177,924	Hull White Model, Libor Market Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, shift Parameter/ liquidity discount ratios	Adjusted daily based on market information /beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; use quoted price of counter-parties, because the market is not liquid, resulting in a lack of observable market liquidity reduction factors, so no items are disclosed
Financial liabilities at FVTPL	178,401	Hull White Model, Libor Market Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, shift Parameter/ liquidity discount ratios	Adjusted daily based on market information /beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; use quoted price of counter-parties, because the market is not liquid, resulting in a lack of observable market liquidity reduction factors, so no items are disclosed

	Fair Value at June 30, 2021	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial instruments					
Financial assets at FVTPL	$ 404,923	Quoted price of counterparties	Liquidity discount ratios	Beyond estimation	Use quoted price of counterparties because the market is not liquid, resulting in a lack of observable market liquidity reduction factors, so no items are disclosed
Financial assets at FVTOCI	960,369	Market approach	P/E, Lack of liquidity discount	13.22 27.2%	Multiplier is proportional to fair value, fair value is inversely proportional to discount for lack of liquidity.
		Net asset method	Lack of liquidity discount and control discount	11%	Fair value is inversely proportional to discount for lack of liquidity and control.
Derivative financial instruments					
Financial assets at FVTPL	150,592	Hull White Model, Libor Market Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, and shift Parameter/ liquidity discount ratios	Adjusted daily based on market information /beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; use quoted price of counterparties because the market is not liquid, resulting in a lack of observable market liquidity reduction factors, so no items are disclosed
Financial liabilities at FVTPL	150,701	Hull White Model, Libor Market Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, and shift Parameter/ liquidity discount ratios	Adjusted daily based on market information /beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; use quoted price of counterparties because the market is not liquid, resulting in a lack of observable market liquidity reduction factors, so no items are disclosed

7) Pricing process of Level 3 fair value

The Bank's risk management department is responsible for the pricing process of Level 3 fair value. The pricing models and conditions assumed are conform to market practice; the basis of the theory are commonly recognized by the industry as a basis of valuation in conducting measurement of fair value. Further, the department confirms whether the sources of the information are independent or not, reasonably reflecting the prices in normal circumstances, and examines and adjusts fair value periodically to insure results of the valuation is reasonable.

c. Fair value of financial instruments not carried at fair value

1) Except for debt investments measured at amortized cost and bank debentures payable, the carrying amounts of the financial instruments not measured at fair value are approximate to their fair value; thus, their fair values are not disclosed.

2) Information of fair value hierarchy

June 30, 2022

	Level 1	Level 2	Level 3	Total
Financial assets				
Debt investments measured at amortized cost	$ -	$ 19,215,836	$ -	$ 19,215,836
Financial liabilities				
Bank debentures payable	-	25,300,601	-	25,300,601

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets				
Debt investments measured at amortized cost	$ -	$ 13,033,193	$ -	$ 13,033,193
Financial liabilities				
Bank debentures payable	-	25,349,007	-	25,349,007

June 30, 2021

	Level 1	Level 2	Level 3	Total
Financial assets				
Debt investments measured at amortized cost	$ -	$ 13,418,974	$ -	$ 13,418,974
Financial liabilities				
Bank debentures payable	-	25,381,829	-	25,381,829

3) Valuation techniques

a) Because the maturity date is close to the balance sheet date, the fair value of the financial assets can be reasonably estimated by referring to their book value in the balance sheet. The technique applies to cash and cash equivalent, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, guarantee deposits paid, deposits from the Central Bank and banks, notes and bonds issued under repurchase agreements, payables, deposits and remittances, other financial liabilities and guarantee deposits received, etc.

b) The floating rates are usually adopted as the interest of the loan, which reflects market interest; thus, it is reasonable to estimate the fair value of a loan by referring to its book value together with the consideration in the collectability.

c) The fair value of debt investments measured at amortized cost is estimated by referring to quote price from electronic bond trading system of Taipei Exchange or Bloomberg.

d) The fair value of the payables of the Bank debenture is estimated by referring to the discounted expected cash flow, of which the discount rate is reference to interest rates with similar maturity date.

46. FINANCIAL RISK MANAGEMENT

a. Risk management policies and framework

The Bank has an appropriate risk management system covering market, credit and operating risks and follows risk management procedures.

The Bank also analyzes, monitors and prepares reports on overall risk management. These reports are submitted to senior management, to committees with risk management functions and to the board of directors. Updates on actual risks encountered when there are significant changes in macroeconomic conditions or in the financial market are generated for more effective risk monitoring and handling.

The Bank's risk management focuses not only on individual departments but also the overall impact of risks on a corporate level.

The Bank identifies risks using consistent standard asset portfolio classifications, with classifications correlating with each other, and establishes a consistent measure applicable to the different types of exposure.

The Bank's risk management groupings are as follows:

1) Board of directors

The Bank's board of directors supervises the operation of a risk management structure and promotes a risk management culture, ensures the efficiency of risk management, reviews important risk control reports and bears the ultimate responsibility for risk management.

2) Risk management committee

The risk management committee supervises the implementation of risk management policies, inspects risk control reports and deals with related issues.

3) Business and management departments

The departments are responsible for ensuring compliance with risk management regulations while conducting operations to control daily risks.

4) Risk management department

The risk management department is a unit independent from business departments and is in charge of risk management planning and system operation and providing overall risk management information to senior management and the board of directors.

5) Audit department

The department is in charge of establishing all risk mechanisms and auditing the implementation of and compliance with these mechanisms.

Risk management is a joint duty of all the Bank's departments including business, legal, regulatory compliance, finance, accounting, administration, operating, audit department and so on, that should be done diligently through interdepartmental coordination in overall risk management.

b. Credit risk

1) Definition and source of credit risk

Credit risk is the risk of financial loss to the Bank if a creditor, debtor or counterparty fails to meet its contractual obligations or has negative changes in its credit quality. Credit risk management covers all operating activities that involve credit risk, including credit business, call loans to banks, banking book securities investment, financial derivatives, repurchase agreement transactions and other operating activities.

2) Credit risk management policy

The Bank has standard control procedures for credit risk identification, measurement, and generation of disclosures and reports to be used for a rational identification, measurement, disclosure, and effective control of credit risk. These procedures include applying standard screening criteria for target clients, credit investigations for credit approval or rejection, careful deliberation of applications for certain exceptions, credit review, management of non-performing loans and requests, and control over all related documents and information. The Bank also adjusts the credit risk structure accordingly so that credit portfolios are within the Bank's risk appetite. Further, the Bank assesses the changes in the economy to adjust risk structure and develops strategies in response to these changes to raise shareholders' value and ensure the risk is bearable.

Based on the risk management policies, the management process is carried out as follows:

a) Credit investigation

In screening target clients, the Bank asks for all the necessary documents from the clients in order to get an accurate understanding of their background and control credit portfolios within the acceptable range.

b) Credit approval

Cases that have passed the credit investigation are reviewed by the credit authority of each level. The credit authorities approve credits in accordance with the Bank's credit limit structure and authorization policies. The Bank's credit approval structure and policies are based not only on the Banking Act and other government rules for credit extended to the same person or affiliated enterprises/groups, industry and country, but also on the professionalism of the Bank's credit authorities and the quality of asset control. The amounts of credit authorized are reviewed by the credit authorities occasionally.

c) Post-lending loan review

The corporate banking segment of the Bank tracks the borrowers' financial and business conditions, generates risk assessment reports on credit asset portfolios regularly, operates a risk warning system and adjusts business development strategies as needed to cope with economic conditions and changes in asset quality through the use of an account management scheme and a regular-reassessment system. For consumer banking business, they track and control the changes in asset quality through the use of regular-assessment system, and handle the changes in borrowers' credit quality instantly through the use of regular-reassessment system. For delinquent loans, the Bank uses the concentration management method, together with information systems and analysis models, to enhance and expedite the collection of non-performing loans.

d) Risk report and information disclosures

The risk management department is responsible for measuring risk, preparing quarterly risk report, including all risk management index and risk capital requirement assessment and reporting to risk management committee and board of directors.

3) Credit risk hedge or mitigation policies

Considering the asset hedge market and liquidity, the Bank takes the necessary risk reduction strategies, mainly on credit objects and hedge transactions involving assets with doubtful collectability or a long period of duration, including methods for increasing appropriate collateral with good liquidity, or transferring to credit guarantee institutions such as the Small and Medium Enterprise Credit Guarantee Fund of Taiwan to maximize the collateral. For determining the value of foreclosed collateral, liquid securities will be evaluated at their market value; other collateral will be subject to field surveys by appraisal institution for their fair value assessment, which will be used as a basis for demanding additional collateral or adjusting the credit amount to ensure that risks are within the Bank's tolerance range.

If clients are found to have bad credit features, the Bank will strengthen the monitoring of the credit of borrower and guarantor and take measures, such as demanding an early repayment or additional collateral in mitigating the Bank's credit risk. In addition, the Bank sets different credit limits for counterparties involved in derivative transactions and enters into collateral support agreements with counterparties to ensure that risks are under control.

4) Maximum exposure to credit risk

The maximum exposure to credit risk from on-balance sheet financial assets was equal to their carrying values; without taking into collateral or other credit enhancements and unused revolving credit without credit card and cash card, the maximum exposure of credit risk from irrevocable off-balance sheet financial instruments was as follows:

Items	**June 30, 2022**	**December 31, 2021**	**June 30, 2021**
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	$ 55,502,349	$ 57,251,227	$ 54,732,106

The Bank believes that stringent selection processes and conducting regular review afterwards are the reasons why they can continuously control and minimize the credit risk exposure from their off-balance sheet items.

The Bank and its subsidiaries' carrying amount of maximum exposure credit risk for major credit assets were as follows:

	Discounts and Loans					
	June 30, 2022					
			Stage 3			
	Stage 1 12 Months Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	The Adjustment under the Regulation/ Discount	Total
Short-term loans	$ 51,586,219	$ 679,574	$ 656,047	$ -		$ 52,921,840
Short-term secured loans	21,416,602	-	2,250	-		21,418,852
Medium-term loans	138,976,242	253,145	269,520	-		139,498,907
Medium-term secured loans	82,203,435	89,160	33,317	-		82,325,912
Long-term loans	7,454,823	500,177	698,329	-		8,653,329
Long-term secured loans	87,612,586	100,878	134,497	-		87,847,961
Overdue loans	-	-	287,391	-		287,391
Export negotiations	26,893	-	-	-		26,893
Total carrying amount	389,276,800	1,622,934	2,081,351	-		392,981,085
Allowance for bad debts	(677,658)	(229,977)	(454,073)	-		(1,361,708)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					$ (3,643,298)	(3,643,298)
Discounts on loans					(55,361)	(55,361)
Total	$ 388,599,142	$ 1,392,957	$ 1,627,278	$ -	$ (3,698,659)	$ 387,920,718

	Receivables					
	June 30, 2022					
			Stage 3			
	Stage 1 12 Months Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	The Adjustment under the Regulation	Total
Credit card	$ 2,818,263	$ 190,782	$ 111,629	$ -		$ 3,120,674
Accounts receivable - forfaiting	6,026,083	-	-	-		6,026,083
Accounts receivable factoring without recourse	12,405,489	9	61	-		12,405,559
Acceptances	69,733	-	-	-		69,733
Installment accounts and lease receivables	6,450,577	20,074	39,823	-		6,510,474
Total carrying amount	27,770,145	210,865	151,513	-		28,132,523
Allowance for bad debts	(47,032)	(17,479)	(32,358)	-		(96,869)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					$ (262,051)	(262,051)
Total	$ 27,723,113	$ 193,386	$ 119,155	$ -	$ (262,051)	$ 27,773,603

	Discounts and Loans					
	December 31, 2021					
			Stage 3			
	Stage 1 12 Months Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	The Adjustment under the Regulation/ Discount	Total
Short-term loans	$ 50,287,343	$ 690,392	$ 721,003	$ -		$ 51,698,738
Short-term secured loans	22,143,638	4,294	41	-		22,147,973
Medium-term loans	129,689,798	102,722	295,556	-		130,088,076
Medium-term secured loans	80,415,750	90,683	26,821	-		80,533,254
Long-term loans	6,412,535	493,158	684,389	-		7,590,082
Long-term secured loans	86,021,951	60,225	146,068	-		86,228,244
Overdue loans	-	-	278,416	-		278,416
Export negotiations	32,089	-	-	-		32,089
Total carrying amount	375,003,104	1,441,474	2,152,294	-		378,596,872
Allowance for bad debts	(856,760)	(102,498)	(499,580)	-		(1,458,838)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					$ (3,415,417)	(3,415,417)
Discounts on loans					(52,228)	(52,228)
Total	$ 374,146,344	$ 1,338,976	$ 1,652,714	$ -	$ (3,467,645)	$ 373,670,389

	Receivables					
	December 31, 2021					
			Stage 3			
	Stage 1 12 Months Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	The Adjustment under the Regulation	Total
Credit card	$ 2,994,684	$ 202,148	$ 99,459	$ -		$ 3,296,291
Accounts receivable - forfaiting	5,624,574	-	-	-		5,624,574
Accounts receivable factoring without recourse	8,151,934	46	81	-		8,152,061
Acceptances	190,903	-	-	-		190,903
Installment accounts and lease receivables	5,705,389	4,762	44,493	-		5,754,644
Total carrying amount	22,667,484	206,956	144,033	-		23,018,473
Allowance for bad debts	(47,554)	(18,614)	(30,164)	-		(96,332)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					$ (195,728)	(195,728)
Total	$ 22,619,930	$ 188,342	$ 113,869	$ -	$ (195,728)	$ 22,726,413

	Discounts and Loans					
	June 30, 2021					
			Stage 3			
	Stage 1 12 Months Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	The Adjustment under the Regulation/ Discount	Total
Short-term loans	$ 50,398,038	$ 853,063	$ 760,775	$ -		$ 52,011,876
Short-term secured loans	23,425,195	-	-	-		23,425,195
Medium-term loans	133,906,949	102,940	234,374	-		134,244,263
Medium-term secured loans	81,071,431	75,168	42,361	-		81,188,960
Long-term loans	5,106,468	445,184	688,982	-		6,240,634
Long-term secured loans	82,917,986	105,922	138,622	-		83,162,530
Overdue loans	-	-	367,134	-		367,134
Export negotiations	143,104	-	-	-		143,104
Total carrying amount	376,969,171	1,582,277	2,232,248	-		380,783,696
Allowance for bad debts	(837,633)	(177,527)	(506,636)	-		(1,521,796)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					$ (3,576,116)	(3,576,116)
Discounts on loans					(63,963)	(63,963)
Total	$ 376,131,538	$ 1,404,750	$ 1,725,612	$ -	$ (3,640,079)	$ 375,621,821

	Receivables					
	June 30, 2021					
			Stage 3			
	Stage 1 12 Months Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	The Adjustment under the Regulation	Total
Credit card	$ 2,653,541	$ 200,088	$ 113,860	$ -		$ 2,967,489
Accounts receivable - forfaiting	5,325,417	-	-	-		5,325,417
Accounts receivable factoring without recourse	8,167,845	54	97	-		8,167,996
Acceptances	141,328	-	-	-		141,328
Installment accounts and lease receivables	4,712,191	39,422	36,965	-		4,788,578
Total carrying amount	21,000,322	239,564	150,922	-		21,390,808
Allowance for bad debts	(41,764)	(26,948)	(33,878)	-		(102,590)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					$ (187,823)	(187,823)
Total	$ 20,958,558	$ 212,616	$ 117,044	$ -	$ (187,823)	$ 21,100,395

Maximum exposures to credit risk of financial instruments not applicable to impairment were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets at FVTPL			
Debt instruments	$ 15,361,950	$ 12,835,798	$ 17,239,693
Derivatives instruments	30,506,029	9,988,612	35,120,043

5) Collateral and credit enhancements

The Bank and its subsidiaries' pledged collateral associated with credit include discounts, loans and receivables which contain real estate, movable property (e.g.: Machinery), rights certificates and securities (e.g.: Certificates of deposit, stocks), notes receivable arose from borrowing of business transactions, guarantees provided by government public authority at all levels, banks or guarantee institutions authorized by government (e.g.: SME credit guarantee fund and letter of credit guaranteed) and collateral set in accordance with the laws including pledge, registration of land rights. Financial assets held by the Bank are part of corporate bonds guaranteed by financial institutions as credit enhancement.

The Bank and its subsidiaries observe collateral's value of financial instrument closely, and consider recognizing impairment for financial assets with credit impairment. The Bank and its subsidiaries' financial assets with impairment, and collateral's values for mitigation of potential losses were as follows:

	June 30, 2022			
	Total Carrying Amount	**Credit Impairment**	**Amount of Risk Exposure (Amortized Cost)**	**Collateral Value**
Impaired asset:				
Receivables:				
Credit card	$ 111,629	$ 22,533	$ 89,096	$ -
Accounts receivable factoring without recourse	61	2	59	-
Installment accounts and lease receivables	39,823	9,823	30,000	-
Discounts and loans	2,081,351	454,073	1,627,278	219,117
Total amount of impaired asset	$ 2,232,864	$ 486,431	$ 1,746,433	$ 219,117

	December 31, 2021			
	Total Carrying Amount	**Credit Impairment**	**Amount of Risk Exposure (Amortized Cost)**	**Collateral Value**
Impaired asset:				
Receivables:				
Credit card	$ 99,459	$ 18,757	$ 80,702	$ -
Accounts receivable factoring without recourse	81	4	77	-
Installment accounts and lease receivables	44,493	11,403	33,090	-
Discounts and loans	2,152,294	499,580	1,652,714	226,587
Total amount of impaired asset	$ 2,296,327	$ 529,744	$ 1,766,583	$ 226,587

	June 30, 2021			
	Total Carrying Amount	Credit Impairment	Amount of Risk Exposure (Amortized Cost)	Collateral Value
Impaired asset:				
Receivables:				
Credit card	$ 113,860	$ 25,462	$ 88,398	$ -
Accounts receivable factoring without recourse	97	6	91	-
Installment accounts and lease receivables	36,965	8,410	28,555	-
Discounts and loans	2,232,248	506,636	1,725,612	233,574
Total amount of impaired asset	$ 2,383,170	$ 540,514	$ 1,842,656	$ 233,574

The amount of the Bank and its subsidiaries' financial assets which has been written off and still has recourse activities of outstanding contract amount are $277,483 thousand and $251,951 thousand for the six months ended June 30, 2022 and 2021.

6) Concentration of credit risk

Concentration of credit risk arise when there is only one counterparty, or when there is more than one counterparty but they have comparable economic characteristics, or when such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

Credit risk concentration can arise from a bank's assets, liabilities, or off-balance sheet items through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credits, due from and call loans to banks, investments, receivables and derivatives, etc. The Bank maintained a diversified loan portfolio to mitigate the credit risk concentration to same customers; total transactions of same customers in discounts and loans are not material. To manage credit risk concentration, the Bank maintains a diversified portfolio and monitors its exposure continually. The Bank's most significant concentrations of credit risk are summarized as follows:

a) By industry

	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%
Public and private enterprises	$ 239,684,788	60.99	$ 230,312,065	60.83	$ 238,851,588	62.73
Natural persons	153,076,297	38.95	148,044,807	39.10	141,654,108	37.20
Non-profit organizations	220,000	0.06	240,000	0.07	278,000	0.07
Total	$ 392,981,085	100.00	$ 378,596,872	100.00	$ 380,783,696	100.00

b) By region

	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%
Domestic	$ 305,213,666	77.67	$ 299,569,449	79.13	$ 289,798,268	76.11
Overseas	87,767,419	22.33	79,027,423	20.87	90,985,428	23.89
Total	$ 392,981,085	100.00	$ 378,596,872	100.00	$ 380,783,696	100.00

c) By collateral

	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%
Credit	$ 201,367,084	51.24	$ 189,661,926	50.10	$ 192,986,232	50.68
Secured						
Real estate	167,480,111	42.62	161,608,496	42.69	155,003,022	40.70
Guarantees	12,085,291	3.08	14,636,496	3.87	17,654,907	4.64
Financial collateral	6,576,967	1.67	6,674,661	1.76	9,136,346	2.40
Other	5,471,632	1.39	6,015,293	1.58	6,003,189	1.58
Total	$ 392,981,085	100.00	$ 378,596,872	100.00	$ 380,783,696	100.00

7) Management policies on foreclosed collateral

Foreclosed collateral are recorded at cost, using lower-at-cost or net fair value as of the balance sheet date. If collateral were not disposed of within the statutory period, the Bank should apply for an extension of the disposal period and increase its provision for possible losses, if competent authority requires.

	June 30, 2022	December 31, 2021	June 30, 2021
Foreclosed collateral	$ 588,985	$ 588,985	$ 588,985
Allowance for impairment	(588,985)	(588,985)	(588,985)
	$ -	$ -	$ -

Foreclosed collateral will be sold when it is actually available for sale. The foreclosed collateral is classified as other assets in balance sheet. The difference amount between the disposition price and the carrying amount is recognized as net other non-interest income.

8) Disclosures required under the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Asset quality of non-performing loans and overdue receivables

Items			June 30, 2022				
			Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 24,946	$ 92,313,877	0.03%	$ 1,167,629	4,680.60%
	Unsecured		237,232	158,593,005	0.15%	1,780,806	750.66%
Consumer banking	Mortgage (Note 4)		29,790	72,358,368	0.04%	1,086,038	3,645.61%
	Cash card		102,167	11,073,532	0.92%	213,607	209.08%
	Micro credit (Note 5)		276,911	31,649,302	0.87%	469,026	169.38%
	Others (Note 6)	Secured	14,221	26,941,756	0.05%	287,374	2,020.75%
		Unsecured	-	51,245	-	526	-
Total			685,267	392,981,085	0.17%	5,005,006	730.37%
			Overdue Receivables	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			$ 27,957	$ 3,120,674	0.90%	$ 53,497	191.36%
Accounts receivable factoring without recourse (Note 7)			6	12,405,559	0.00%	158,711	2,804,583.85%

Items			June 30, 2021				
			Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 10,685	$ 93,232,528	0.01%	$ 1,186,067	11,100.58%
	Unsecured		161,674	155,177,325	0.10%	1,929,555	1,193.48%
Consumer banking	Mortgage (Note 4)		8,165	67,969,682	0.01%	1,020,294	12,495.71%
	Cash card		108,964	11,895,264	0.92%	287,257	263.63%
	Micro credit (Note 5)		234,933	25,839,231	0.91%	389,687	165.87%
	Others (Note 6)	Secured	20,568	26,595,254	0.08%	284,286	1,382.18%
		Unsecured	-	74,412	-	766	-
Total			544,989	380,783,696	0.14%	5,097,912	935.42%
			Overdue Receivables	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			$ 21,844	$ 2,967,489	0.74%	$ 59,608	272.88%
Accounts receivable factoring without recourse (Note 7)			15	8,167,996	0.00%	93,363	621,383.57%

Note 1: Non-performing loans are reported in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". Overdue credit card receivables are regulated by Order No. 0944000378 announced by the FSC on July 6, 2005.

Note 2: NPL ratio = NPL ÷ Total loans. For credit card business: Delinquency ratio = Overdue credit card receivables ÷ Credit card receivables balance.

Note 3: Coverage ratio = LLR ÷ NPL. Coverage ratio of credit receivables: Allowance for credit losses ÷ Overdue credit card receivables.

Note 4: Residential mortgage refers to financing obtained to buy, build, or fix houses owned by the borrower or the borrower's spouse or children, with the house used as loan collateral.

Note 5: Micro credit is covered by a Banking Bureau pronouncement dated December 19, 2005 (Order No. 09440010950) and is excluded from credit card and cash card loans.

Note 6: "Others" under consumer loans refers to secured or unsecured loans other than mortgage loans, cash cards, micro credit, and credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Order No. 0945000494), allowance for bad debt is recognized once no compensation is made by a factor or insurance company within three months for accounts receivable factoring without recourse.

b) Exemption on non-performing loans and overdue receivables

Items	June 30, 2022		June 30, 2021	
	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
Amounts of executed contracts on negotiated debts not reported (Note 1)	$ 3,951	$ 65	$ 5,191	$ 77
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	66,391	5,899	58,630	5,995
Total	$ 70,342	$ 5,964	$ 63,821	$ 6,072

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

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau letters dated September 15, 2008 (Order No. 09700318940) and dated September 20, 2016 (Order No. 10500134790).

c) Concentration of credit risk

June 30, 2022

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth (%)
1	A Group - manufacture of liquid crystal panel and components	$ 6,375,946	10.72
2	B Group - activities of other holding companies	6,270,762	10.55
3	C Group - manufacture of computers	5,509,149	9.26
4	D Group - real estate development activities	5,481,125	9.22
5	E Group - real estate development activities	4,808,000	8.09
6	F Group - manufacture of chemical material	4,178,244	7.03
7	G Group - real estate activities for sale and rental	4,131,220	6.95
8	H Group - wired telecommunications activities	3,977,664	6.69
9	I Group - financial leasing	3,856,059	6.48
10	J Group - wholesaler of electronic communication equipments and parts	3,252,030	5.47

June 30, 2021

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth (%)
1	E Group - real estate development activities	$ 6,580,000	10.01
2	B Group - activities of other holding companies	6,447,698	9.81
3	F Group - wireless telecommunications activities	6,014,138	9.15
4	A Group - manufacture of liquid crystal panel and components	5,584,895	8.50
5	K Group - manufacture of electronic passive devices	5,129,070	7.80
6	L Group - manufacture of liquid crystal panel and components	4,407,732	6.71
7	G Group - real estate activities for sale and rental	4,251,459	6.47
8	M Group - smelting and refining of iron and steel	3,798,755	5.78
9	D Group - real estate activities for sale and rental	3,554,615	5.41
10	N Group - manufacture of paper	3,193,640	4.86

9) Judgments of a significant increase in credit risk since initial recognition

Credit business

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

a) Quantitative index

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

b) Qualitative index

i. Changes in the current or predicted operating, financial, or economic conditions that are expected to cause a significant change in the ability of the borrower to perform debt obligations.

ii. Actual or expected significant changes in borrower's operating results.

iii. The credit risk of other credit contracts of the same borrower has increased significantly.

iv. After evaluation, it can be included if the borrowers do not suffer from difficulties at the time of negotiation in individual credit assets.

The various types of credit assets of the Bank which are not regarded as low credit risk can be assumed that the credit risk of such assets has not increased significantly since initial recognition.

10) Definition of default and credit impaired financial assets

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

a) Quantitative index

i. When the borrower's payment of the contract is overdue for more than 90 days.

ii. Changes in external rating of guarantor or issuer of the notes or bonds.

b) Qualitative index

For credit assets, if there is evidence that the borrower will be unable to settle the loan, or has significant financial difficulties, such as:

i. Borrower has been bankrupt or may file a petition for bankruptcy or financial restructuring.

ii. Borrower's loan contract has been reclassified to non-performing loans or has been written off as bad debts by the Bank.

iii. Due to financial or contractual reasons related to the financial difficulties of the borrower, the creditor gives the borrower concessions that would not have been considered or agreed (agreements).

iv. For cases involving the sale of non-performing loans and suits.

v. Payment by the Bank to fulfill off-balance sheet financial contracts (e.g., guarantee advances).

The aforementioned definition of default and credit impairment applied to the credit assets held by the Bank is consistent with the definition used for internal credit risk management purposes, and is used in the relevant impairment assessment model.

The credit asset will be restored to the state of compliance and is not considered as the credit asset of default and credit impairment if it no longer meets the definition of default and credit impairment.

The debt instrument investment may also be deemed to have a credit impairment if the rating of the notes or bonds of the guarantor or issuer downgrade significantly, for example, from an investment grade to a junk bond rating, or if one or more of the following conditions are met:

i. The guarantor or issuer cannot repay the principal or interest on the maturity date of the note or bond.

ii. Before the maturity of the note or bond, it can be objectively determined that the guarantor or issuer may not be able to repay the principal and interest on time.

iii. Before the maturity of the note or bond, the guarantor or issuer is in bankruptcy or in reorganization or taken over due to financial difficulties.

iv. Before the maturity of the note or bond, the guarantor or issuer closes down or is in the process of other financial restructuring.

11) Write-off policy

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

a) When the timing for statutory write-off is reached.

b) There is a need to expedite the reduction of non-performing loans or for certain businesses that need to comply with the requirements of the governing authorities.

c) Written off by the governing authorities or the financial inspection authorities.

d) If it is difficult to dispose of the collateral or it may take a long time to recover the loan, the creditor’s balance shall be written off as bad debt within the period which is specified in a).

e) Obtaining the debt certificate or supporting documents with the assessment that credit assets evaluated as impossible to obtain repayment.

12) Amendment of contract cash flows of financial assets

The Bank may amend the contract cash flows of loans as a result of financial difficulties of borrowers or improvement of problematic debtors' recovery rates, etc. The amendments to contract cash flows include the extension of the contract period, interest payment time modification, contract interest modification, or exemption of part of the debts.

13) Measurement of expected credit losses

For the purpose of measuring expected credit losses, the Bank divides credit assets into the following groups; for corporate banking, they are grouped according to scale, while for consumer banking, they are grouped according to product characteristics:

Business	Group	Definition
Corporate banking	Large enterprises + Stage 1	Credit risk has not increased significantly
	Small and medium enterprises + Stage 1	
	Large enterprises + Stage 2	Credit risk has increased significantly
	Small and medium enterprises + Stage 2	
	Large enterprises + Stage 3	Credit impaired
	Small and medium enterprises + Stage 3	
Consumer banking	Product + Stage 1	Credit risk has not increased significantly
	Product + Stage 2	Credit risk has increased significantly
	Product + Stage 3	Credit impaired

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

To measure the expected credit losses, the Bank takes into account the borrower's probability of default ("PD") for the next 12 months and the period of existence, and includes the loss given default ("LGD") and exposure at default ("EAD"), taking into account the impact of the time value of money when calculating the 12 month and lifetime expected credit losses, respectively.

Probability of default is the probability of default of a borrower or counterparty over a period of time; the loss given default refers to the probability of loss of the borrower or counterparty due to inability to recover the debt at the end of the reminder procedures. The probability of default and loss given default used in the impairment assessment of the Bank's credit business are based on internal historical information (such as credit loss experience, etc.) of each group, adjusted based on the current observable data and forward-looking general economic information (such as GDP and employment rate, etc.) which are used to calculate the probability of default on expected losses.

The exposure at default means that the Bank can claim compensation for the carrying amount held by borrowers or the counterparty after borrowers or the counterparty have defaulted. The Bank has taken into account the amount of credits that have been used and the amounts that may be used in the future for the exposure at default amount. The amount of credits is used as an assessment of exposure at default of on-balance sheet credits; off-balance sheet or committed credits that are not yet used are based on the corresponding credit conversion factor (CCF) which considered the credits that are expected to be used within 12 months or expected lifetime, to calculate exposure at default of expected credit loss.

14) Considerations of forward-looking information

The Bank incorporates forward-looking information when measuring expected credit losses on loans and receivables. Based on the business characteristics, the Bank selected the overall indicators that are appropriate as adjustment parameters for default probability of lending. Based on the type of business, the Bank used different overall indicators. The Corporate banking business takes the economic growth rate (GDP) as an adjustment parameter; the consumer banking business takes employment rate variation as adjustment parameter. The Bank also makes reference to external information (predicted value of renowned economic forecasting institutions at home and abroad) or group expert assessments to provide forecasting information on economic factors quarterly, such as using the change of Leading Index or Interbank offered rate as basic economic conditions; it contains the best estimate of the economic situation in the next five years.

When the Bank adjusts the parameters of the credit assets risks quarterly, the overall indicators mentioned above, such as GDP, changes of employment rate, and basic economic conditions, etc. have been adjusted due to COVID-19.

The measurement of expected credit loss of the Bank’s debt instruments is based an external credit migration matrix method to calculate the Probability of default (PD), which is incorporated in the information of forward-looking factors.

15) Changes of provisions for off-balance-sheet guarantees and loan commitments

For the six months ended June 30, 2022:

	Stage 1	Stage 2		Stage 3				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance at January 1	$ 102,916	$ 443	$ -	$ 448	$ -	$ 103,807	$ 231,078	$ 334,885
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(2)	2	-	-	-	-		-
Transferred to credit-impaired financial assets	-	-	-	-	-	-		-
Transferred to 12 months ECL	268	(136)	-	(132)	-	-		-
Derecognized financial assets in the current period	(30,252)	(336)	-	(354)	-	(30,942)		(30,942)
Purchased or originated new financial assets	18,080	-	-	4	-	18,084		18,084
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							(70,976)	(70,976)
Effect of exchange rate changes and others	(22,366)	82	-	37	-	(22,247)		(22,247)
Balance at June 30	$ 68,644	$ 55	$ -	$ 3	$ -	$ 68,702	$ 160,102	$ 228,804

There was no significant increase in the expected credit loss of the Bank and its subsidiaries’ off-balance-sheet guarantees and loan commitments for the six months ended June 30, 2022. The decrease of guarantees in reporting period resulted in abovementioned provisions decreased by $106,081 thousand in comparison to the prior period.

For the six months ended June 30, 2021:

	Stage 1	Stage 2		Stage 3				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance at January 1	$ 112,463	$ 371	$	$ 874	$	$ 113,708	$ 197,565	$ 311,273
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(12)	12	-	-	-	-		-
Transferred to credit-impaired financial assets	(3)	-	-	3	-	-		-
Transferred to 12 months ECL	416	(131)	-	(285)	-	-		-
Derecognized financial assets in the current period	(5,344)	(273)	-	(595)	-	(6,212)		(6,212)
Purchased or originated new financial assets	10,995	11		93		11,099		11,099
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							63,426	63,426
Effect of exchange rate changes and others	(25,487)	486		591		(24,410)		(24,410)
Balance at June 30	$ 93,028	$ 476	$	$ 681	$	$ 94,185	$ 260,991	$ 355,176

There was no significant increase in the expected credit loss of the Bank and its subsidiaries' off-balance-sheet guarantees and loan commitments for the six months ended June 30, 2021. The increase of guarantees in reporting period resulted in abovementioned provisions increased by $43,903 thousand in comparison to the prior period.

c. Liquidity risk

1) Definition and source of liquidity risk

Liquidity risk of the Bank refers to the risks of bearing financial loss because of the inability to liquidate assets or obtain financing to provide funds to meet the financial obligation, such as early termination of deposits, deteriorating of the source and condition of financing from banks influenced by specific market, abnormal recover of funds due to default from borrowers, inability to liquidate financial instruments and early exertion of rights of rescission of interest sensitive product by the assured. The aforementioned situation may reduce cash source of loan, transactions and investment. In some extreme cases, the lack of liquidity may result in a decrease in the overall position of the balance sheet, sale of assets and failure to perform loan commitments.

2) Management policies of liquidity risk

To control liquidity risk, the Bank calculates the maximum cumulative cash outflow (MCO) to monitor the daily funding gap by each major currency. The Bank also actively deconcentrates funding sources, due dates of funding settlement, and the counterparties to the due from other banks and call loans to other banks, as well as maintains an adequate amount of corporate cash in banks to enhance its liquidity position.

3) Financial assets held for liquidity management and maturity analysis of non-derivative financial liabilities

a) Financial assets held for liquidity management

The Bank holds cash and highly liquid and high-grade assets to pay off obligations and meet any potential emergency funding needs. The assets held for liquidity management include cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, securities purchased under resell agreements, receivables and discounts and loans, etc.

b) Maturity analysis of non-derivative financial liabilities

The following tables show the cash outflows on the Bank's non-derivative financial liabilities based on contract maturities. However, because the amounts disclosed were based on contractual cash flows, some of them will not match the amounts shown in the balance sheets.

Maturity analysis of non-derivative financial liabilities (NTD)

June 30, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ -	$ 1,109,590	$ 157,260	$ 23,296	$ -	$ 1,290,146
Notes and bonds issued under repurchase agreements	7,351,248	-	-	-	-	7,351,248
Deposits and remittances	87,181,554	84,833,413	61,118,147	105,582,495	21,303,696	360,019,305
Borrowings	-	-	-	-	25,250,000	25,250,000
Other capital outflow on maturity	1,743,496	547,691	687,599	2,452,306	3,827,318	9,258,410
Total	$ 96,276,298	$ 86,490,694	$ 61,963,006	$ 108,058,097	$ 50,381,014	$ 403,169,109

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 6,023,296	$ -	$ -	$ 166,850	$ -	$ 6,190,146
Notes and bonds issued under repurchase agreements	4,700,647	1,100,210	-	-	-	5,800,857
Deposits and remittances	41,193,532	93,476,840	70,321,598	106,288,309	22,748,717	334,028,996
Borrowings	-	-	-	129,490	25,250,000	25,379,490
Other capital outflow on maturity	4,078,954	379,906	354,651	3,966,071	4,121,245	12,900,827
Total	$ 55,996,429	$ 94,956,956	$ 70,676,249	$ 110,550,720	$ 52,119,962	$ 384,300,316

June 30, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 6,500,000	$ 9,590	$ 157,260	$ 23,296	$ -	$ 6,690,146
Notes and bonds issued under repurchase agreements	7,550,226	-	-	-	-	7,550,226
Deposits and remittances	58,210,898	116,742,671	63,737,618	100,841,185	21,224,158	360,756,530
Borrowings	-	-	-	97,870	25,250,000	25,347,870
Other capital outflow on maturity	2,474,792	298,421	378,730	2,078,296	4,269,929	9,500,168
Total	$ 74,735,916	$ 117,050,682	$ 64,273,608	$ 103,040,647	$ 50,744,087	$ 409,844,940

Maturity analysis of non-derivative financial liabilities (USD)

(In Thousands of U.S. Dollars)

June 30, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 185,000	$ 422,000	$ 40,000	$ -	$ -	$ 647,000
Notes and bonds issued under repurchase agreements	586,864	685,992	381,018	-	-	1,653,874
Deposits and remittances	1,389,414	1,436,783	256,721	920,855	2,358	4,006,131
Borrowings	-	-	-	-	360,009	360,009
Other capital outflow on maturity	49,000	32,870	5,631	499	147,900	235,900
Total	$ 2,210,278	$ 2,577,645	$ 683,370	$ 921,354	$ 510,267	$ 6,902,914

(In Thousands of U.S. Dollars)

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 110,000	$ 380,000	$ -	$ -	$ -	$ 490,000
Notes and bonds issued under repurchase agreements	313,395	661,840	273,650	-	-	1,248,885
Deposits and remittances	1,960,468	2,289,458	279,642	767,524	548	5,297,640
Borrowings	-	-	-	-	373,939	373,939
Other capital outflow on maturity	40,014	12,717	3,000	36	161,108	216,875
Total	$ 2,423,877	$ 3,344,015	$ 556,292	$ 767,560	$ 535,595	$ 7,627,339

(In Thousands of U.S. Dollars)

June 30, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 265,000	$ 267,000	$ -	$ -	$ -	$ 532,000
Notes and bonds issued under repurchase agreements	469,264	792,132	150,658	-	-	1,412,054
Deposits and remittances	1,873,019	1,315,263	498,266	825,722	209	4,512,479
Borrowings	-	-	-	-	380,993	380,993
Other capital outflow on maturity	45,886	22,658	8,154	55	157,826	234,579
Total	$ 2,653,169	$ 2,397,053	$ 657,078	$ 825,777	$ 539,028	$ 7,072,105

4) Maturity analysis of derivative instruments

Contractual maturities were assessed to have an understanding of derivative instruments presented in the consolidated balance sheet. Amounts disclosed in the table were based on contractual cash flows; however, some of these amounts did not match those in the balance sheets.

Maturity analysis of derivative instruments (NTD)

June 30, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	$ (128,494,965)	$ (201,145,221)	$ (182,856,245)	$ (76,846,060)	$ (7,241,374)	$ (596,583,865)
Cash inflow	131,791,118	194,090,815	174,061,746	73,573,425	6,325,180	579,842,284
Interest rate derivatives instruments						
Cash outflow	(199,699)	(313,512)	(52,338)	(26,485)	(18,245,877)	(18,837,911)
Cash inflow	200,821	295,194	48,478	-	1,858	546,351
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	-	(28,854)	-	-	-	(28,854)
Cash inflow	-	39,696	-	84,429	-	124,125
Cash outflow subtotal	(128,694,664)	(201,487,587)	(182,908,583)	(76,872,545)	(25,487,251)	(615,450,630)
Cash inflow subtotal	131,991,939	194,425,705	174,110,224	73,657,854	6,327,038	580,512,760
Net cash flow	$ 3,297,275	$ (7,061,882)	$ (8,798,359)	$ (3,214,691)	$ (19,160,213)	$ (34,937,870)

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	$ (177,221,843)	$ (208,587,820)	$ (156,161,476)	$ (136,346,089)	$ (13,008,417)	$ (691,325,645)
Cash inflow	153,887,697	185,607,754	153,162,118	142,131,466	11,195,610	645,984,645
Interest rate derivatives instruments						
Cash outflow	(163,297)	(202,138)	(10,968)	(1,558)	(11,625,928)	(12,003,889)
Cash inflow	120,182	211,781	10,247	-	-	342,210
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	-	(19,171)	-	-	-	(19,171)
Cash inflow	-	81,296	3,885	39,696	-	124,877
Cash outflow subtotal	(177,385,140)	(208,809,129)	(156,172,444)	(136,347,647)	(24,634,345)	(703,348,705)
Cash inflow subtotal	154,007,879	185,900,831	153,176,250	142,171,162	11,195,610	646,451,732
Net cash flow	$ (23,377,261)	$ (22,908,298)	$ (2,996,194)	$ 5,823,515	$ (13,438,735)	$ (56,896,973)

June 30, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	$ (175,671,710)	$ (193,808,241)	$ (125,886,250)	$ (159,510,123)	$ (9,590,178)	$ (664,466,502)
Cash inflow	158,171,547	190,840,281	121,446,059	168,895,091	3,818,310	643,171,288
Interest rate derivatives instruments						
Cash outflow	(649,903)	(218,885)	(20,164)	(302)	(9,559,890)	(10,449,144)
Cash inflow	136,628	232,072	18,726	-	-	387,426
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	-	(19,158)	-	-	-	(19,158)
Cash inflow	-	39,576	-	85,027	-	124,603
Cash outflow subtotal	(176,321,613)	(194,046,284)	(125,906,414)	(159,510,425)	(19,150,068)	(674,934,804)
Cash inflow subtotal	158,308,175	191,111,929	121,464,785	168,980,118	3,818,310	643,683,317
Net cash flow	$ (18,013,438)	$ (2,934,355)	$ (4,441,629)	$ 9,469,693	$ (15,331,758)	$ (31,251,487)

Maturity analysis of derivative instruments (USD)

(In Thousands of U.S. Dollars)

June 30, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	$ (5,941,218)	$ (7,452,636)	$ (6,833,156)	$ (3,155,115)	$ (274,000)	$ (23,656,125)
Cash inflow	6,092,712	7,747,781	7,247,998	3,539,137	306,000	24,933,628
Interest rate derivatives instruments						
Cash outflow	(2,662)	(11,261)	(10,357)	(44,918)	(221,380)	(290,578)
Cash inflow	6,038	7,426	6,634	2,105	606	22,809
Others						
Cash outflow	(1,225)	-	-	-	-	(1,225)
Cash inflow	938	-	-	-	-	938
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	(375)	(1,068)	(2,266)	(6,232)	-	(9,941)
Cash inflow	468	850	-	-	-	1,318
Cash outflow subtotal	(5,945,480)	(7,464,965)	(6,845,779)	(3,206,265)	(495,380)	(23,957,869)
Cash inflow subtotal	6,100,156	7,756,057	7,254,632	3,541,242	306,606	24,958,693
Net cash flow	$ 154,676	$ 291,092	$ 408,853	$ 334,977	$ (188,774)	$ 1,000,824

(In Thousands of U.S. Dollars)

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	$ (6,530,255)	$ (7,435,810)	$ (5,976,675)	$ (5,882,118)	$ (446,322)	$ (26,271,180)
Cash inflow	7,838,238	8,352,981	6,122,189	5,641,870	516,822	28,472,100
Interest rate derivatives instruments						
Cash outflow	(43,395)	(6,319)	(8,282)	(7,272)	(140,925)	(206,193)
Cash inflow	4,141	9,751	6,028	1,401	856	22,177
Others						
Cash outflow	(150)	-	-	-	-	(150)
Cash inflow	220	-	-	-	-	220
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	(534)	(1,566)	(2,584)	-	-	(4,684)
Cash inflow	104	167	-	-	-	271
Cash outflow subtotal	(6,574,334)	(7,443,695)	(5,987,541)	(5,889,390)	(587,247)	(26,482,207)
Cash inflow subtotal	7,842,703	8,362,899	6,128,217	5,643,271	517,678	28,494,768
Net cash flow	$ 1,268,369	$ 919,204	$ 140,676	$ (246,119)	$ (69,569)	$ 2,012,561

(In Thousands of U.S. Dollars)

June 30, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	$ (6,580,686)	$ (7,304,349)	$ (4,625,690)	$ (6,581,796)	$ (159,909)	$ (25,252,430)
Cash inflow	7,621,909	7,419,235	4,771,130	6,600,074	364,909	26,777,257
Interest rate derivatives instruments						
Cash outflow	(16,880)	(39,071)	(38,572)	(40,429)	(69,255)	(204,207)
Cash inflow	15,438	39,003	35,181	1,164	-	90,786
Others						
Cash outflow	(1,012)	-	-	-	-	(1,012)
Cash inflow	792	-	-	-	-	792
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	(1,301)	(1,191)	(2,479)	-	-	(4,971)
Cash inflow	153	129	2	-	-	284
Cash outflow subtotal	(6,599,879)	(7,344,611)	(4,666,741)	(6,622,225)	(229,164)	(25,462,620)
Cash inflow subtotal	7,638,292	7,458,367	4,806,313	6,601,238	364,909	26,869,119
Net cash flow	$ 1,038,413	$ 113,756	$ 139,572	$ (20,987)	$ 135,745	$ 1,406,499

5) Maturity analysis of off-balance sheet items

The table below shows the Bank's maturity analysis of the off-balance sheet items based on the remaining time between the reporting date and the contractual period. For the financial guarantee contracts issued, the maximum guaranteed amount included in the guarantee may be required to be fulfilled in the earliest period.

June 30, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	$ 11,800,385	$ 5,975,723	$ 6,981,323	$ 10,294,262	$ 20,450,656	$ 55,502,349

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	$ 14,923,239	$ 8,916,761	$ 4,161,137	$ 9,601,983	$ 19,648,107	$ 57,251,227

June 30, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	$ 15,822,795	$ 10,488,848	$ 4,766,761	$ 8,721,480	$ 14,932,222	$ 54,732,106

6) Summary of required disclosures under the Regulations Governing the Preparation of Financial Reports by Public Banks:

a) Maturity analysis of assets and liabilities of the Bank (NTD)

June 30, 2022	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 109,978,488	$ 146,436,068	$ 252,615,610	$ 209,747,792	$ 123,802,045	$ 228,661,440	$ 1,071,241,443
Main capital outflow on maturity	88,100,704	156,828,789	326,140,919	280,294,566	245,800,920	245,193,727	1,342,359,625
Gap	21,877,784	(10,392,721)	(73,525,309)	(70,546,774)	(121,998,875)	(16,532,287)	(271,118,182)

June 30, 2021	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 121,886,355	$ 172,507,162	$ 244,648,722	$ 160,434,375	$ 221,444,864	$ 224,021,594	$ 1,144,943,072
Main capital outflow on maturity	103,517,781	163,402,987	341,583,710	221,486,477	320,753,321	235,152,772	1,385,897,048
Gap	18,368,574	9,104,175	(96,934,988)	(61,052,102)	(99,308,457)	(11,131,178)	(240,953,976)

b) Maturity analysis of assets and liabilities of the Bank (USD)

(In Thousands of U.S. Dollars)

June 30, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 6,832,829	$ 8,375,351	$ 7,615,604	$ 3,956,699	$ 4,148,284	$ 30,928,767
Main capital outflow on maturity	8,469,665	10,670,424	8,300,262	5,540,929	3,730,799	36,712,079
Gap	(1,636,836)	(2,295,073)	(684,658)	(1,584,230)	417,485	(5,783,312)

(In Thousands of U.S. Dollars)

June 30, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 8,655,578	$ 8,051,590	$ 5,140,311	$ 6,995,373	$ 4,002,165	$ 32,845,017
Main capital outflow on maturity	9,554,729	10,345,026	6,105,341	8,917,711	3,698,212	38,621,019
Gap	(899,151)	(2,293,436)	(965,030)	(1,922,338)	303,953	(5,776,002)

d. Market risk

1) Definition and source of market risk

Market risk is defined as an unfavorable change in macroeconomic and financial market variables (such as interest rates, exchange rates, stock prices and commodity prices), which may cause a potential loss on financial assets held for trading.

2) Risk management policies

In order to have a common-language of market risk management, definition, communication and measurement, and comply with the requirements of the governing authorities, the Bank has developed "Market Risk Management Standard" based on Regulations Governing the Capital Adequacy Ratio of Banks (the CAR Regulations) related market risk calculation tables announced by the FSC, international standards, and CDFH's market risk management policy framework.

The "Market Risk Management Standard" is applicable to "Trading Book" positions defined by the Regulations Governing the Capital Adequacy Ratio of the Bank related market risk calculation tables and the Bank's book management approach to financial instrument handling.

Following the "Market Risk Management Standard", the Bank sets up the "Market Risk Management Procedure to Trading Activities" to manage market risk. This procedure includes risk identification and assessment, risk measurement, risk monitoring and response, risk reporting and contingency management processes.

3) Procedures for market risk measuring, monitoring, and reporting

The Bank's market risk limits include position sensitivities, stop-loss limits and value-at-risk (VaR).

Risk factors analyzed through the Bank's risk measurement systems are sufficient to determine all market risks of trading positions on the balance sheet, including interest rate risk, foreign exchange risk, equity securities risk, and price of commodity risks, as well as volatility risks which arise out of the option transactions.

The Bank's market risk reports include profit or loss on trading positions, limit usage, stress testing, and trading portfolio risk assessment, as well as significant exceptions if any.

The risk management department of the Bank independently performs daily market risk limit controls, and regularly reports to both the Risk Management Committee and CDFH's Risk Management Committee. Besides, the above reports are presented to the Board quarterly for reference.

4) Mitigation of risks or hedging of market risk

The Bank's market risk positions or hedging positions are marked to market on a daily basis through techniques such as model valuation. All market parameters are updated at least daily in accordance with changes in market conditions to conduct value assessment of products. Market Risk Limits are reviewed and controlled based on the valuation results of traders' position risk value, position sensitivity and profit and loss figure on a daily basis.

5) Valuation techniques of market risk

The Bank uses the VaR model and stress testing to evaluate the potential and extreme risk on trading portfolios. Through variations of the assumptions on market conditions, these techniques are used to assess the market risk of positions held and the maximum expected loss.

VaR is calculated using a one-day time horizon with a 95% confidence level.

	For the Six Months Ended June 30, 2022			For the Year Ended December 31, 2021			For the Six Months Ended June 30, 2021		
	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	$ 61,041	$ 99,773	$ 22,496	$ 60,783	$ 141,061	$ 13,163	$ 39,105	$ 70,433	$ 13,163
Equity securities risk	6,423	14,693	-	9,335	19,006	-	10,149	18,980	-
Foreign exchange risk	17,524	36,355	5,344	3,339	15,981	1,547	3,410	6,605	1,547

6) Interest rate risk in the banking book

The scope of interest rate risk in banking book includes interest rate sensitivity of assets and liabilities, but do not include risk management of trading book. Interest rate risk in banking book measures the adverse effects on net interest income of assets, liabilities and off-balance sheet as a result of adverse fluctuations in interest. Risk assessment not only builds the sensitivity gap between assets and liabilities, but also quantifies through the dimension of retained earnings and economic value perspectives.

7) Interest rate risk management of the banking book

The interest rate risk management strategy involving the Bank's banking book is to minimize the negative impact of changes in interest rates on net interest income and the net economic value of equity. The asset-liability management committee (ALMCO) approves the annual banking book interest rate risk limits and monitors the Bank's interest rate risk exposures every day. The interest rate risk management processes include risk identification, risk measurement, risk control, risk monitoring and others. The unit monitoring the banking book interest rate risks reports interest rate risk exposures regularly to ALMCO, and adjusts the structure of assets and liabilities according to the reports, lowering the amount of exposure. For risk monitoring, the asset and liability management system outputs and analysis reports, which is provided to the interest rate risk execution units and senior management. If risk missing or excess of limit occur from monitor, written notices will be passed to the interest rate risk assessment units to adjust and improve the program reported to ALMCO.

8) The effect of interest rate benchmark reform

The Bank is exposed to USD LIBOR which is subject to interest rate benchmark reform. The exposures arise on derivatives and non-derivative financial assets and liabilities. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. There are key differences between USD LIBOR and SOFR. USD LIBOR is "forward looking", which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a "backward-looking" rate, based on interest rates from actual transactions, and excludes a credit spread. To transition existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

The Bank has established a LIBOR conversion task force, is responsible for promoting cross-departmental conversion work, drafting conversion plans and time schedule planning, conducting impact assessments. This task force also focuses on product conversion business strategy adjustments, customer communication, system, operating process changes, evaluation, risk models, financial reports and tax implications. This task force reports to the Risk Management Committee and the Board of Directors on the implementation situation quarterly, completes the identification of the information system and internal processes that affect the risk, and take inventory and analysis of the affected areas of risk. Before the cessation of LIBOR, the task force will be based on the regulations of the standard setter, market participants and the competent authority, and continue to adjust related systems, methods and procedures to meet the requirements of the new benchmark interest rate.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with the Bank's counterparties are not successfully concluded before the cessation of LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

The following table contains details of all of the financial instruments held by the Bank at June 30, 2022 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

Non-derivative Financial Instrument	**Financial Assets**
USD LIBOR	$ 42,502,688
Others LIBOR	2,787,948
	$ 45,290,636

Derivative Financial Instrument	Notional Principal
USD LIBOR	$ 131,528,969

9) Concentration of foreign currency risk information

The financial assets and liabilities denominated in foreign currencies and with material influence on the Bank and its subsidiaries were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2022		
	Foreign Currency	**Exchange Rate**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 6,075,264	29.73	$ 180,593,296
HKD	3,672,747	3.79	13,916,037
EUR	324,317	31.05	10,070,055
ZAR	4,409,798	1.83	8,074,340
CNY	1,705,792	4.44	7,573,205
JPY	18,776,324	0.22	4,098,872
GBP	47,819	36.06	1,724,349
AUD	77,182	20.46	1,579,146
SGD	38,844	21.37	830,097
THB	191,250	0.84	161,032
Investments accounted for using the equity method			
CNY	965,145	4.44	4,284,954
Financial liabilities			
Monetary items			
USD	7,252,951	29.73	215,601,228
CNY	3,001,068	4.44	13,323,842
EUR	208,079	31.05	6,460,838
ZAR	1,959,719	1.83	3,588,246
JPY	13,023,714	0.22	2,843,077
AUD	66,447	20.46	1,359,501
HKD	185,134	3.79	701,473
GBP	14,554	36.06	524,819
NZD	11,348	18.50	209,945
THB	222,432	0.84	187,288
SGD	7,704	21.37	164,629

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31,2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
Financial assets			
Monetary items			
USD	$ 5,805,963	27.69	$ 160,767,123
EUR	401,065	31.32	12,561,369
HKD	3,449,824	3.55	12,250,326
ZAR	4,765,944	1.73	8,264,148
CNY	1,367,024	4.35	5,941,498
JPY	12,931,061	0.24	3,109,920
AUD	59,310	20.09	1,191,530
GBP	26,705	37.30	996,107
SGD	19,146	20.46	391,732
Investments accounted for using the equity method			
CNY	946,428	4.35	4,113,459
Financial liabilities			
Monetary items			
USD	7,900,722	27.69	218,771,002
CNY	3,514,926	4.35	15,276,923
EUR	187,337	31.32	5,867,383
ZAR	2,009,704	1.73	3,484,827
HKD	427,923	3.55	1,519,555
JPY	6,093,136	0.24	1,465,399
AUD	69,078	20.09	1,387,769
GBP	5,805	37.30	216,523
SGD	7,475	20.46	152,937
NZD	6,565	18.89	124,010
CAD	4,815	21.63	104,140

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
Financial assets			
Monetary items			
USD	$ 7,073,381	27.87	$ 197,135,122
EUR	585,632	33.16	19,419,544
HKD	2,790,643	3.59	10,015,616
ZAR	4,092,567	1.95	7,980,507
CNY	1,603,214	4.31	6,911,296
JPY	11,852,719	0.25	2,988,070
AUD	56,831	20.95	1,190,604
GBP	28,676	38.54	1,105,162
SGD	16,311	20.73	338,127
CAD	5,864	22.48	131,815
Investments accounted for using the equity method			
CNY	178,553	4.31	769,725
Financial liabilities			
Monetary items			
USD	8,426,257	27.87	234,839,783
CNY	3,283,029	4.31	14,152,811
EUR	233,785	33.16	7,752,307
ZAR	2,218,652	1.95	4,326,371
JPY	6,790,912	0.25	1,711,989
AUD	67,775	20.95	1,419,892
HKD	112,058	3.59	402,176
GBP	5,376	38.54	207,202
THB	181,986	0.87	158,328
SGD	6,419	20.73	133,060
NZD	6,578	19.49	128,202

10) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Analysis of interest rate-sensitive assets and liabilities (NTD)

June 30, 2022

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 341,881,864	$ 28,666,055	$ 19,657,134	$ 70,563,390	$ 460,768,443
Interest rate-sensitive liabilities	201,464,283	159,639,369	19,749,552	26,778,428	407,631,632
Interest rate sensitivity gap	140,417,581	(130,973,314)	(92,418)	43,784,962	53,136,811
Net worth					60,354,473
Ratio of interest rate-sensitive assets to liabilities (%)					113.04
Ratio of interest rate-sensitive gap to net worth (%)					88.04

June 30, 2021

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 335,573,557	$ 29,475,335	$ 22,678,892	$ 80,719,770	$ 468,447,554
Interest rate-sensitive liabilities	180,776,369	169,654,492	28,878,823	27,930,005	407,239,689
Interest rate sensitivity gap	154,797,188	(140,179,157)	(6,199,931)	52,789,765	61,207,865
Net worth					63,909,274
Ratio of interest rate-sensitive assets to liabilities (%)					115.03
Ratio of interest rate-sensitive gap to net worth (%)					95.77

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (interest rate-sensitive assets and interest rate-sensitive liabilities in New Taiwan dollars).

b) Analysis of interest rate-sensitive assets and liabilities (USD)

June 30, 2022

(In Thousands of U.S. Dollars)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 2,569,438	$ 309,056	$ 227,856	$ 2,338,464	$ 5,444,814
Interest rate-sensitive liabilities	5,592,469	625,797	299,072	362,367	6,879,705
Interest rate sensitivity gap	(3,023,031)	(316,741)	(71,216)	1,976,097	(1,434,891)
Net worth					(30,023)
Ratio of interest rate-sensitive assets to liabilities (%)					79.14
Ratio of interest rate-sensitive gap to net worth (%)					-

June 30, 2021

(In Thousands of U.S. Dollars)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 3,202,154	$ 160,026	$ 104,573	$ 2,122,193	$ 5,588,946
Interest rate-sensitive liabilities	5,786,822	592,792	152,141	381,202	6,912,957
Interest rate sensitivity gap	(2,584,668)	(432,766)	(47,568)	1,740,991	(1,324,011)
Net worth					64,901
Ratio of interest rate-sensitive assets to liabilities (%)					80.85
Ratio of interest rate-sensitive gap to net worth (%)					(2,040.05)

Note 1: The above amounts included only U.S. dollar amounts held by the Bank excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (Interest rate-sensitive assets and Interest rate-sensitive liabilities in U.S. dollars).

e. Transfers of financial assets

Transferred financial assets not qualifying for full derecognition

Among daily operations of the Bank, most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities under repurchase agreements. As the Bank's right to receive cash flows of the financial assets transferred to the counterparties, and reflecting the obligation to repurchase the transferred financial assets for a fixed price at a future date, the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. The Bank does not derecognize it entirely because the Bank remains exposed to interest rate risk and credit risk on these pledged instruments.

Related information of financial assets and liabilities not qualifying for full derecognition are listed below:

June 30, 2022					
Category	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Fair Value of Net Position**
Notes and bonds issued under repurchase agreements					
Debt investments measured at amortized cost	$ 4,132,279	$ 3,767,255	$ 3,894,473	$ 3,767,255	$ 127,218
Financial assets at FVTPL	2,657,638	2,464,604	2,657,638	2,464,604	193,034
Financial assets at FVTOCI	53,535,679	52,924,962	53,535,679	52,924,962	610,717

December 31, 2021					
Category	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Fair Value of Net Position**
Notes and bonds issued under repurchase agreements					
Debt investments measured at amortized cost	$ 276,830	$ 263,055	$ 276,900	$ 263,055	$ 13,845
Financial assets at FVTOCI	44,159,962	42,518,114	44,159,962	42,518,114	1,641,848

June 30, 2021					
Category	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Fair Value of Net Position**
Notes and bonds issued under repurchase agreements					
Debt investments measured at amortized cost	$ 417,926	$ 397,147	$ 418,050	$ 397,147	$ 20,903
Financial assets at FVTPL	239,997	239,997	239,997	239,997	-
Financial assets at FVTOCI	54,426,967	51,513,751	54,426,967	51,513,751	2,913,216

f. Offsetting financial assets and financial liabilities

The Bank and its subsidiaries have enforceable master netting arrangements or similar agreements signed with counterparty but do not meet the offsetting criteria, and the financial assets and financial liabilities can be offset when both sides of the transaction have decided to, but gross settlements if have not. One can choose net settlement if the other side of the transaction is in the breach of contract.

Related information of offsetting of financial assets and financial liabilities are as follows:

June 30, 2022						
Financial Assets Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Assets	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Received	
Securities purchased under resell agreements	$ 8,453,271	$ -	$ 8,453,271	$ 8,423,545	$ 29,726	$ -
Derivative financial instruments (Note 2)	32,573,346	-	32,573,346	9,315,155	2,288,459	20,969,732
Total	$ 41,026,617	$ -	$ 41,026,617	$ 17,738,700	$ 2,318,185	$ 20,969,732

June 30, 2022						
Financial Liabilities Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Pledged	
Notes and bonds issued under repurchase agreements	$ 59,156,821	$ -	$ 59,156,821	$ 56,761,601	$ 2,395,220	$ -
Derivative financial instruments (Note 2)	30,981,447	-	30,981,447	9,315,155	7,496,600	14,169,692
Total	$ 90,138,268	$ -	$ 90,138,268	$ 66,076,756	$ 9,891,820	$ 14,169,692

December 31, 2021						
Financial Assets Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Assets	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Received	
Securities purchased under resell agreements	$ 3,609,158	$ -	$ 3,609,158	$ 3,562,085	$ 47,073	$ -
Derivative financial instruments (Note 2)	10,239,891	-	10,239,891	2,900,954	2,831,422	4,507,515
Total	$ 13,849,049	$ -	$ 13,849,049	$ 6,463,039	$ 2,878,495	$ 4,507,515

December 31, 2021						
Financial Liabilities Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Liabilities	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amount of Recognized Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Related Amount Not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note 1)	**Cash Collateral Pledged**	
Notes and bonds issued under repurchase agreements	$ 42,781,169	$ -	$ 42,781,169	$ 42,719,476	$ 61,693	$ -
Derivative financial instruments (Note 2)	10,026,329	-	10,026,329	2,900,954	2,157,605	4,967,770
Total	$ 52,807,498	$ -	$ 52,807,498	$ 45,620,430	$ 2,219,298	$ 4,967,770

June 30, 2021						
Financial Assets Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Assets	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amount of Recognized Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Related Amount Not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note 1)	**Cash Collateral Received**	
Securities purchased under resell agreements	$ 20,390,068	$ -	$ 20,390,068	$ 19,896,087	$ 493,981	$ -
Derivative financial instruments (Note 2)	35,281,372	-	35,281,372	10,116,802	2,271,684	22,892,886
Total	$ 55,671,440	$ -	$ 55,671,440	$ 30,012,889	$ 2,765,665	$ 22,892,886

June 30, 2021						
Financial Liabilities Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Liabilities	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amount of Recognized Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Related Amount Not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note 1)	**Cash Collateral Pledged**	
Notes and bonds issued under repurchase agreements	$ 52,150,895	$ -	$ 52,150,895	$ 52,150,895	$ -	$ -
Derivative financial instruments (Note 2)	37,266,165	-	37,266,165	10,116,802	4,642,168	22,507,195
Total	$ 89,417,060	$ -	$ 89,417,060	$ 62,267,697	$ 4,642,168	$ 22,507,195

Note 1: Financial instruments include netting settlement arrangements and non-cash financial collaterals.

Note 2: Derivative financial instruments include hedging derivative financial instruments.

47. CAPITAL MANAGEMENT

a. Objective of capital management

The calculation methods of self-owned capital should be conducted according to the regulations of authorities. The basic management objective includes sufficient capital to meet the requirements of the regulation and achieve the minimum capital adequacy ratio so as to control all risks within the risk appetite.

In order to undertake all kinds of risk, the Bank conducts risk management based on the risk portfolio and the assessment of risk characteristics to design the best capital allocation.

b. Capital management procedures

The Bank had met the authorities' requirements for capital adequacy ratio and reported to the authority quarterly. Eligible capital is calculated according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

c. Capital adequacy ratio

<table>
<tr><th colspan="3">Year / Items</th><th>June 30, 2022</th><th>December 31, 2021</th><th>June 30, 2021</th></tr>
<tr><td rowspan="4">Eligible capital</td><td colspan="2">Common equity Tier 1 capital</td><td>$ 57,848,279</td><td>$ 62,734,879</td><td>$ 62,266,014</td></tr>
<tr><td colspan="2">Additional Tier 1 capital</td><td>2,762,105</td><td>1,744,105</td><td>2,586,110</td></tr>
<tr><td colspan="2">Tier 2 capital</td><td>11,105,833</td><td>9,309,297</td><td>11,631,840</td></tr>
<tr><td colspan="2">Eligible capital</td><td>71,716,217</td><td>73,788,281</td><td>76,483,964</td></tr>
<tr><td rowspan="9">Risk-weighted assets</td><td rowspan="3">Credit risk</td><td>Standardized approach</td><td>490,345,771</td><td>445,112,877</td><td>459,096,019</td></tr>
<tr><td>Internal rating-based approach</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Securitization</td><td>197,734</td><td>199,749</td><td>202,462</td></tr>
<tr><td rowspan="3">Operational risk</td><td>Basic indicator approach</td><td>20,309,375</td><td>20,309,375</td><td>19,597,308</td></tr>
<tr><td>Standardized approach/ alternative standardized approach</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Advanced measurement approach</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Market risk</td><td>Standardized approach</td><td>26,250,413</td><td>27,567,838</td><td>44,964,513</td></tr>
<tr><td>Internal model approach</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Total risk-weighted assets</td><td>537,103,293</td><td>493,189,839</td><td>523,860,302</td></tr>
<tr><td colspan="3">Capital adequacy ratio</td><td>13.35%</td><td>14.96%</td><td>14.60%</td></tr>
<tr><td colspan="3">Ratio of common equity to risk-weighted assets</td><td>10.77%</td><td>12.72%</td><td>11.89%</td></tr>
<tr><td colspan="3">Ratio of Tier 1 capital to risk-weighted assets</td><td>11.28%</td><td>13.07%</td><td>12.38%</td></tr>
<tr><td colspan="3">Leverage ratio</td><td>7.40%</td><td>8.01%</td><td>7.78%</td></tr>
</table>

Note: 1) Eligible capital = Common equity capital + Additional Tier 1 capital + Tier 2 capital.

2) Total risk-weighted asset = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirements for market risk) × 12.5.

3) Capital adequacy ratio = Eligible capital ÷ Total risk-weighted assets.

4) Ratio of common equity capital to risk-weighted assets = Common equity capital ÷ Total risk-weighted assets.

5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity capital + Additional Tier 1 capital) ÷ Total risk-weighted assets.

6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

48. TRUST BUSINESS OPERATIONS UNDER THE TRUST ENTERPRISES ACT

The balance sheets and income statements of the trust accounts and trust property accounts were as follows:

Balance Sheets of Trust Accounts

(In Thousands of New Taiwan Dollars)

Trust Assets	June 30, 2022	December 31, 2021	June 30, 2021	Trust Liabilities	June 30, 2022	December 31, 2021	June 30, 2021
Bank deposits	$ 2,560,425	$ 2,559,061	$ 6,556,753	Payables	$ 85,327	$ 86,492	$ 114,361
Short-term investments				Account payable on securities			
Funds	29,387,242	28,331,461	27,361,630	under custody	4,569,055	5,468,229	4,381,003
Bonds	4,534,647	3,653,614	3,100,835	Other liabilities	86,176	87,671	95,223
Stocks	175,570	118,950	80,985	Trust capital	45,886,043	40,635,374	54,033,263
	27,051	-	-	Accumulated losses	(1,984)	(16,078)	(311,798)
Receivables	38,506	38,813	50,844				
Securities under custody	4,569,055	5,468,229	4,381,003				
Real estate							
Land	8,305,644	5,067,819	15,496,314				
Buildings	2,256	-	257,337				
Intangible assets - surface rights	984,534	984,534	984,534				
Others	39,687	39,207	41,817				
Total	$ 50,624,617	$ 46,261,688	$ 58,312,052	Total	$ 50,624,617	$ 46,261,688	$ 58,312,052

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Trust income and gains				
Dividend income	$ 2,315	$ 2,489	$ 4,641	$ 4,454
Interest income	337,139	330,239	681,938	655,832
Rental income	6,706	6,641	13,399	13,303
Other income	2,710	660	3,715	2,483
Total trust income and gains	348,870	340,029	703,693	676,072
Trust expenses				
Property transaction losses	(812,118)	(395,009)	(1,528,214)	(957,211)
Administrative expenses	(635)	(265)	(755)	(396)
Other expenses	(50,352)	(7,686)	(259,490)	(48,574)
Total trust expenses	(863,105)	(402,960)	(1,788,459)	(1,006,181)
Net loss	$ (514,235)	$ (62,931)	$ (1,084,766)	$ (330,109)

The above income from trust operations were excluded from the Banks' income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	**June 30, 2022**	**December 31, 2021**	**June 30, 2021**
Bank deposits	$ 2,560,425	$ 2,559,061	$ 6,556,753
Short-term investments			
Funds	29,387,242	28,331,461	27,361,630
Bonds	4,534,647	3,653,614	3,100,835
Stocks	175,570	118,950	80,985
	27,051	-	-
Securities under custody	4,569,055	5,468,229	4,381,003
Real estate			
Land	8,305,644	5,067,819	15,496,314
Buildings	2,256	-	257,337
Intangible assets - surface rights	984,534	984,534	984,534
Other assets	78,193	78,020	92,661
Total	$ 50,624,617	$ 46,261,688	$ 58,312,052

49. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM INTERCOMPANY COOPERATION AND RESOURCE SHARING

a. Business or trading behaviors

Please refer to Note 42 for related-party transactions.

b. Integration of business activities

The Bank has become a full-functioning financial platform for customers by conducting cross-selling activities with the subsidiaries of the parent company through the banking, securities and life insurance channels.

c. Cross utilization of information or locations and business utilities

In compliance with Article 43 of the “Financial Holding Companies Act”, “Financial Holding Subsidiaries Cross-selling Activities Acts”, “Self-disciplinary Standards” and other related regulations from the FSC, the Bank has advocated cross-selling activities among the subsidiaries of the parent company. In addition, the Bank, which joined the cross selling business, discloses protection measures of customer information on the official website to limit the use of the data and secure customer information and related rights when handling cross-selling activities.

d. Allocation of revenues, costs, expenses, profits and losses

Revenue, costs, expenses, profits and losses arising from integrated business activities among the Bank and the subsidiaries of the parent company are allocated to each counterparty based on the cross-selling contract or other reasonable allocation methods.

50. PROFITABILITY

(%)

Items		June 30, 2022	June 30, 2021
Return on total assets	Before income tax	0.92	0.69
	After income tax	0.78	0.59
Return on net worth	Before income tax	10.73	8.04
	After income tax	9.16	6.83
Profit margin		43.71	39.21

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

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

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

Note 4: Income before (after) income tax means income accumulated in the current year.

Note 5: Return on total assets and return on net worth are expressed on an annual basis.

51. ADDITIONAL DISCLOSURES

a. Information about significant transactions:

1) Financing provided: The Bank: Not applicable. For subsidiaries' information: Table 1 (attached)

2) Endorsements/guarantees provided: The Bank: Not applicable. For subsidiaries' information: None.

3) Marketable securities held: The Bank: Not applicable. For subsidiaries' information: Table 2 (attached).

4) Derivative transactions: The Bank: Not applicable. For subsidiaries' information: None.

5) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 10% of the issued capital (for subsidiaries acquired and disposed of marketable securities, at cost or price of at least NT$300 million or 10% of the issued capital): None.

6) Acquisition of individual real estate at cost of at least NT$300 million or 10% of the issued capital: None.

7) Disposal of individual real estate at price of at least NT$300 million or 10% of the issued capital: None.

8) Discount on service fees received from related parties amounting to NT$5 million: None.

9) Receivables from related parties amounting to NT$300 million or 10% of the issued capital: Table 3 (attached).

10) Sale of non-performing loans: None.

11) Financial asset securitization: None.

12) Other significant transactions which may affect the decisions of the consolidated financial statements users: None.

b. Related information and proportionate share in investees: Table 4 (attached).

c. Information on investments in Mainland China: Table 5 (attached).

d. Business relationships and significant transactions among the Bank and its subsidiaries: Table 6 (attached).

52. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance according to the characteristics of the business and profits and losses. The reportable segments of the Bank and its subsidiaries were as follows:

a. Retail banking segment: The segment mainly provides cash cards, credit cards, personal loans, mortgages, deposits, remittances, wealth management, etc.

b. Corporate banking segment: The segment mainly provides services such as processing deposits and credit business of large-scale enterprises and small and medium enterprises.

c. Global markets segment: The segment's services include the distribution of funds, issuance of bank debentures, commodities, equity, handling money market and bond market transactions, foreign exchange handling, and dealing with other financial market-related products (such as derivative instruments) and transactions.

d. Others: Mainly include the administration segment of head office and summarized of other non-independent segments.

The accounting policies of the operating segments are the same as the accounting policies described in Note 4. The Bank and its subsidiaries use income before income tax as the measurement for segment profit and the basis of performance assessment. The net revenue and income before income tax are composed of revenues and expenses directly attributable to an operating segment.

Segment revenues and results

The following is an analysis of the Bank and its subsidiaries' revenue and results of operations by reportable segment:

	Retail Banking Segment	**Corporate Banking Segment**	**Global Markets Segment**	**Others**	**Total**
For the three months ended June 30, 2022					
Interest revenue (loss), net	$ 1,256,211	$ 1,010,112	$ 241,016	$ (26,782)	$ 2,480,557
Net revenue (loss) - intersegment	143,080	127,803	3,858	(274,741)	-
Non-interest profits and gains (loss), net	225,335	269,166	398,395	57,087	949,983
Net revenue (loss)	1,624,626	1,407,081	643,269	(244,436)	3,430,540
Reversal of allowance for bad debts expense, commitments, and guarantee liability provision	26,877	15,299	20	5,839	48,035
Operating expenses	(1,133,742)	(427,755)	(205,055)	60,280	(1,706,272)
Income (loss) before income tax	517,761	994,625	438,234	(178,317)	1,772,303
Income tax expense	-	-	-	(252,098)	(252,098)
Net income (loss)	$ 517,761	$ 994,625	$ 438,234	$ (430,415)	$ 1,520,205

(Continued)

	Retail Banking Segment	Corporate Banking Segment	Global Markets Segment	Others	Total
For the three months ended June 30, 2021					
Interest revenue, net	$ 911,362	$ 766,915	$ 521,768	$ 36,621	$ 2,236,666
Net revenue (loss) - intersegment	91,719	98,705	(323,398)	132,974	-
Non-interest profits and gains (loss), net	286,311	185,640	315,681	(31,776)	755,856
Net revenue	1,289,392	1,051,260	514,051	137,819	2,992,522
Reversal of allowance for bad debts expense, commitments, and guarantee liability provision	4,422	(26,818)	(338)	9,893	(12,841)
Operating expenses	(764,204)	(261,055)	(79,438)	(480,613)	(1,585,310)
Income (loss) before income tax	529,610	763,387	434,275	(332,901)	1,394,371
Income tax expense	-	-	-	(209,383)	(209,383)
Net income (loss)	$ 529,610	$ 763,387	$ 434,275	$ (542,284)	$ 1,184,988
For the six months ended June 30, 2022					
Interest revenue (loss), net	$ 2,429,091	$ 1,887,197	$ 554,437	$ (8,679)	$ 4,862,046
Net revenue (loss) - intersegment	(13,231)	126,942	(114,595)	884	-
Non-interest profits and gains, net	496,313	524,095	577,644	135,936	1,733,988
Net revenue	2,912,173	2,538,234	1,017,486	128,141	6,596,034
Reversal (provision) of allowance for bad debts expense, commitments, and guarantee liability provision	94,692	16,071	(129)	43,883	154,517
Operating expenses	(1,930,362)	(685,937)	(306,875)	(447,670)	(3,370,844)
Income (loss) before income tax	1,076,503	1,868,368	710,482	(275,646)	3,379,707
Income tax expense	-	-	-	(496,408)	(496,408)
Net income (loss)	$ 1,076,503	$ 1,868,368	$ 710,482	$ (772,054)	$ 2,883,299
For the six months ended June 30, 2021					
Interest revenue, net	$ 1,806,111	$ 1,532,991	$ 1,085,079	$ 76,056	$ 4,500,237
Net revenue (loss) - intersegment	192,959	163,595	(685,507)	328,953	-
Non-interest profits and gains, net	600,370	370,320	324,671	1,727	1,297,088
Net revenue	2,599,440	2,066,906	724,243	406,736	5,797,325
Reversal (provision) of allowance for bad debts expense, commitments, and guarantee liability provision	81,014	(22,892)	(234)	8,735	66,623
Operating expenses	(1,544,462)	(479,691)	(160,217)	(1,002,883)	(3,187,253)
Income (loss) before income tax	1,135,992	1,564,323	563,792	(587,412)	2,676,695
Income tax expense	-	-	-	(403,628)	(403,628)
Net income (loss)	$ 1,135,992	$ 1,564,323	$ 563,792	$ (991,040)	$ 2,273,067

(Concluded)

KGI BANK CO., LTD. AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(In Thousands of New Taiwan Dollars)

No.	Financier	Counterparty	Financial Statement Account	Related-party	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn Down	Interest Rate	Nature of Financing Provided	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financial Limit for Each Borrowing Company	Limit on Financier's Total Financing
													Item	Value		
1	CDC Finance & Leasing Corporation	BULL WILL CO., LTD.	Receivables, net	No	$ 30,000	$ -	$ -	3.5%-18%	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 89,794	$ 359,177
		Build Joy Enterprise Co., Ltd.	Receivables, net	No	37,500	37,500	37,500	3.5%-18%	Short-term financing	-	Working capital	375	Real estate	60,258	89,794	359,177
		Fu-Tang Land Development Co., Ltd.	Receivables, net	No	85,000	85,000	65,000	3.5%-18%	Short-term financing	-	Working capital	650	Real estate	74,974	89,794	359,177
		CHISUN Heavy Machinery Co., Ltd.	Receivables, net	No	23,000	23,000	23,000	3.5%-18%	Short-term financing	-	Working capital	230	Real estate	40,000	89,794	359,177

Note: Financing limit is based on the “Loan of Funds Making Guideline”. The guideline states that, for each and for all of the borrowing companies, (1) there are business transactions: The total amount should not exceed the amount of business transactions between the two parties, and should not exceed 20% of the company’s net worth value. The cumulative total balance should not exceed twice the company’s net worth value; (2) there is short-term financing: The total amount should not exceed 10% of the company’s net worth, and the cumulative total balance should not exceed 40% of the net worth value.

KGI BANK CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2022
(In Thousands of New Taiwan Dollars)

Holding Company	Security Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2022				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
CDIB Management Consulting Corporation	Stock							
	CDC Finance & Leasing Corporation	Subsidiary	Investments accounted for using equity method	58,328,460	$ 661,278	76.04	$ 661,278	
	CDIB International Leasing Corporation	Subsidiary	Investments accounted for using equity method	-	131,590	100.00	131,590	
CDC Finance & Leasing Corporation	Stock							
	Pacific Electric Wire and Cable Co., Ltd.	-	Financial assets at fair value through other comprehensive income	546,231	7,755	0.07	7,755	

Note 1: The Bank and its subsidiaries recognized the related income or loss of investees as required by regulations.

Note 2: No securities were treated as collateral or pledge.

Note 3: The above companies which are the subsidiaries of the Bank were eliminated from the consolidated financial statements.

KGI BANK CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO NT$300 MILLION OR 10% OF THE ISSUED CAPITAL
JUNE 30, 2022
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Bad Debts
					Amount	Action Taken		
The Bank	KGI Securities Co., Ltd.	Subsidiary of the parent company	$ 789,819	-	$ -	-	$ 789,819	$ -

TABLE 4

KGI BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
JUNE 30, 2022
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business	Balance as of June 30, 2022			Consolidated Investment (Note 1)				Note
			Percentage of Ownership (%)	Carrying Value	Investment Gain (Loss)	Shares Currently Held	Virtual Shares (Note 2)	Number of Shares	Percentage of Ownership (%)	
Financial industry-related										
Taipei Foreign Exchange Inc.	Taipei City, Taiwan	Foreign exchange trading, financial derivatives trading	0.40	$ 3,414	$ 560	80,000	-	80,000	0.40	
Taiwan Futures Exchange	Taipei City, Taiwan	Futures exchange and settlement	0.51	120,242	6,778	25,706,266	-	25,706,266	6.12	
Financial Information Service Co., Ltd.	Taipei City, Taiwan	Telecommunication service; information system service	1.23	178,351	-	6,410,160	-	6,410,160	1.23	
Taiwan Asset Management Co., Ltd.	Taipei City, Taiwan	Purchasing for financial institutions' loans	0.57	75,939	3,900	6,000,000	-	6,000,000	0.57	
Sunlight Asset Management Co., Ltd.	Taipei City, Taiwan	Purchasing for financial institutions' loans	5.74	3,899	526	344,476	-	344,476	5.74	
Taiwan Financial Asset Service Company	Taipei City, Taiwan	Other activities auxiliary to financial service activities	2.94	48,001	-	5,000,000	-	5,000,000	2.94	
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Communication and IT service	1.00	3,131	-	600,000	-	600,000	1.00	
CDIB Management Consulting Corporation	Taipei City, Taiwan	Management consultancy activities	100.00	951,577	34,015	153,171,873	-	153,171,873	100.00	
Euroc II Venture Capital Corp.	Taipei City, Taiwan	Venture capital corporation	7.50	427	780	29,999	-	29,999	7.50	
Euroc III Venture Capital Corp.	Taipei City, Taiwan	Venture capital corporation	5.00	261	900	15,000	-	15,000	5.00	
Next Commercial Bank Co., Ltd.	Taipei City, Taiwan	Commercial banking	7.00	530,606	-	70,000,000	-	70,000,000	7.00	
Suyin KGI Consumer Finance Co., Ltd.	China	Consumer finance service	36.17	4,284,954	82,891	-	-	-	36.17	
Non-financial industry-related										
Cosmos Construction Management Corporation	Taipei City, Taiwan	Valuation on real estate, contract evaluation	9.39	-	-	6,991,000	-	6,991,000	9.39	
CDIB & Partners Investment Holding Corp.	Taipei City, Taiwan	General investment corporation	4.95	637,822	(111,632)	367,200,000	-	367,200,000	33.66	

Note 1: All present shares or virtual shares of the Bank, directors, supervisors, the Bank's managers, and affiliates should be included.

Note 2: (1) virtual shares refer to equity-type securities or derivative financial instrument contracts that are not transferred to common shares. Based on the transaction terms and the holding purposes of the Bank, the two types of instruments are linked to the equity of investees and are recognized as investments accounted, in accordance with Article 74 of the Securities and Exchange Act. (2) The equity securities, such as convertible bonds and warrants, are regulated by Article 11 Paragraph 1 of the Securities and Exchange Act Enforcement Rules. (3) The derivative instrument contracts are those defined under IFRS 9, such as stock options.

Note 3: The above companies which are the subsidiaries of the Bank were eliminated from the consolidated financial statements.

KGI BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
JUNE 30, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2022	Net Gain of the investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of June 30, 2022	Accumulated Inward Remittance of Earnings as of June 30, 2022
					Outflow	Inflow						
Suyin KGI Consumer Finance Co., Ltd.	Consumer financial service	CNY 2,600,000 thousand	Note 1 (a)	CNY 940,400 thousand	$ -	$ -	CNY 940,400 Thousand	$ 229,172	36.17	$ 82,891 (Note 2 (b) 3)	$ 4,284,954	$ -
CDIB International Leasing Corporation	Financial leasing and management business consulting	CNY 187,750 thousand	Note 1 (a)	US$ 30,000 thousand	-	-	US$ 30,000 thousand	7,311	100.00	7,311 (Note 2 (b) 2)	131,590	-

Accumulated Investment in Mainland China as of June 30, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Limit on Investment
$5,169,114 (US$173,892 thousand)	US$173,892 thousand	$35,677,212

Note 1: The investment types are as follows:

a. Direct investments.
b. Reinvested through an investee company in a third area.
c. Others.

Note 2: In the column "Investment Gain"

a. If it is in preparation and there is no investment gain, it should state clearly.

b. Investment gain should be based on the following and should state clearly.

1) Financial statements audited/reviewed by an international CPA firm having a cooperative relation with CPA firms in the ROC;
2) Financial statements audited/reviewed by the CPA firm of the parent company in Taiwan;
3) Other.

c. If the current profit and loss information of the investee company cannot be obtained, it should state clearly.

Note 3: Exchange rate as of reporting date of the financial statement was used in translating foreign currency.

KGI BANK CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Trading Company	Related Party	Flow of Transactions (Note 2)	Content of Transaction (Note 5)			
				Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
0	KGI Bank Co., Ltd.	CDC Finance & Leasing Corporation	1	Deposit and remittances	$ 59,228	Note 4	0.01
1	CDC Finance & Leasing Corporation	KGI Bank Co., Ltd.	2	Cash and cash equivalents	59,228	Note 4	0.01
0	KGI Bank Co., Ltd.	CDIB Management Consulting Corporation	1	Deposit and remittances	163,345	Note 4	0.02
2	CDIB Management Consulting Corporation	KGI Bank Co., Ltd.	2	Cash and cash equivalents	163,345	Note 4	0.02

Note 1: The consolidated entities are identified in the No. column as follows: Parent company - “0”; subsidiaries - numbered from 1 by company.

Note 2: Transaction flows are as follows: (1) from parent to subsidiary; (2) from subsidiary to parent; and (3) between subsidiaries.

Note 3: The ratio is calculated as follows: For asset and liability accounts - Transaction amount in the ending period/Total consolidated assets; for income and expense accounts - Transaction amount in the annual/Total consolidated revenue.

Note 4: The transaction criteria for related parties are similar to those for third parties.

Note 5: Transactions each amounted to at least NT$10 million.

Note 6: The above transactions and balances were eliminated from the consolidated financial statements.