KGI Bank Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2023 and 2022 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, 2023, December 31, 2022 and June 30, 2022, the related consolidated statements of comprehensive income for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the consolidated statements of 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 (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as of June 30, 2023, December 31, 2022 and June 30, 2022, their consolidated financial performance for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, 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 the Standards on Auditing of 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

The 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, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters for the consolidated financial statements of the Bank and its subsidiaries for the six months ended June 30, 2023 are stated as follows:

Impairment of Discounts and Loans

The management assesses the 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 a 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, 2023.

Refer to Notes 4, 5 and 45 for the significant accounting policies, critical judgment, estimation uncertainty and related disclosure of the impairment of discounts and loans.

Our key audit procedures performed with respect to the above matter included the following:

We obtained an understanding of 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 appropriately reflect 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, 2023 and 2022 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 Standards on Auditing of 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 the Standards on Auditing of the ROC, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 and appropriate audit evidence regarding the financial information of 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, 2023 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 17, 2023

<u>Notice to Readers</u>

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

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

KGI BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2023		December 31, 2022		June 30, 2022	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 6 and 41)	$ 8,840,166	1	$ 13,127,228	2	$ 8,206,889	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 7 and 42)	60,569,163	8	54,451,552	7	26,388,514	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 41)	43,431,618	5	34,166,455	5	45,867,979	6
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11, 16 and 42)	144,730,242	18	140,684,441	18	192,465,854	26
DEBT INVESTMENTS MEASURED AT AMORTIZED COST (Notes 4, 10 and 42)	60,476,765	8	58,985,476	8	19,766,984	3
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 11)	1,268,660	-	2,025,601	-	2,067,317	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 12)	37,214,932	5	15,467,689	2	8,453,271	1
RECEIVABLES, NET (Notes 4, 13, 41 and 42)	28,389,989	3	30,356,155	4	33,489,037	4
DISCOUNTS AND LOANS, NET (Notes 4, 14 and 41)	390,847,529	49	394,572,818	51	387,920,718	51
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Note 15)	5,395,753	1	5,139,359	1	4,922,776	1
OTHER FINANCIAL ASSETS, NET (Notes 17 and 42)	2,569,860	-	1,102,250	-	2,220,150	-
PROPERTY AND EQUIPMENT, NET (Notes 18 and 42)	5,737,401	1	5,834,074	1	5,880,988	1
RIGHT-OF-USE ASSETS, NET (Notes 19 and 41)	3,155,350	-	3,337,470	-	3,456,284	-
INVESTMENT PROPERTY, NET (Notes 20 and 42)	1,490,148	-	1,496,998	-	1,504,085	-
INTANGIBLE ASSETS, NET	1,139,242	-	1,072,532	-	1,081,131	-
DEFERRED TAX ASSETS (Notes 4 and 39)	531,009	-	750,316	-	699,261	-
OTHER ASSETS, NET (Notes 21, 41 and 42)	5,938,440	1	7,374,410	1	11,293,950	2
TOTAL	$ 801,726,267	100	$ 769,944,824	100	$ 755,685,188	100
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from the Central Bank and banks (Note 22)	$ 1,091,906	-	$ 11,972,428	2	$ 20,522,868	3
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 41)	26,743,558	3	35,628,311	5	41,064,041	5
Financial liabilities for hedging (Notes 4 and 11)	620,998	-	526,268	-	619,039	-
Notes and bonds issued under repurchase agreements (Notes 8, 9, 10 and 23)	43,050,930	6	28,360,984	4	59,156,821	8
Payables (Notes 24 and 41)	6,670,584	1	10,003,507	1	7,724,919	1
Current tax liabilities (Notes 4, 39 and 41)	844,757	-	1,051,106	-	948,563	-
Deposits and remittances (Notes 25 and 41)	580,029,962	72	543,685,203	71	500,901,364	66
Bank debentures payable (Notes 11 and 26)	24,629,260	3	24,753,007	3	24,630,877	3
Principal received on structured notes	40,000,515	5	39,096,143	5	26,382,043	4
Other financial liabilities (Note 27)	6,982,024	1	6,424,638	1	6,343,364	1
Provisions (Note 28)	392,718	-	295,926	-	370,476	-
Lease liabilities (Notes 19 and 41)	3,317,070	1	3,493,402	-	3,604,970	-
Deferred tax liabilities (Notes 4 and 39)	63,515	-	64,214	-	19,831	-
Other liabilities (Notes 30 and 41)	1,964,169	-	3,124,236	-	3,725,658	1
Total liabilities	736,401,966	92	708,479,373	92	696,014,834	92
EQUITY (Note 31)						
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	118,203	-	128,808	-	55,402	-
Total capital surplus	7,363,926	1	7,374,531	1	7,301,125	1
Retained earnings						
Legal reserve	10,373,364	1	8,998,877	1	8,998,877	1
Special reserve	3,417,873	1	210,736	-	210,736	-
Unappropriated earnings	3,076,496	-	4,581,624	1	2,223,630	1
Total retained earnings	16,867,733	2	13,791,237	2	11,433,243	2
Other equity	(4,968,981)	(1)	(5,761,940)	(1)	(5,333,972)	(1)
Total equity of parent company	65,324,301	8	61,465,451	8	59,462,019	8
Non-controlling interests	-	-	-	-	208,335	-
Total equity	65,324,301	8	61,465,451	8	59,670,354	8
TOTAL	$ 801,726,267	100	$ 769,944,824	100	$ 755,685,188	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			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 32 and 41)	$ 5,721,215	165	$ 3,458,076	101	$ 10,993,430	160	$ 6,461,278	98
INTEREST EXPENSE (Notes 19, 32 and 41)	(3,690,108)	(106)	(977,519)	(29)	(6,977,387)	(102)	(1,599,232)	(24)
NET INTEREST	2,031,107	59	2,480,557	72	4,016,043	58	4,862,046	74
NET REVENUE OTHER THAN INTEREST								
Service fee income, net (Notes 33 and 41)	486,741	14	502,219	15	940,190	14	1,027,081	16
Gain on financial assets or liabilities measured at fair value through profit or loss, net (Note 34)	628,274	18	568,471	17	1,179,374	17	824,317	12
Realized gain (loss) on financial assets measured at fair value through other comprehensive income (Note 35)	120,835	4	(310,385)	(9)	129,901	2	(594,349)	(9)
Foreign exchange gain (loss), net	(53,224)	(2)	184,911	5	148,679	2	427,376	6
Reversal of impairment loss (impairment loss) on assets, net (Note 36)	(3,549)	-	4,786	-	(11,307)	-	(5,940)	-
Share of the profit (loss) of associates accounted for using equity method	223,581	6	(40,505)	(1)	382,170	5	(28,741)	-
Rental revenue	22,500	1	29,007	1	45,393	1	58,691	1
Other non-interest gain, net	7,665	-	11,479	-	42,303	1	25,553	-
Total net revenue other than interest	1,432,823	41	949,983	28	2,856,703	42	1,733,988	26
TOTAL NET REVENUE	3,463,930	100	3,430,540	100	6,872,746	100	6,596,034	100
REVERSAL (PROVISION) OF ALLOWANCE FOR BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION	(26,989)	(1)	48,035	2	66,282	1	154,517	2
OPERATING EXPENSES (Notes 19, 29, 37, 38 and 41)								
Employee benefits expense	(1,038,423)	(30)	(995,653)	(29)	(2,110,261)	(31)	(2,033,143)	(31)
Depreciation and amortization expense	(225,931)	(6)	(225,092)	(7)	(451,688)	(6)	(444,141)	(7)
Other general and administrative expenses	(473,340)	(14)	(485,527)	(14)	(908,838)	(13)	(893,560)	(13)
Total operating expenses	(1,737,694)	(50)	(1,706,272)	(50)	(3,470,787)	(50)	(3,370,844)	(51)
INCOME BEFORE INCOME TAX	1,699,247	49	1,772,303	52	3,468,241	51	3,379,707	51
INCOME TAX EXPENSE (Notes 4 and 39)	(224,446)	(7)	(252,098)	(8)	(458,810)	(7)	(496,408)	(7)
NET INCOME	1,474,801	42	1,520,205	44	3,009,431	44	2,883,299	44

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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			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 39)								
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	$ 187,143	5	$ (1,238,043)	(36)	$ 253,830	4	$ (1,695,936)	(26)
Share of other comprehensive income (loss) of associates accounted for using equity method	(6,177)	-	(133,455)	(4)	29,762	-	(178,393)	(3)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(10,219)	-	102,004	3	(9,906)	-	88,771	2
Items that will be reclassified subsequently to profit or loss, net of tax								
Exchange differences on translation of foreign financial statements	(139,827)	(4)	(26,968)	(1)	(213,295)	(3)	169,258	3
Share of other comprehensive income of associates accounted for using equity method	17,550	-	33,037	1	11,766	-	61,728	1
Gain (loss) on debt instruments measured at fair value through other comprehensive income	(48,938)	(1)	(2,335,226)	(68)	814,943	12	(4,559,980)	(69)
Impairment loss (reversal of impairment loss) on debt instruments measured at fair value through other comprehensive income	3,634	-	(3,388)	-	11,049	-	5,484	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(9,437)	-	151,646	5	(38,125)	(1)	294,183	4
Other comprehensive income (loss), net of tax	(6,271)	-	(3,450,393)	(100)	860,024	12	(5,814,885)	(88)
TOTAL COMPREHENSIVE INCOME (LOSS), NET OF TAX	$ 1,468,530	42	$ (1,930,188)	(56)	$ 3,869,455	56	$ (2,931,586)	(44)

(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			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:								
Owners of parent	$ 1,474,801	42	$ 1,515,861	44	$ 3,009,431	44	$ 2,874,616	44
Non-controlling interests	-	-	4,344	-	-	-	8,683	-
	$ 1,474,801	42	$ 1,520,205	44	$ 3,009,431	44	$ 2,883,299	44
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of parent	$ 1,468,530	42	$ (1,934,231)	(56)	$ 3,869,455	56	$ (2,941,925)	(44)
Non-controlling interests	-	-	4,043	-	-	-	10,339	-
	$ 1,468,530	42	$ (1,930,188)	(56)	$ 3,869,455	56	$ (2,931,586)	(44)
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 40)								
Basic	$ 0.32		$ 0.33		$ 0.65		$ 0.62	

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, 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)
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)
Share-based payments	-	42,251	-	-	-	-	-	42,251	-	42,251
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(10,830)	(10,830)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(650,986)	-	650,986	-	-	-
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
BALANCE AT JANUARY 1, 2023	$ 46,061,623	$ 7,374,531	$ 8,998,877	$ 210,736	$ 4,581,624	$ 155,393	$ (5,917,333)	$ 61,465,451	$ -	$ 61,465,451
Appropriation of earnings										
Legal reserve	-	-	1,374,487	-	(1,374,487)	-	-	-	-	-
Special reserve	-	-	-	3,207,137	(3,207,137)	-	-	-	-	-
Changes in equity of associates accounted for using equity method	-	(32,447)	-	-	-	-	-	(32,447)	-	(32,447)
Net income for the six months ended June 30, 2023	-	-	-	-	3,009,431	-	-	3,009,431	-	3,009,431
Other comprehensive income (loss) for the six months ended June 30, 2023, net of income tax	-	-	-	-	-	(201,529)	1,061,553	860,024	-	860,024
Total comprehensive income (loss) for the six months ended June 30, 2023	-	-	-	-	3,009,431	(201,529)	1,061,553	3,869,455	-	3,869,455
Share-based payments	-	21,842	-	-	-	-	-	21,842	-	21,842
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	67,065	-	(67,065)	-	-	-
BALANCE AT JUNE 30, 2023	$ 46,061,623	$ 7,363,926	$ 10,373,364	$ 3,417,873	$ 3,076,496	$ (46,136)	$ (4,922,845)	$ 65,324,301	$ -	$ 65,324,301

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	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,468,241	$ 3,379,707
Adjustments for:		
Depreciation expense	325,478	332,630
Amortization expense	126,210	111,511
Reversal of allowance for bad debts expense, commitments and guarantee liability provisions	(66,282)	(154,517)
Net gain on financial assets and liabilities measured at fair value through profit or loss	(1,178,970)	(824,317)
Interest expense	6,977,387	1,599,232
Interest income	(10,993,430)	(6,461,278)
Dividend income	(55,096)	(402,852)
Share-based payments	21,842	42,251
Share of (profit) loss of associates accounted for using equity method	(382,170)	28,741
Impairment loss on financial assets	11,307	5,940
Others	(2,200)	(1,100)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	514,356	(2,236,389)
Financial assets at fair value through profit or loss	12,119,640	(3,808,225)
Financial assets at fair value through other comprehensive income	(2,248,458)	(3,096,070)
Debt investments measured at amortized cost	(1,491,911)	(6,656,674)
Securities purchased under resell agreements	(2,885,161)	(108,610)
Receivables	2,452,459	(6,289,748)
Discounts and loans	3,857,785	(14,173,505)
Other financial assets	(1,467,610)	(1,133,275)
Other assets	1,362,096	(7,535,130)
Deposits from the Central Bank and banks	(10,880,522)	(300,678)
Financial liabilities at fair value through profit or loss	(29,090,587)	3,425,290
Notes and bonds issued under repurchase agreements	14,689,946	16,375,652
Payables	(1,136,291)	(131,057)
Deposits and remittances	36,344,759	(1,712,393)
Other financial liabilities	1,664,372	8,451,959
Other liabilities	(1,179,913)	(1,457,969)
Cash flows generated from (used in) operations	20,877,277	(22,730,874)
Interest received	10,603,786	6,443,588
Dividends received	7,949	74,993
Interest paid	(9,173,932)	(984,949)
Income taxes paid	(494,569)	(266,165)
Net cash flows generated from (used in) operating activities	21,820,511	(17,463,407)

(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	
	2023	**2022**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	$ (46,592)	$ (100,259)
Proceeds from disposal of property and equipment	11,261	25,852
Acquisition of intangible assets	(192,921)	(234,185)
Net cash flows used in investing activities	(228,252)	(308,592)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	41,585	319,000
Decrease in due to the Central Bank and banks	-	(129,490)
Increase (decrease) in commercial paper payable	(1,044,284)	975,301
Proceeds from (repayments of) long-term borrowings	800,085	(350,012)
Repayment of the principal portion of lease liabilities	(178,184)	(174,866)
Cash dividends paid	-	(3,718,097)
Changes in non-controlling interests	-	(10,830)
Net cash flows used in financing activities	(380,798)	(3,088,994)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(4,474)	2,650
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,206,987	(20,858,343)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	64,496,856	46,533,436
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 85,703,843	$ 25,675,093

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, 2023 and 2022:

	June 30	
	2023	**2022**
Cash and cash equivalents in the consolidated balance sheets	$ 8,840,166	$ 8,206,889
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	43,048,420	9,178,569
Securities purchased under agreements to resell qualifying as cash and cash equivalents under the definition of IAS 7 endorsed by FSC	33,815,257	8,289,635
Cash and cash equivalents in the consolidated statements of cash flows	$ 85,703,843	$ 25,675,093

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, 2023 AND 2022
(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, 2023, 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 were 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 17, 2023.

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

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs"), and the Regulations Governing the Preparation of Financial Reports by Public Banks endorsed and issued into effect by the FSC

   The initial application of the amendments to the IFRSs and the Regulations Governing the Preparation of Financial Reports by Public Banks 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 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024

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

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

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
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 - Comparative Information”	January 1, 2023

As of the date the consolidated financial statements were authorized for issue, the Bank and its subsidiaries are continuously assessing the possible impact of the application of the aforementioned standards and interpretations 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 MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

The interim 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 these interim consolidated financial reports 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 45 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, 2023	December 31, 2022	June 30, 2022
The Bank	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	100.00
CDIB Management Consulting Corporation	CDC Finance & Leasing Corporation	Leasing	100.00	100.00	76.04
	CDIB International Leasing Corporation	Leasing	100.00	100.00	100.00

Note: CDIB Management Consulting Corporation acquired 23.96% of the shares of CDC Finance & Leasing Corporation, and CDC Finance & Leasing Corporation became a 100% subsidiary on October 18, 2022.

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

Financial assets

All regular way 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

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria. 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 dividends and remeasurement gains or losses on the financial assets are recognized in net revenues other than interest. Fair value is determined in the manner described in Note 44.

2) Financial assets at amortized cost

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

a) The financial assets are 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 assets 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 amortized cost of a financial asset, others are calculated by multiplying the effective interest rate to the gross carrying amount 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 as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

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

Dividends on these investments in equity instruments are recognized in profit or loss when the 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 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 impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts 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 the carrying amounts of the financial assets are not reduced.

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.

Equity instruments

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.

Financial liabilities

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.

<u>Derivative financial instruments</u>

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

Derivatives embedded in hybrid contracts that contain financial asset hosts that is the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets 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.

<u>Modification of financial instruments</u>

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

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the Bank elects to apply the practical expedient in which the changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis. When multiple changes are made to a financial asset or a financial liability, the Bank first applies the practical expedient to those changes required by interest rate benchmark reform, and then applies the requirements of modification of financial instruments to the other changes that cannot apply the practical expedient.

Other Material Accounting Policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2022.

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.

Income Tax Expense

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 consistently 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. MATERIAL 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 on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect 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, interest rate fluctuations 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, 2023	December 31, 2022	June 30, 2022
Due from banks	$ 6,040,568	$ 9,047,945	$ 5,379,231
Cash on hand	1,671,982	2,075,575	1,458,081
Excess margin from futures	720,045	387,908	863,782
Checks for clearing	244,245	1,416,128	368,298
Cash in banks	163,326	199,672	137,497
	$ 8,840,166	$ 13,127,228	$ 8,206,889

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of December 31, 2022 as follows; please refer to the consolidated statements of cash flows for the reconciliation information as of June 30, 2023 and 2022:

	December 31, 2022
Cash and cash equivalents in the consolidated balance sheets	$ 13,127,228
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	36,416,453
Securities purchased under agreements to resell qualifying as cash and cash equivalents under the definition of IAS 7 endorsed by FSC	14,953,175
Cash and cash equivalents in the consolidated statements of cash flows	$ 64,496,856

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

	June 30, 2023	December 31, 2022	June 30, 2022
Call loans to banks	$ 39,438,449	$ 30,930,435	$ 6,507,289
Deposit reserve - demand accounts	12,782,416	12,357,783	11,719,304
Deposit reserve - checking accounts	4,422,046	7,449,871	4,599,366
Due from the Central Bank - interbank settlement funds	3,708,307	3,513,861	3,402,035
Deposit reserve - foreign currencies	217,945	199,602	160,520
	$ 60,569,163	$ 54,451,552	$ 26,388,514

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 42.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2023	December 31, 2022	June 30, 2022
Financial assets mandatorily classified as at FVTPL			
Derivative instruments			
Currency swap contracts	$ 22,581,221	$ 19,508,899	$ 24,749,419
Interest rate swap contracts	3,634,731	3,303,096	3,494,181
Option contracts	1,180,428	802,203	1,450,292
Others	559,950	598,040	812,137
	27,956,330	24,212,238	30,506,029
Non-derivative financial assets			
Commercial papers	14,677,681	6,990,203	9,071,342
Bank debentures	382,830	473,700	1,736,624
Corporate bonds	-	-	1,887,651
Others	414,777	992,383	695,441
	15,475,288	8,456,286	13,391,058
	43,431,618	32,668,524	43,897,087
Financial assets designated as at FVTPL			
Government bonds	-	1,497,931	1,970,892
Financial assets at FVTPL	$ 43,431,618	$ 34,166,455	$ 45,867,979
Financial liabilities held for trading			
Derivative instruments			
Currency swap contracts	$ 21,369,433	$ 18,770,791	$ 23,499,507
Interest rate swap contracts	3,481,397	4,015,030	4,517,021
Option contracts	1,413,427	1,164,183	1,572,599
Others	479,301	648,718	773,281
	26,743,558	24,598,722	30,362,408
Financial liabilities designated as at FVTPL			
Bank debentures payable	-	11,029,589	10,701,633
Financial liabilities at FVTPL	$ 26,743,558	$ 35,628,311	$ 41,064,041

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

Name	December 31, 2022	June 30, 2022	Issuance Period	Method of Paying Principal and Interests	Interest Rate
P18KGIB1	$ 6,141,600	$ 5,945,200	2018.01.30-2048.01.30 (Note)	Principal due on maturity	0%
P18KGIB2	4,913,280	4,756,160	2018.02.27-2048.02.27 (Note)	Principal due on maturity	0%
	11,054,880	10,701,360			
Valuation adjustments	(25,291)	273			
	$ 11,029,589	$ 10,701,633			

Note: 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 as of June 30, 2023, December 31, 2022 and June 30, 2022 were summarized as follows:

	Contract Amount		
	June 30, 2023	**December 31, 2022**	**June 30, 2022**
Currency swap contracts	$ 1,708,340,015	$ 1,554,176,760	$ 1,360,322,874
Interest rate swap contracts	356,990,790	359,625,021	359,851,354
Option contracts	133,721,416	88,287,033	173,397,439
Forward exchange contracts	11,057,060	15,627,151	13,931,299
Non-deliverable forward contracts	9,627,780	7,464,993	9,782,251
Cross-currency swap contracts	5,959,286	9,850,066	14,214,646
Futures contracts	1,732,357	562,890	18,738,012
Commodity swap contracts	256,029	227,291	209,366

As of June 30, 2023, December 31, 2022 and June 30, 2022, financial assets at FVTPL with aggregate carrying values of $1,639,799 thousand, $1,079,721 thousand and $2,464,604 thousand, respectively, were 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 FVTPL as collateral.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2023	**December 31, 2022**	**June 30, 2022**
Investments in debt instruments at FVTOCI	$ 140,868,072	$ 138,785,275	$ 185,185,277
Investments in equity instruments at FVTOCI	3,862,170	1,899,166	7,280,577
	$ 144,730,242	$ 140,684,441	$ 192,465,854

a. Investments in debt instruments at FVTOCI

	June 30, 2023	**December 31, 2022**	**June 30, 2022**
Corporate bonds	$ 53,401,360	$ 46,534,714	$ 49,793,590
Government bonds	50,489,510	51,934,307	52,587,075
Negotiable certificates of deposit	18,623,894	26,424,348	68,391,041
Bank debentures	16,065,617	11,884,566	12,304,700
Others	2,287,691	2,007,340	2,108,871
	$ 140,868,072	$ 138,785,275	$ 185,185,277

As of June 30, 2023, December 31, 2022 and June 30, 2022, investments in debt instruments at FVTOCI, with aggregate carrying values of $38,926,656 thousand, $26,483,687 thousand and $52,924,962 thousand, respectively, were 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 $44,289 thousand, $33,240 thousand and $34,665 thousand on June 30, 2023, December 31, 2022 and June 30, 2022, respectively.

b. Investments in equity instruments at FVTOCI

	June 30, 2023	December 31, 2022	June 30, 2022
Listed and OTC stocks	$ 2,925,566	$ 948,104	$ 6,308,551
Unlisted stocks	936,604	951,062	972,026
	$ 3,862,170	$ 1,899,166	$ 7,280,577

For the six months ended June 30, 2023 and 2022, the Bank and its subsidiaries sold its shares in order to manage its investment portfolio. The sold shares had a fair value of $986,960 thousand and $8,328,685 thousand and the Bank and its subsidiaries transferred gain of $72,642 thousand and loss of $650,986 thousand from other equity related-unrealized gain (loss) on financial assets at FVTOCI to retained earnings.

For the three months ended June 30, 2023 and 2022, dividend income were $52,196 thousand and $348,373 thousand, respectively, and for the six months ended June 30, 2023 and 2022, dividend income were $54,692 thousand and $402,852 thousand, respectively, and those related to investments held as of June 30, 2023 and 2022 were $46,234 thousand and $68,715 thousand, and those related to investments derecognized as of June 30, 2023 and 2022 were $8,458 thousand and $334,137 thousand, respectively.

For the information on financial assets at FVTOCI pledged as collateral for the Bank and its subsidiaries, please refer to Note 42.

10. DEBT INVESTMENTS MEASURED AT AMORTIZED COST

	June 30, 2023	December 31, 2022	June 30, 2022
Negotiable certificates of deposit issued by the Central Bank	$ 39,815,000	$ 38,775,000	$ -
Bank debentures	14,575,416	15,506,044	15,196,921
Corporate bonds	5,151,650	4,401,545	4,263,794
Others	940,500	308,040	311,270
	60,482,566	58,990,629	19,771,985
Accumulated impairment	(5,801)	(5,153)	(5,001)
Net amount	$ 60,476,765	$ 58,985,476	$ 19,766,984

As of June 30, 2023, December 31, 2022 and June 30, 2022, debt investments measured at amortized cost, with aggregate carrying values of $2,484,475 thousand, $797,576 thousand and $3,767,255 thousand were sold, respectively, under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

For the information on the debt investments measured at amortized cost pledged as collateral for the Bank, please refer to Note 42.

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. The recognition of impairment loss of $5,801 thousand, $5,153 thousand and $5,001 thousand on June 30, 2023, December 31, 2022 and June 30, 2022, respectively.

11. FINANCIAL INSTRUMENTS FOR HEDGING

	June 30, 2023	December 31, 2022	June 30, 2022
Financial assets for hedging			
Fair value hedge - interest rate swap	$ 1,268,660	$ 2,025,601	$ 2,067,317
Financial liabilities for hedging			
Fair value hedge - interest rate swap	$ 620,998	$ 526,268	$ 619,039

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, 2023

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount	
				Asset	Liability
Fair value hedge					
Interest rate swap contracts	$ 38,553,458	2024.05.18-2032.08.15	Financial assets and liabilities for hedging	$ 1,268,660	$ 620,998

Hedged Items	Carrying Amount		Accumulated Amount of Fair Value Adjustments	
	Asset	Liability	Asset	Liability
Fair value hedge				
Financial assets at FVTOCI	$ 20,358,996	$ -	$ (1,268,607)	$ -
Bank debentures payable	-	15,179,260	-	(620,740)

December 31, 2022

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount	
				Asset	Liability
Fair value hedge					
Interest rate swap contracts	$ 45,764,866	2024.05.18-2032.09.08	Financial assets and liabilities for hedging	$ 2,025,601	$ 526,268

Hedged Items	Carrying Amount		Accumulated Amount of Fair Value Adjustments	
	Asset	Liability	Asset	Liability
Fair value hedge				
Financial assets at FVTOCI	$ 26,415,169	$ -	$ (1,996,813)	$ -
Bank debentures payable	-	15,303,007	-	(496,993)

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 FVTOCI	$ 22,423,240	$ -	$ (2,067,716)	$ -
Bank debentures payable	-	15,180,877	-	(619,123)

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	June 30, 2023	December 31, 2022	June 30, 2022
Commercial papers	$ 24,518,549	$ 7,710,865	$ 6,847,821
Corporate bonds	9,526,628	887,421	249,559
Negotiable certificates of deposit	1,457,574	1,200,945	500,119
Government bonds	1,162,737	5,047,989	402,103
Bank debentures	549,444	620,469	453,669
	$ 37,214,932	$ 15,467,689	$ 8,453,271
Agreed-upon resell amounts	$ 37,269,274	$ 15,494,368	$ 8,456,402
Last maturity date	September 2023	March 2023	September 2022

13. RECEIVABLES, NET

	June 30, 2023	December 31, 2022	June 30, 2022
Accounts receivable factoring without recourse	$ 8,216,332	$ 11,472,457	$ 12,405,553
Installment accounts and lease receivables	6,481,706	6,742,665	6,860,005
Interest receivable	4,726,909	4,318,054	3,342,852
Accounts receivable - forfaiting	3,858,994	3,521,111	6,026,083
Credit cards	3,775,195	3,521,739	3,279,779
PEM receivable	936,734	923,887	894,495
Rental deposits	467,748	467,748	467,748
Others	1,695,585	1,189,133	1,993,647
	30,159,203	32,156,794	35,270,162
Less: Unrealized interest	(369,006)	(359,317)	(349,531)
Allowance for bad debts	(1,400,208)	(1,441,322)	(1,431,594)
Net amount	$ 28,389,989	$ 30,356,155	$ 33,489,037

As of June 30, 2023, December 31, 2022 and June 30, 2022, 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 43 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, 2023, the PEM receivable amounting to $936,734 thousand (US$30,086 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, 2023	
	USD	**NTD**
Life insurance policies	$ 14,525	$ 452,264
Non-life insurance policies	15,561	484,470
	30,086	936,734
Less: Allowance for bad debts	(17,008)	(529,543)
Net amount	$ 13,078	$ 407,191

	December 31, 2022	
	USD	**NTD**
Life insurance policies	$ 14,525	$ 446,061
Non-life insurance policies	15,561	477,826
	30,086	923,887
Less: Allowance for bad debts	(17,008)	(522,281)
Net amount	$ 13,078	$ 401,606

	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

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, 2023

	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	$ 48,035	$ 23,846	$ -	$ 1,146,937	$ -	$ 1,218,818	$ 222,504	$ 1,441,322
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(6,937)	7,321	1	(385)	-	-		-
Transferred to credit - impaired financial assets	(214)	(3,487)	-	3,701	-	-		-
Transferred to 12 months ECL	1,178	(1,072)	-	(106)	-	-		-
Derecognizing financial assets during the current period	(34,774)	(7,131)	(2,121)	(10,338)	-	(54,364)		(54,364)
Purchased or originated new financial assets	39,304	825	3,033	836	-	43,998		43,998
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							(55,238)	(55,238)
Write-off	-	-	-	(25,478)	-	(25,478)		(25,478)
Recovery of written-off	-	-	-	3,812	-	3,812		3,812
Effects of exchange rate changes and others	13,471	10,492	1,489	20,704	-	46,156		46,156
Balance at June 30	$ 60,063	$ 30,794	$ 2,402	$ 1,139,683	$ -	$ 1,232,942	$ 167,266	$ 1,400,208

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	(27,247)	(475)	-	(4,958)	-	(32,680)		(32,680)
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
Effects of exchange rate changes and others	(8,084)	(636)	214	46,388	-	37,882		37,882
Balance at June 30	$ 48,165	$ 17,994	$ 214	$ 1,106,364	$ -	$ 1,172,737	$ 258,857	$ 1,431,594

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

For the six months ended June 30, 2023

	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	$ 29,763,221	$ 281,421	$ -	$ 1,752,835	$ -	$ 31,797,477
Conversion from individual financial instruments to lifetime ECL	(4,449)	-	4,449	-	-	-
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	(133,833)	90,764	-	43,069	-	-
Purchased or originated new receivables	9,960,606	13,976	7,429	4,348	-	9,986,359
Write-off	-	-	-	(25,478)	-	(25,478)
Derecognition	(11,918,646)	(71,635)	(6,550)	(42,985)	-	(12,039,816)
Effects of exchange rate changes and others	55,024	-	311	16,320	-	71,655
Balance at June 30	$ 27,721,923	$ 314,526	$ 5,639	$ 1,748,109	$ -	$ 29,790,197

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	(7,919,017)	(33,351)	-	(33,872)	-	(7,986,240)
Effects of exchange rate changes and others	774,494	4,107	142	72,218	-	850,961
Balance at June 30	$ 32,992,988	$ 220,463	$ 347	$ 1,706,833	$ -	$ 34,920,631

For the impairment loss analysis of receivables, please refer to Note 45.

For the information on receivables pledged as collateral for the Bank and its subsidiaries, please refer to Note 42.

14. DISCOUNTS AND LOANS, NET

	June 30, 2023	December 31, 2022	June 30, 2022
Short-term loans	$ 61,273,565	$ 67,245,686	$ 74,340,692
Medium-term loans	235,045,840	233,598,502	221,824,819
Long-term loans	99,237,343	98,419,210	96,501,290
Overdue loans	480,906	520,522	287,391
Export negotiations	16,290	21,719	26,893
	396,053,944	399,805,639	392,981,085
Less: Allowance for bad debts	(5,152,778)	(5,180,607)	(5,005,006)
Less: Discounts on discounts and loans	(53,637)	(52,214)	(55,361)
Net amount	$ 390,847,529	$ 394,572,818	$ 387,920,718

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, 2023

	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	$ 702,059	$ 99,224	$ -	$ 617,242	$ -	$ 1,418,525	$ 3,762,082	$ 5,180,607
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(1,702)	7,020	106	(5,424)	-	-		-
Transferred to credit - impaired financial assets	(3,149)	(22,782)	-	25,931	-	-		-
Transferred to 12 months ECL	5,115	(3,046)	-	(2,069)	-	-		-
Derecognizing financial assets during the current period	(481,958)	(10,436)	(2)	(28,811)	-	(521,207)		(521,207)
Purchased or originated new financial assets	460,853	336	-	28	-	461,217		461,217
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							(301,622)	(301,622)
Write-off	-	-	-	(386,672)	-	(386,672)		(386,672)
Recovery of written-off	-	-	-	473,259	-	473,259		473,259
Effects of exchange rate changes and others	83,366	50,155	232,271	(118,596)	-	247,196		247,196
Balance at June 30	$ 764,584	$ 120,471	$ 232,375	$ 574,888	$ -	$ 1,692,318	$ 3,460,460	$ 5,152,778

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
Effects 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

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, 2023

	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	$ 395,967,373	$ 1,533,963	$ -	$ 2,304,303	$ -	$ 399,805,639
Conversion from individual financial instruments to lifetime ECL	(516,704)	-	516,704	-	-	-
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	(711,660)	151,535	-	560,125	-	-
Purchased or originated new discounts and loans	254,917,706	3,368	-	281	-	254,921,355
Write-off	-	-	-	(386,672)	-	(386,672)
Derecognition	(258,805,059)	(146,146)	(8,509)	(112,824)	-	(259,072,538)
Effects of exchange rate changes and others	749,882	-	37,428	(1,150)	-	786,160
Balance at June 30	$ 391,601,538	$ 1,542,720	$ 545,623	$ 2,364,063	$ -	$ 396,053,944

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)
Effects 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 impairment loss analysis of discounts and loans, please refer to Note 45.

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET

Immaterial associates:

	June 30, 2023		December 31, 2022		June 30, 2022	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
Suyin KGI Consumer Finance Co., Ltd.	$ 4,614,726	36.17	$ 4,459,742	36.17	$ 4,284,954	36.17
CDIB & Partners Investment Holding Corporation	781,027	4.95	679,617	4.95	637,822	4.95
	$ 5,395,753		$ 5,139,359		$ 4,922,776	

The above investments accounted for using the equity method and the Bank and its subsidiaries' share of earnings and other comprehensive income have been calculated on the basis of the audited financial statements.

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, 2023	December 31, 2022	June 30, 2022
Asset securitization			
Financial assets at FVTOCI	$ 314,529	$ 305,942	$ 298,153

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 until June 30, 2023.

17. OTHER FINANCIAL ASSETS, NET

	June 30, 2023	December 31, 2022	June 30, 2022
Due from banks except for cash and cash equivalents	$ 2,569,560	$ 1,101,950	$ 2,219,850
Overdue receivables	21,772	15,447	20,094
Pledged time deposits	300	300	300
	2,591,632	1,117,697	2,240,244
Less: Allowance for bad debts - overdue receivables	(21,772)	(15,447)	(20,094)
Net amount	$ 2,569,860	$ 1,102,250	$ 2,220,150

For the information on other financial assets pledged as collateral by the Bank and its subsidiaries, please refer to Note 42.

18. PROPERTY AND EQUIPMENT, NET

	June 30, 2023	December 31, 2022	June 30, 2022
Land	$ 3,347,375	$ 3,347,375	$ 3,347,784
Buildings and facilities	1,249,274	1,280,617	1,303,751
Machinery and computer equipment	633,774	651,459	634,429
Leasehold improvements	405,595	431,390	453,459
Miscellaneous equipment	94,055	102,698	105,345
Transportation equipment	1,065	11,723	32,190
Prepayments for acquisition of properties	6,263	8,812	4,030
	$ 5,737,401	$ 5,834,074	$ 5,880,988
Assets used by the Bank and its subsidiaries	$ 5,443,411	$ 5,518,859	$ 5,536,918
Assets leased under operating leases	293,990	315,215	344,070
	$ 5,737,401	$ 5,834,074	$ 5,880,988

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, 2023 and 2022.

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 under operating leases was as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Year 1	$ 522	$ 2,787	$ 10,290
Year 2	-	174	602
Year 3	-	-	-
Year 4	-	-	-
Year 5	-	-	-
	$ 522	$ 2,961	$ 10,892

The equipment leased by the Bank and its subsidiaries under operating leases is depreciated on a straight-line basis over the 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 42.

19. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amounts			
Buildings and facilities	$ 3,135,850	$ 3,309,926	$ 3,422,878
Computer equipment	13,973	21,928	29,882
Transportation equipment	5,104	5,153	3,021
Miscellaneous equipment	423	463	503
	$ 3,155,350	$ 3,337,470	$ 3,456,284

	For the Six Months Ended June 30	
	2023	2022
Additions to right-of-use assets	$ 3,417	$ 22,554

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Depreciation of right-of-use assets				
Buildings and facilities	$ 87,553	$ 86,601	$ 175,057	$ 173,791
Computer equipment	3,978	3,978	7,955	7,955
Transportation equipment	797	711	1,665	1,421
Miscellaneous equipment	20	20	40	40
	$ 92,348	$ 91,310	$ 184,717	$ 183,207

b. Lease liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amounts	$ 3,317,070	$ 3,493,402	$ 3,604,970

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Interest expense (other interest expenses)	$ 6,982	$ 7,449	$ 14,333	$ 15,332

Ranges of discount rates for lease liabilities were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Buildings and facilities	0.52%-1.82%	0.52%-1.82%	0.52%-3.84%
Computer equipment	0.91%-0.92%	0.91%-0.92%	0.91%-0.92%
Transportation equipment	0.53%-1.64%	0.53%-1.64%	0.53%-0.92%
Miscellaneous equipment	1.03%	1.03%	1.03%

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

	June 30, 2023	December 31, 2022	June 30, 2022
Less than 1 year	$ 373,622	$ 380,374	$ 378,234
1 year to 5 years	1,442,018	1,457,604	1,440,170
Over 5 years	1,653,435	1,820,957	1,959,559
	$ 3,469,075	$ 3,658,935	$ 3,777,963

c. Material leasing 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 freehold property and equipment and investment properties 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	
	2023	2022	2023	2022
Expenses relating to short-term leases	$ 1,900	$ 2,091	$ 3,785	$ 3,716
Expenses relating to low-value asset leases	$ 1,272	$ 1,533	$ 2,448	$ 2,976
Total cash outflow for leases			$ 198,753	$ 196,904

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

	June 30, 2023	December 31, 2022	June 30, 2022
Short-term lease commitments	$ 4,869	$ 1,422	$ 5,251

20. INVESTMENT PROPERTY, NET

	June 30, 2023	December 31, 2022	June 30, 2022
Land	$ 1,150,304	$ 1,150,304	$ 1,150,304
Buildings and facilities	339,844	346,694	353,781
	$ 1,490,148	$ 1,496,998	$ 1,504,085

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, 2023 and 2022.

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 2022 and 2021 and regard the fair value on June 30, 2023 and 2022 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, 2023, December 31, 2022 and June 30, 2022 were $1,898,516 thousand, $1,898,516 thousand and $1,805,595 thousand, respectively. Investment properties were categorized into Level 3.

The lease terms of the leasing of investment properties are 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, 2023	December 31, 2022	June 30, 2022
Year 1	$ 48,768	$ 40,166	$ 44,988
Year 2	47,124	35,878	35,775
Year 3	38,085	30,620	34,082
Year 4	23,427	16,669	25,124
Year 5	20,612	11,217	11,664
Over 5 years	8,591	14,133	19,676
	$ 186,607	$ 148,683	$ 171,309

The above items of investment property under operating leases are depreciated on a straight-line basis over the 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 42.

21. OTHER ASSETS, NET

	June 30, 2023	December 31, 2022	June 30, 2022
Guarantee deposits paid	$ 4,967,521	$ 6,497,372	$ 10,357,536
Prepaid expenses	730,139	640,122	812,418
Prepaid pensions	123,275	116,286	-
Operating guarantee deposits and settlement funds	57,100	57,100	57,100
Others	60,405	63,530	66,896
	$ 5,938,440	$ 7,374,410	$ 11,293,950

For the information on other assets pledged as collateral by the Bank and its subsidiaries, please refer to Note 42.

22. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	June 30, 2023	December 31, 2022	June 30, 2022
Call loans from banks	$ 911,350	$ 11,791,872	$ 20,332,722
Deposits from Chunghwa Post Co., Ltd.	180,556	180,556	190,146
	$ 1,091,906	$ 11,972,428	$ 20,522,868

23. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	June 30, 2023	December 31, 2022	June 30, 2022
Corporate bonds	$ 21,170,484	$ 13,905,696	$ 37,963,522
Government bonds	12,998,650	9,784,967	10,907,917
Bank debentures	7,241,997	3,771,150	10,211,055
Others	1,639,799	899,171	74,327
	$ 43,050,930	$ 28,360,984	$ 59,156,821
Repurchase amounts	$ 43,443,163	$ 28,599,335	$ 59,340,516
Last maturity date	September 2023	March 2023	October 2022

24. PAYABLES

	June 30, 2023	December 31, 2022	June 30, 2022
Accounts payable factoring	$ 1,826,636	$ 1,945,951	$ 1,852,837
Accrued interest	1,677,646	3,862,989	2,878,572
Payables for securities purchased	1,207,381	229,758	409,993
Accrued expenses	689,802	1,094,893	784,143
Payables for checks for clearing	244,245	1,416,128	368,298
Collection payable	169,101	110,814	794,859
Others	855,773	1,342,974	636,217
	$ 6,670,584	$ 10,003,507	$ 7,724,919

25. DEPOSITS AND REMITTANCES

	June 30, 2023	December 31, 2022	June 30, 2022
Time deposits	$ 268,226,362	$ 261,858,627	$ 220,112,767
Savings deposits	170,015,346	158,186,438	149,865,493
Demand deposits	138,294,754	116,217,220	111,776,734
Checking deposits	3,282,015	3,817,497	3,779,059
Negotiable certificates of deposit	136,700	3,136,700	15,196,300
Remittances	74,785	468,721	171,011
	$ 580,029,962	$ 543,685,203	$ 500,901,364

26. BANK DEBENTURES PAYABLE

Name	June 30, 2023	December 31, 2022	June 30, 2022	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%
P08 KGIB 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%
P09 KGIB 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%
P09 KGIB 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%
P09 KGIB 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%
P10 KGIB 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%
P10 KGIB 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	(620,740)	(496,993)	(619,123)			
Net amount	$ 24,629,260	$ 24,753,007	$ 24,630,877			

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. OTHER FINANCIAL LIABILITIES

	June 30, 2023	December 31, 2022	June 30, 2022
Commercial paper payable	$ 3,614,575	$ 4,658,859	$ 5,514,480
Cumulative earnings on appropriated loan fund	1,320,000	560,000	-
Note issuance facility	1,299,864	499,779	509,884
Short-term borrowings	747,585	706,000	319,000
	$ 6,982,024	$ 6,424,638	$ 6,343,364
Commercial paper payable	1.65%-2.24%	1.62%-2.24%	0.72%-1.35%
Short-term borrowings	1.83%-2.23%	1.53%-2.09%	0.95%-1.30%

For the information on collateral for borrowings, please refer to Note 42.

28. PROVISIONS

	June 30, 2023	December 31, 2022	June 30, 2022
Provisions for guarantee liabilities	$ 185,423	$ 109,468	$ 164,714
Provisions for loan commitments	81,283	60,462	63,658
Provisions for decommissioning, restoration and rehabilitation cost	48,287	47,464	47,381
Provisions for employee benefits	4,433	5,217	18,146
Others	73,292	73,315	76,577
	$ 392,718	$ 295,926	$ 370,476

29. RETIREMENT BENEFIT PLANS

The Bank and its subsidiaries' retirement plans consist of defined contribution and defined benefit plans. For defined benefit plans, the pension expenses for the six months ended June 30, 2023 and 2022 were calculated using the actuarially determined pension cost as of December 31, 2022 and 2021, respectively.

For the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the Bank and its subsidiaries (a) recognized their contributions under the defined benefit plans as pension expenses (recognized as employee benefits expense) of $127 thousand, $1,123 thousand, $255 thousand and $2,158 thousand, respectively, and (b) recognized under the defined contribution plans pension expenses (recognized as employee benefits expense) of $35,393 thousand, $34,155 thousand, $70,147 thousand and $67,763 thousand, respectively.

30. OTHER LIABILITIES

	June 30, 2023	December 31, 2022	June 30, 2022
Guarantee deposits received	$ 907,751	$ 2,101,383	$ 2,515,131
Temporary receipts and suspense accounts	863,882	873,009	1,057,787
Prepayments	104,852	83,806	91,334
Others	87,684	66,038	61,406
	$ 1,964,169	$ 3,124,236	$ 3,725,658

31. EQUITY

a. Capital

Common stock

	June 30, 2023	December 31, 2022	June 30, 2022
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, 2023	December 31, 2022	June 30, 2022
Additional paid-in capital	$ 7,245,723	$ 7,245,723	$ 7,245,723
Share-based payments	113,040	91,198	55,217
Changes in capital surplus from investments in associates accounted for using equity method	185	32,632	185
Difference between consideration and carrying amount of subsidiaries acquired	4,978	4,978	-
	$ 7,363,926	$ 7,374,531	$ 7,301,125

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 resolve to distribute legal reserve by issuing new shares or cash dividends, 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 dividends 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 dividends 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 dividends 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.

The appropriations of the 2022 and 2021 earnings approved by Bank's board of directors, who were authorized to execute shareholders' meeting function on April 24, 2023 and April 21, 2022, respectively, were as follows:

	2022	2021
Legal reserve	$ 1,374,487	$ 1,665,649
Special reserve	3,207,137	168,417
Cash dividends	-	3,718,097

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

32. NET INTEREST

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Interest revenue				
Discounts and loans	$ 3,707,147	$ 2,397,837	$ 7,251,201	$ 4,517,439
Securities	1,431,544	796,754	2,635,045	1,502,400
Others	582,524	263,485	1,107,184	441,439
	5,721,215	3,458,076	10,993,430	6,461,278
Interest expense				
Deposits	2,749,326	661,311	5,282,867	1,103,382
Notes and bonds issued under repurchase agreements	401,352	112,990	624,225	156,830
Structured notes	329,247	68,227	612,607	109,622
Bank debentures	94,699	60,595	179,477	118,945
Others	115,484	74,396	278,211	110,453
	3,690,108	977,519	6,977,387	1,599,232
	$ 2,031,107	$ 2,480,557	$ 4,016,043	$ 4,862,046

33. SERVICE FEE INCOME, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Service fee revenue				
Trust	$ 144,659	$ 102,290	$ 280,132	$ 219,567
Loans	136,975	210,977	273,518	401,887
Insurance commission	95,240	95,592	189,632	213,124
Underwriting	37,447	20,711	82,751	53,384
Credit card	40,006	35,029	66,002	71,163
Guarantee	22,896	29,883	39,770	63,584
Others	114,833	102,926	215,280	205,896
	592,056	597,408	1,147,085	1,228,605

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Service fee expense				
Agency	$ 34,308	$ 32,816	$ 68,088	$ 62,958
Interbank	26,014	23,692	52,355	47,938
Others	44,993	38,681	86,452	90,628
	105,315	95,189	206,895	201,524
	$ 486,741	$ 502,219	$ 940,190	$ 1,027,081

(Concluded)

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Realized gain (loss)				
Derivative instruments	$ 469,340	$ 1,259,869	$ (416,285)	$ 2,098,015
Bonds	73,117	(284,644)	121,327	(463,734)
Stocks	100,684	(30,710)	89,518	(64,511)
Others	47,172	16,671	97,136	29,177
	690,313	961,186	(108,304)	1,598,947
Revaluation gain (loss)				
Derivative instruments	(64,102)	(619,440)	1,328,759	(1,108,597)
Bonds	(4,671)	235,967	(58,433)	375,270
Stocks	(10,723)	(713)	534	(13,041)
Others	17,457	(8,529)	16,818	(28,262)
	(62,039)	(392,715)	1,287,678	(774,630)
	$ 628,274	$ 568,471	$ 1,179,374	$ 824,317

For the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the realized gain or loss on the Bank and its subsidiaries' financial assets or liabilities at FVTPL included (a) disposal gain of $637,619 thousand, disposal gain of $1,127,040 thousand, disposal loss of $142,294 thousand and disposal gain of $1,915,866 thousand, respectively, (b) interest revenue of $52,392 thousand, $45,685 thousand, $99,786 thousand and $88,452 thousand, respectively, (c) dividend income of $302 thousand, $0 thousand, $404 thousand and $0 thousand, respectively, and (d) interest expense of $0 thousand, $211,539 thousand, $66,200 thousand and $405,371 thousand, respectively.

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Gain (loss) on disposal of bonds	$ 68,639	$ (658,758)	$ 75,209	$ (997,201)
Dividend income	52,196	348,373	54,692	402,852
	$ 120,835	$ (310,385)	$ 129,901	$ (594,349)

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Debt instruments at FVTOCI	$ (3,091)	$ 4,340	$ (10,684)	$ (3,734)
Debt instruments at amortized cost	(458)	446	(623)	(2,206)
	$ (3,549)	$ 4,786	$ (11,307)	$ (5,940)

37. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Employee benefit expense				
Salaries and wages	$ 858,141	$ 828,986	$ 1,738,706	$ 1,675,233
Employee insurance	64,379	62,054	145,413	140,728
Pension	35,520	35,278	70,402	69,921
Others	80,383	69,335	155,740	147,261
	$ 1,038,423	$ 995,653	$ 2,110,261	$ 2,033,143
Depreciation and amortization expenses	$ 225,931	$ 225,092	$ 451,688	$ 444,141

The Bank's Articles of Incorporation, which stipulates to distribute compensation of employees at the rates 0.01%-3% and remuneration of directors at the rates no higher than 1% of net profit before income tax and compensation of employees and remuneration of directors, 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, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the compensation of employees amounted to $1,700 thousand, $1,100 thousand, $3,500 thousand and $2,800 thousand, respectively. For the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the remuneration of directors accounted to $17,000 thousand, $11,000 thousand, $34,000 thousand and $27,000 thousand, respectively.

The distribution of the compensation of employees and remuneration of directors for 2022 and 2021 approved by the board of directors on February 16, 2023 and March 10, 2022 was as follows:

	For the Year Ended December 31	
	2022	2021
Compensation of employees	$ 5,300	$ 5,000
Remuneration of directors	52,000	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 directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

38. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Taxation	$ 170,106	$ 137,636	$ 343,509	$ 268,335
Computer information	93,766	99,818	178,208	165,097
Marketing	34,048	36,568	66,089	74,335
Postage expense	22,471	23,807	44,555	47,621
Professional services	12,495	40,741	25,812	77,445
Others	140,454	146,957	250,665	260,727
	$ 473,340	$ 485,527	$ 908,838	$ 893,560

39. INCOME TAX

a. Income tax expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Current income tax				
Current year	$ 233,151	$ 226,356	$ 278,179	$ 444,463
Prior year's adjustments	148	(17,056)	148	(17,056)
	233,299	209,300	278,327	427,407
Deferred income tax	(8,853)	42,798	180,483	69,001
Income tax expenses	$ 224,446	$ 252,098	$ 458,810	$ 496,408

b. Income tax recognized in other comprehensive income:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Current income tax				
Changes in fair value of equity instruments at FVTOCI	$ 10,219	$ (102,004)	$ 9,906	$ (88,771)
Deferred income tax				
Changes in fair value of debt instruments at FVTOCI	9,437	(151,646)	38,125	(294,183)
Income tax expense (benefit)	$ 19,656	$ (253,650)	$ 48,031	$ (382,954)

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, 2023	December 31, 2022	June 30, 2022
Taxes paid to the parent company	$ 826,444	$ 1,032,695	$ 939,023

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 2017 have been examined by the tax authorities.

The income tax returns of CDIB Management Consulting Corporation and CDC Finance & Leasing through 2021 have been examined by the tax authorities.

40. EARNINGS PER SHARE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Earnings used in the computation of the EPS	$ 1,474,801	$ 1,515,861	$ 3,009,431	$ 2,874,616
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)	$0.32	$0.33	$0.65	$0.62

41. RELATED-PARTY TRANSACTIONS

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

Name of 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 FVTPL)

Cash and cash equivalents

	Amount
June 30, 2023	$ 678,474
December 31, 2022	332,480
June 30, 2022	863,782

Financial assets at FVTPL

	Amount
June 30, 2023	$ 21,385
December 31, 2022	11,932
June 30, 2022	191,972

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

	Amount
June 30, 2023	$ 13,563
December 31, 2022	18,284
June 30, 2022	11,026

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

	Amount
June 30, 2023	$ 44,447
December 31, 2022	19,423
June 30, 2022	13,691

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

	Amount
June 30, 2023	$ 111,717
December 31, 2022	52,412
June 30, 2022	789,819

e. Discounts and loans

		Amount	Interest Rate (%)
June 30, 2023	$	718,796	1.82-6.49
December 31, 2022		751,291	1.25-15.00
June 30, 2022		908,716	1.25-15.00

For the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the interest revenues from discounts and loans were $3,676 thousand, $3,630 thousand, $7,299 thousand and $6,743 thousand, respectively.

The loan information for related parties were described below:

For the Six Months Ended June 30, 2023

Category	Number of Accounts	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	27	$ 24,084	$ 19,290	$ 19,290	$ -	None/SME credit guarantee fund	Yes
Residential mortgage loans	66	755,120	690,435	690,435	-	Real estate	Yes
Others	3	13,403	9,071	9,071	-	Real estate	Yes

For the Year Ended December 31, 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	32	$ 25,783	$ 13,448	$ 13,448	$ -	None/SME credit guarantee fund	Yes
Residential mortgage loans	80	1,098,051	728,690	728,690	-	Real estate	Yes
Others	7	37,698	9,153	9,153	-	Real estate	Yes

For the Six Months Ended 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

f. Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the six months ended June 30, 2022</u>		
Subsidiaries of the parent company	$ 598,311	$ -

g. Lease arrangements (as a lessee)

Acquisition of right-of-use assets

	For the Six Months Ended June 30	
	2023	2022
Subsidiaries of the parent company	$ -	$ 104,599

Lease liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiaries of the parent company	$ 2,273,942	$ 2,356,490	$ 2,386,668

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Interest expense				
Subsidiaries of the parent company	$ 4,634	$ 4,725	$ 9,352	$ 9,347
Lease expense				
Subsidiaries of the parent company	17	16	33	85

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

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

	Amount
June 30, 2023	$ 45,902
December 31, 2022	45,902
June 30, 2022	44,929

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

	June 30, 2023	December 31, 2022	June 30, 2022
Parent company	$ 826,444	$ 1,032,695	$ 939,023

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, 2022	$ 221,051

k. Accrued interest (recognized as payables)

	Amount
June 30, 2023	$ 21,525
December 31, 2022	10,687
June 30, 2022	4,946

l. Deposits

	Amount	Interest Rate (%)
June 30, 2023	$ 28,042,596	0-7.00
December 31, 2022	16,065,780	0-7.00
June 30, 2022	33,808,622	0-5.76

For the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the interest expenses for deposits were $68,159 thousand, $24,198 thousand, $108,456 thousand and $34,485 thousand, respectively.

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

	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiaries of the parent company	$ 613,254	$ 660,740	$ 826,945

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

n. Service fee revenue

	For the Three Months Ended June 30	For the Six Months Ended June 30
2023	$ 43,539	$ 111,276
2022	44,685	98,767

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

o. Insurance expenses (recognized as employee benefits expense)

	For the Three Months Ended June 30	For the Six Months Ended June 30
2023	$ 5,329	$ 10,489
2022	5,299	11,008

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

	For the Three Months Ended June 30	For the Six Months Ended June 30
2023	$ 13,500	$ 13,500
2022	20,000	20,000

q. Other general and administrative expenses

	For the Three Months Ended June 30	For the Six Months Ended June 30
2023	$ 24,448	$ 48,094
2022	22,929	47,411

r. Outstanding derivative financial instruments

June 30, 2023

Related Party	Contract Type	Contract Period	Notional Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Currency swap contracts	January 13, 2023 - March 22, 2024	$ 13,076,700	$ 216,954	Financial assets at FVTPL	$ 216,954
	Cross-currency swap contracts	August 26, 2021 - May 26, 2025	784,429	(31,283)	Financial assets at FVTPL	1,819
					Financial liabilities at FVTPL	40,825

December 31, 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 2, 2022 - June 20, 2023	$ 21,342,060	$ 86,709	Financial assets at FVTPL	$ 119,413
					Financial liabilities at FVTPL	32,704
	Non-deliverable forward contracts	August 26, 2021 - May 26, 2023	1,477	(83)	Financial liabilities at FVTPL	113
	Cross-currency swap contracts	February 23, 2021 - May 26, 2025	576,313	(26,929)	Financial liabilities at FVTPL	16,618

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

s. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Salary and short-term employee benefits	$ 40,828	$ 62,558	$ 108,854	$ 132,501
Share-based payments	(1,861)	11,347	7,295	19,515
Post-employment benefits	371	475	911	924
	$ 39,338	$ 74,380	$ 117,060	$ 152,940

In addition to the above, the Bank also paid housing rental, car rental and drivers' salaries, which amounted to $319 thousand, $1,130 thousand, $804 thousand and $2,068 thousand for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, 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.

42. PLEDGED ASSETS

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

Assets	Object	Purpose	June 30, 2023	December 31, 2022	June 30, 2022
Due from the Central Bank and call loans to banks	Deposit reserve	Financing project of small and medium enterprise loans	$ -	$ -	$ 500,000
Installment accounts and lease receivables	Notes receivable	Commercial paper payable and short-term borrowings	955,606	925,094	632,983
Financial assets at FVTOCI	Government bonds	Guarantees for provisional seizure	48,593	51,201	46,588
Financial assets at FVTOCI	Government bonds	Guarantees and provisions	157,763	156,885	156,289
Financial assets at FVTOCI	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	3,595,420	4,919,409	17,807,323
Debt investments measured at amortized cost	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	14,500,000	13,600,000	-
Property and equipment, net	Real estate	Commercial paper payable and short-term borrowings	7,829	7,934	11,524
Investment property, net	Investment property	Commercial paper payable and short-term borrowings	31,550	32,194	32,837
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	16,957	18,371	15,293

43. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Major Litigation

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.

44. 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, 2023

	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	$ 382,830	$ -	$ -	$ 382,830
Commercial papers	-	14,677,681	-	14,677,681
Others	-	-	414,777	414,777
Financial assets at FVTOCI				
Stock investments	2,925,566	-	936,604	3,862,170
Bond investments	69,718,647	52,026,389	-	121,745,036
Negotiable certificates of deposit	-	18,623,894	-	18,623,894
Others	-	499,142	-	499,142

(Continued)

	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Assets				
Financial assets at FVTPL	$ 21,385	$ 26,607,830	$ 1,327,115	$ 27,956,330
Financial assets for hedging	-	1,268,660	-	1,268,660
Liabilities				
Financial liabilities at FVTPL	-	25,416,430	1,327,128	26,743,558
Financial liabilities for hedging	-	620,998	-	620,998

(Concluded)

December 31, 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	$ 473,700	$ 299,983	$ -	$ 773,683
Commercial papers	-	6,990,203	-	6,990,203
Others	301,680	-	390,720	692,400
Financial assets designated as at FVTPL	-	1,497,931	-	1,497,931
Financial assets at FVTOCI				
Stock investments	948,104	-	951,062	1,899,166
Bond investments	55,783,824	56,577,103	-	112,360,927
Negotiable certificates of deposit	-	26,424,348	-	26,424,348
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	-	11,029,589	-	11,029,589
Derivative financial instruments				
Assets				
Financial assets at FVTPL	11,932	23,263,646	936,660	24,212,238
Financial assets for hedging	-	2,025,601	-	2,025,601
Liabilities				
Financial liabilities at FVTPL	-	23,662,075	936,647	24,598,722
Financial liabilities for hedging	-	526,268	-	526,268

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 papers	-	9,071,342	-	9,071,342
Others	-	-	395,467	395,467
Financial assets designated as at FVTPL	-	1,970,892	-	1,970,892

(Continued)

	Level 1	Level 2	Level 3	Total
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	-	68,391,041	-	68,391,041
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	-	10,701,633	-	10,701,633
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

(Concluded)

2) Valuation technique of fair value

For financial assets and liabilities at FVTPL and financial assets at FVTOCI, 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 financial instruments contracts to reflect within fair value the possibility that the counterparty may default and that the Bank may not receive the full market value of the transactions.

The debit valuation adjustment is an adjustment to the valuation of OTC derivative financial instruments contracts to reflect within fair value the possibility that the Bank may default, and that the Bank 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 financial 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, 2023 and 2022.

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, 2023

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	$ 1,327,380	$ 427,903	$ -	$ -	$ -	$ (13,391)	$ -	$ 1,741,892
Financial assets at FVTOCI	951,062	-	(14,458)	-	-	-	-	936,604

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

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

For the Six Months Ended June 30, 2023

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	$ 936,647	$ 400,118	$ -	$ -	$ (9,637)	$ -	$1,327,128

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

In relation to the above, valuation gains and losses are recognized in gain and loss in the period. As of June 30, 2023 and 2022, the gains and losses on assets and liabilities were gain of $24,034 thousand and loss of $3,534 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, 2023	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	$ 414,777	Quoted price of counterparties	Liquidity discount ratios	Beyond estimation	Fair value is inversely proportional to discount for liquidity discount ratios
Financial assets at FVTOCI	936,604	Market approach	P/B, Lack of liquidity discount	1.24 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	1,327,115	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; fair value is inversely proportional to discount for liquidity discount ratios
Financial liabilities at FVTPL	1,327,128	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; fair value is inversely proportional to discount for liquidity discount ratios

	Fair Value at December 31, 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	$ 390,720	Quoted price of counterparties	Liquidity discount ratios	Beyond estimation	Fair value is inversely proportional to discount for liquidity discount ratios
Financial assets at FVTOCI	951,062	Market approach	P/B, Lack of liquidity discount	1.10 27.20%	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	936,660	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; fair value is inversely proportional to discount for liquidity discount ratios
Financial liabilities at FVTPL	936,647	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; fair value is inversely proportional to discount for liquidity discount ratios

	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	Fair value is inversely proportional to discount for liquidity discount ratios
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; fair value is inversely proportional to discount for liquidity discount ratios
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; fair value is inversely proportional to discount for liquidity discount ratios

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 ensure 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, 2023

	Level 1	Level 2	Level 3	Total
Financial assets				
Debt investments measured at amortized cost	$ -	$ 59,678,205	$ -	$ 59,678,205
Financial liabilities				
Bank debentures payable	-	25,270,823	-	25,270,823

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets				
Debt investments measured at amortized cost	$ -	$ 58,192,448	$ -	$ 58,192,448
Financial liabilities				
Bank debentures payable	-	25,280,355	-	25,280,355

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

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 carrying amount in the balance sheet. The technique applies to cash and cash equivalents, 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 carrying amount 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.

45. FINANCIAL RISK MANAGEMENT

a. Risk management policies and framework

The Bank has an appropriate risk management system covering the main types of risks, such as market risks, credit risks, 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, derivatives financial instruments, 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, which 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, single enterprise/group, industry, mortgage loans, investments in securities 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 various risk management index, analysis of changes in asset quality, etc., and prepares quarterly risk management report for submission to the 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 regularly be inspected by the appraisal institution to assess the current situation of the collateral and reassess its value as necessary to ensure the risk offset effect, which will be used as a basis for demanding additional collateral or adjusting the credit amount.

To mitigate the Bank's risks, in addition to strengthening the review and tracking of the borrowers and guarantors, if clients are found to have bad credit features, the Bank will take corresponding measures at the appropriate time, such as early repayment or additional collateral. In addition, the Bank sets different credit limits for counterparties involved in derivative financial instruments and enters into collateral agreements with major 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, 2023	December 31, 2022	June 30, 2022
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	$ 49,769,301	$ 42,507,746	$ 55,502,349

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, 2023					
			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	$ 45,014,169	$ 622,790	$ 645,252	$ -		$ 46,282,211
Short-term secured loans	14,970,354	-	21,000	-		14,991,354
Medium-term loans	148,302,885	328,615	302,331	-		148,933,831
Medium-term secured loans	85,640,701	452,118	19,190	-		86,112,009
Long-term loans	7,292,114	518,884	787,713	-		8,598,711
Long-term secured loans	90,365,025	165,936	107,671	-		90,638,632
Overdue loans	-	-	480,906	-		480,906
Export negotiations	16,290	-	-	-		16,290
Total carrying amount	391,601,538	2,088,343	2,364,063	-		396,053,944
Allowance for bad debts	(764,584)	(352,846)	(574,888)	-		(1,692,318)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					$ (3,460,460)	(3,460,460)
Discounts on loans					(53,637)	(53,637)
Total	$ 390,836,954	$ 1,735,497	$ 1,789,175	$ -	$ (3,514,097)	$ 390,847,529

	Receivables					
	June 30, 2023					
			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	$ 3,273,679	$ 198,480	$ 114,741	$ -		$ 3,586,900
Accounts receivable - forfaiting	3,858,994	-	-	-		3,858,994
Accounts receivable factoring without recourse	8,216,292	6	38	-		8,216,336
Acceptances	11,164	-	-	-		11,164
Installment accounts and lease receivables	5,974,335	104,036	34,329	-		6,112,700
Total carrying amount	21,334,464	302,522	149,108	-		21,786,094
Allowance for bad debts	(58,584)	(30,000)	(33,965)	-		(122,549)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					$ (159,486)	(159,486)
Total	$ 21,275,880	$ 272,522	$ 115,143	$ -	$ (159,486)	$ 21,504,059

	Discounts and Loans					
	December 31, 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	$ 50,495,544	$ 659,915	$ 643,696	$ -		$ 51,799,155
Short-term secured loans	15,440,552	-	5,979	-		15,446,531
Medium-term loans	145,129,981	137,865	284,372	-		145,552,218
Medium-term secured loans	87,940,372	77,969	27,943	-		88,046,284
Long-term loans	8,267,089	504,125	709,940	-		9,481,154
Long-term secured loans	88,672,116	154,089	111,851	-		88,938,056
Overdue loans	-	-	520,522	-		520,522
Export negotiations	21,719	-	-	-		21,719
Total carrying amount	395,967,373	1,533,963	2,304,303	-		399,805,639
Allowance for bad debts	(702,059)	(99,224)	(617,242)	-		(1,418,525)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					$ (3,762,082)	(3,762,082)
Discounts on loans					(52,214)	(52,214)
Total	$ 395,265,314	$ 1,434,739	$ 1,687,061	$ -	$ (3,814,296)	$ 394,572,818

	Receivables					
	December 31, 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	$ 3,155,263	$ 198,218	$ 98,785	$ -		$ 3,452,266
Accounts receivable - forfaiting	3,521,111	-	-	-		3,521,111
Accounts receivable factoring without recourse	11,472,404	8	50	-		11,472,462
Acceptances	8,881	-	-	-		8,881
Installment accounts and lease receivables	6,256,331	72,059	54,958	-		6,383,348
Total carrying amount	24,413,990	270,285	153,793	-		24,838,068
Allowance for bad debts	(46,841)	(23,273)	(38,123)	-		(108,237)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					$ (219,975)	(219,975)
Total	$ 24,367,149	$ 247,012	$ 115,670	$ -	$ (219,975)	$ 24,509,856

	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 1 12 Months Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Stage 3 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

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

	June 30, 2023	December 31, 2022	June 30, 2022
Financial assets at FVTPL			
Debt instruments	$ 15,475,288	$ 9,652,537	$ 15,361,950
Derivatives instruments	27,956,330	24,212,238	30,506,029

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, 2023			
	Total Carrying Amount	**Credit Impairment**	**Amount of Risk Exposure (Amortized Cost)**	**Collateral Value**
Impaired asset:				
Receivables:				
Credit card	$ 114,741	$ 23,604	$ 91,137	$ -
Accounts receivable factoring without recourse	38	1	37	-
Installment accounts and lease receivables	34,329	10,360	23,969	-
Discounts and loans	2,364,063	574,888	1,789,175	195,948
Total amount of impaired asset	$ 2,513,171	$ 608,853	$ 1,904,318	$ 195,948

	December 31, 2022			
	Total Carrying Amount	**Credit Impairment**	**Amount of Risk Exposure (Amortized Cost)**	**Collateral Value**
Impaired asset:				
Receivables:				
Credit card	$ 98,785	$ 19,259	$ 79,526	$ -
Accounts receivable factoring without recourse	50	2	48	-
Installment accounts and lease receivables	54,958	18,862	36,096	-
Discounts and loans	2,304,303	617,242	1,687,061	224,965
Total amount of impaired asset	$ 2,458,096	$ 655,365	$ 1,802,731	$ 224,965

	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

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 $446,712 thousand and $277,483 thousand for the six months ended June 30, 2023 and 2022.

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, 2023		December 31, 2022		June 30, 2022	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Public and private enterprises	$ 233,593,111	58.98	$ 241,584,897	60.43	$ 239,684,788	60.99
Natural persons	162,460,833	41.02	157,964,018	39.51	153,076,297	38.95
Non-profit organizations	-	-	256,724	0.06	220,000	0.06
Total	$ 396,053,944	100.00	$ 399,805,639	100.00	$ 392,981,085	100.00

b) By region

	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%
Domestic	$ 316,426,582	79.89	$ 316,427,583	79.15	$ 305,213,666	77.67
Overseas	79,627,362	20.11	83,378,056	20.85	87,767,419	22.33
Total	$ 396,053,944	100.00	$ 399,805,639	100.00	$ 392,981,085	100.00

c) By collateral

	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%
Credit	$ 204,271,580	51.58	$ 207,343,404	51.86	$ 201,367,084	51.24
Secured						
Real estate	175,398,530	44.29	172,558,268	43.16	167,480,111	42.62
Guarantees	4,803,008	1.21	7,846,720	1.96	12,085,291	3.08
Financial collateral	5,649,804	1.43	6,472,978	1.62	6,576,967	1.67
Others	5,931,022	1.49	5,584,269	1.40	5,471,632	1.39
Total	$ 396,053,944	100.00	$ 399,805,639	100.00	$ 392,981,085	100.00

7) Management policies on foreclosed collateral

Foreclosed collateral is 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, 2023	December 31, 2022	June 30, 2022
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, 2023				
			Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 51,851	$ 91,780,262	0.06%	$ 1,148,723	2,215.43%
	Unsecured		90,782	154,750,700	0.06%	1,735,789	1,912.04%
Consumer banking	Mortgage (Note 4)		28,525	72,945,492	0.04%	1,096,876	3,845.25%
	Cash card		108,375	10,532,656	1.03%	245,961	226.95%
	Micro credit (Note 5)		467,779	38,940,117	1.20%	636,229	136.01%
	Others (Note 6)	Secured	9,714	27,073,610	0.04%	288,882	2,973.73%
		Unsecured	-	31,107	-	318	-
Total			757,026	396,053,944	0.19%	5,152,778	680.66%
			Overdue Receivables	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			$ 30,096	$ 3,586,900	0.84%	$ 60,334	200.47%
Accounts receivable factoring without recourse (Note 7)			5	8,216,336	0.00%	98,344	2,103,621.88%

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%

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, 2023		June 30, 2022	
	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
Amounts of executed contracts on negotiated debts not reported (Note 1)	$ 2,625	$ 60	$ 3,951	$ 65
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	71,080	6,209	66,391	5,899
Total	$ 73,705	$ 6,269	$ 70,342	$ 5,964

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, 2023

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth (%)
1	A Group - manufacture of liquid crystal panel and components	$ 8,063,355	12.34
2	B Group - real estate development activities	6,206,540	9.50
3	C Group - manufacture of electronic passive devices	5,833,390	8.93
4	D Group - real estate activities for sale and rental	5,008,668	7.67
5	E Group - manufacture of liquid crystal panel and components	4,844,886	7.42
6	F Group - real estate development activities	4,206,000	6.44
7	G Group - manufacture of chemical material	4,148,029	6.35
8	H Group - short-term accommodation activities	4,097,708	6.27
9	I Group - real estate activities for sale and rental	4,080,455	6.25
10	J Group - financial leasing	3,528,652	5.40

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	K Group - manufacture of computers	5,509,149	9.26
4	D Group - real estate development activities	5,481,125	9.22
5	F Group - real estate development activities	4,808,000	8.09
6	G Group - manufacture of chemical material	4,178,244	7.03
7	I Group - real estate activities for sale and rental	4,131,220	6.95
8	L Group - wired telecommunications activities	3,977,664	6.69
9	J Group - financial leasing	3,856,059	6.48
10	M Group - wholesaler of electronic communication equipment and parts	3,252,030	5.47

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.

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, 2023:

	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	$ 63,024	$ 30	$ -	$ 41	$ -	$ 63,095	$ 107,002	$ 170,097
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	-	-	-	-	-	-		-
Transferred to credit-impaired financial assets	-	-	-	-	-	-		-
Transferred to 12 months ECL	20	(2)	-	(18)	-	-		-
Derecognized financial assets in the current period	(15,031)	(41)	-	(11)	-	(15,083)		(15,083)
Purchased or originated new financial assets	31,166	32	-	16	-	31,214		31,214
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							68,226	68,226
Effect of exchange rate changes and others	12,338	57	-	(8)	-	12,387		12,387
Balance at June 30	$ 91,517	$ 76	$ -	$ 20	$ -	$ 91,613	$ 175,228	$ 266,841

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, 2023. The guarantees in reporting period resulted in abovementioned provisions increased by $96,744 thousand in comparison to the beginning of period.

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.

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 FVTPL, financial assets at FVTOCI, 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, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 600,000	$ -	$ 157,260	$ 23,296	$ -	$ 780,556
Notes and bonds issued under repurchase agreements	8,337,203	-	-	-	-	8,337,203
Deposits and remittances	62,111,068	77,284,412	91,976,162	109,230,778	36,498,048	377,100,468
Borrowings	-	-	333,333	700,000	25,536,667	26,570,000
Other capital outflow on maturity	1,455,226	447,934	477,856	2,227,167	3,571,786	8,179,969
Total	$ 72,503,497	$ 77,732,346	$ 92,944,611	$ 112,181,241	$ 65,606,501	$ 420,968,196

December 31, 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	$ 23,296	$ -	$ -	$ 157,260	$ -	$ 180,556
Notes and bonds issued under repurchase agreements	5,499,171	1,304,476	-	-	-	6,803,647
Deposits and remittances	55,183,925	94,692,761	59,536,690	111,630,317	21,029,068	342,072,761
Borrowings	-	-	-	-	25,810,000	25,810,000
Other capital outflow on maturity	3,091,305	404,169	349,362	4,413,018	3,705,459	11,963,313
Total	$ 63,797,697	$ 96,401,406	$ 59,886,052	$ 116,200,595	$ 50,544,527	$ 386,830,277

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

Maturity analysis of non-derivative financial liabilities (USD)

(In Thousands of U.S. Dollars)

June 30, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 10,000	$ -	$ -	$ -	$ -	$ 10,000
Notes and bonds issued under repurchase agreements	248,678	181,095	488,731	-	-	918,504
Deposits and remittances	1,430,739	1,846,642	769,750	1,856,644	3,063	5,906,838
Other capital outflow on maturity	59,329	34,386	13,695	6,717	21,756	135,883
Total	$ 1,748,746	$ 2,062,123	$ 1,272,176	$ 1,863,361	$ 24,819	$ 6,971,225

(In Thousands of U.S. Dollars)

December 31, 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	$ 229,000	$ 85,000	$ 70,000	$ -	$ -	$ 384,000
Notes and bonds issued under repurchase agreements	201,340	266,396	159,050	-	-	626,786
Deposits and remittances	1,767,522	2,444,006	479,484	1,201,085	296	5,892,393
Borrowings	-	-	-	-	359,176	359,176
Other capital outflow on maturity	56,412	38,959	14,457	1,411	145,061	256,300
Total	$ 2,254,274	$ 2,834,361	$ 722,991	$ 1,202,496	$ 504,533	$ 7,518,655

(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

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, 2023	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	$ (169,000,720)	$ (264,990,403)	$ (235,116,506)	$ (103,768,086)	$ (1,489,100)	$ (774,364,815)
Cash inflow	184,340,788	273,806,266	215,520,610	78,494,597	537,836	752,700,097
Interest rate derivatives instruments						
Cash outflow	(310,105)	(580,569)	(19,250)	-	(22,289,687)	(23,199,611)
Cash inflow	392,858	519,891	20,110	-	1,857	934,716
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	-	(59,240)	-	-	-	(59,240)
Cash inflow	-	39,696	-	84,749	-	124,445
Cash outflow subtotal	(169,310,825)	(265,630,212)	(235,135,756)	(103,768,086)	(23,778,787)	(797,623,666)
Cash inflow subtotal	184,733,646	274,365,853	215,540,720	78,579,346	539,693	753,759,258
Net cash flow	$ 15,422,821	$ 8,735,641	$ (19,595,036)	$ (25,188,740)	$ (23,239,094)	$ (43,864,408)

December 31, 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	$ (156,648,303)	$ (323,290,843)	$ (178,603,726)	$ (80,742,795)	$ (977,350)	$ (740,263,017)
Cash inflow	150,742,337	337,094,910	148,358,148	57,167,134	1,372,747	694,735,276
Interest rate derivatives instruments						
Cash outflow	(377,329)	(633,233)	(36,363)	(18,820)	(22,181,753)	(23,247,498)
Cash inflow	458,736	575,722	36,462	-	1,857	1,072,777
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	-	(47,111)	-	-	-	(47,111)
Cash inflow	-	80,367	3,885	39,696	-	123,948
Cash outflow subtotal	(157,025,632)	(323,971,187)	(178,640,089)	(80,761,615)	(23,159,103)	(763,557,626)
Cash inflow subtotal	151,201,073	337,750,999	148,398,495	57,206,830	1,374,604	695,932,001
Net cash flow	$ (5,824,559)	$ 13,779,812	$ (30,241,594)	$ (23,554,785)	$ (21,784,499)	$ (67,625,625)

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)

Maturity analysis of derivative instruments (USD)

(In Thousands of U.S. Dollars)

June 30, 2023	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	$ (7,567,019)	$ (9,840,697)	$ (7,698,458)	$ (3,356,282)	$ (44,241)	$ (28,506,697)
Cash inflow	7,149,782	10,066,752	8,505,610	4,287,029	75,241	30,084,414
Interest rate derivatives instruments						
Cash outflow	(12,711)	(41,114)	(13,976)	(29,212)	(423,852)	(520,865)
Cash inflow	2,781	11,884	4,089	3,444	1,570	23,768
Others						
Cash outflow	(1,730)	-	-	-	-	(1,730)
Cash inflow	2,237	-	-	-	-	2,237
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	(395)	(3,210)	(2,986)	(13,574)	-	(20,165)
Cash inflow	-	-	-	-	-	-
Cash outflow subtotal	(7,581,855)	(9,885,021)	(7,715,420)	(3,399,068)	(468,093)	(29,049,457)
Cash inflow subtotal	7,154,800	10,078,636	8,509,699	4,290,473	76,811	30,110,419
Net cash flow	$ (427,055)	$ 193,615	$ 794,279	$ 891,405	$ (391,282)	$ 1,060,962

(In Thousands of U.S. Dollars)

December 31, 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	$ (6,116,806)	$ (11,746,180)	$ (5,214,927)	$ (2,332,689)	$ (84,000)	$ (25,494,602)
Cash inflow	6,429,615	11,754,987	6,285,547	3,184,371	70,000	27,724,520
Interest rate derivatives instruments						
Cash outflow	(48,749)	(37,710)	(13,590)	(18,902)	(388,711)	(507,662)
Cash inflow	12,958	7,475	852	2,592	510	24,387
Others						
Cash outflow	(209)	-	-	-	-	(209)
Cash inflow	230	-	-	-	-	230
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	(483)	(2,149)	(5,482)	(8,737)	-	(16,851)
Cash inflow	-	-	-	-	-	-
Cash outflow subtotal	(6,166,247)	(11,786,039)	(5,233,999)	(2,360,328)	(472,711)	(26,019,324)
Cash inflow subtotal	6,442,803	11,762,462	6,286,399	3,186,963	70,510	27,749,137
Net cash flow	$ 276,556	$ (23,577)	$ 1,052,400	$ 826,635	$ (402,201)	$ 1,729,813

(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

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, 2023	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	$ 12,256,587	$ 6,086,528	$ 5,332,756	$ 5,993,548	$ 20,099,882	$ 49,769,301

December 31, 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	$ 7,350,303	$ 4,340,352	$ 4,872,807	$ 10,027,266	$ 15,917,018	$ 42,507,746

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

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, 2023	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	$ 157,886,411	$ 174,087,152	$ 335,304,412	$ 254,560,757	$ 137,276,464	$ 218,200,098	$ 1,277,315,294
Main capital outflow on maturity	98,847,657	165,597,897	386,044,848	366,217,790	268,038,894	301,170,808	1,585,917,894
Gap	59,038,754	8,489,255	(50,740,436)	(111,657,033)	(130,762,430)	(82,970,710)	(308,602,600)

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)

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

(In Thousands of U.S. Dollars)

June 30, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 8,315,897	$ 10,786,595	$ 8,737,013	$ 4,636,043	$ 3,552,367	$ 36,027,915
Main capital outflow on maturity	9,636,294	12,558,527	9,701,280	6,498,254	3,703,617	42,097,972
Gap	(1,320,397)	(1,771,932)	(964,267)	(1,862,211)	(151,250)	(6,070,057)

(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)

d. Market risk

1) Definition and source of market risk

Market risk is defined as the fluctuation in market risk factors (such as interest rates, exchange rates, stock prices and commodity prices), which may cause a potential loss of on- and off- balance sheet items.

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, 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 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, 2023			For the Year Ended December 31, 2022			For the Six Months Ended June 30, 2022		
	Average	**Highest**	**Lowest**	**Average**	**Highest**	**Lowest**	**Average**	**Highest**	**Lowest**
Interest rate risk	$ 15,922	$ 41,141	$ 8,157	$ 46,303	$ 99,773	$ 8,226	$ 61,041	$ 99,773	$ 22,496
Equity securities risk	5,214	14,619	155	7,427	31,542	-	6,423	14,693	-
Foreign exchange risk	15,763	23,987	6,664	18,708	36,355	5,344	17,524	36,355	5,344

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. As of June 30, 2023, the Bank has completed all the above assessments and conversion work, which the financial instruments subject to interest rate benchmark reform have been quoted using other benchmark interest rate.

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, 2023		
	Foreign Currency	**Exchange Rate**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 5,970,456	31.14	$ 185,890,162
HKD	4,615,669	3.97	18,342,669
AUD	528,963	20.62	10,907,222
CNY	2,012,091	4.28	8,616,980
ZAR	4,764,281	1.65	7,861,064
EUR	176,000	33.80	5,948,807
JPY	22,781,803	0.22	4,898,088
GBP	38,672	39.36	1,522,129
SGD	32,687	22.95	750,178
Investments accounted for using the equity method			
CNY	1,077,552	4.28	4,614,726
Financial liabilities			
Monetary items			
USD	7,509,703	31.14	233,814,612
CNY	2,859,837	4.28	12,247,538
AUD	326,801	20.62	6,738,633
EUR	169,328	33.80	5,723,293
JPY	15,997,699	0.22	3,439,505
ZAR	1,946,421	1.65	3,211,594
HKD	241,031	3.97	957,856
GBP	8,334	39.36	328,011
SGD	9,205	22.95	211,245
NZD	8,494	18.96	161,053

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2022		
	Foreign Currency	**Exchange Rate**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 5,812,766	30.71	$ 178,498,426
HKD	4,399,814	3.94	17,326,468
CNY	1,824,189	4.41	8,040,659
ZAR	4,427,356	1.81	8,022,369
EUR	237,273	32.71	7,761,191
JPY	19,000,810	0.23	4,415,788
AUD	197,495	20.82	4,111,850
GBP	45,424	37.04	1,682,486
SGD	34,637	22.86	791,796
Investments accounted for using the equity method			
CNY	1,011,784	4.41	4,459,742
Financial liabilities			
Monetary items			
USD	8,043,773	30.71	247,008,179
CNY	2,616,391	4.41	11,532,527
EUR	163,842	32.71	5,359,259
ZAR	1,964,674	1.81	3,559,989
AUD	158,207	20.82	3,293,863
JPY	9,734,674	0.23	2,262,338
GBP	54,950	37.04	2,035,346
HKD	205,655	3.94	809,869
SGD	10,361	22.86	236,855
NZD	8,246	19.43	160,221

(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

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, 2023

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 387,662,047	$ 31,323,348	$ 23,282,836	$ 54,537,914	$ 496,806,145
Interest rate-sensitive liabilities	181,664,899	204,982,373	17,181,895	27,177,040	431,006,207
Interest rate sensitivity gap	205,997,148	(173,659,025)	6,100,941	27,360,874	65,799,938
Net worth					66,540,302
Ratio of interest rate-sensitive assets to liabilities (%)					115.27
Ratio of interest rate-sensitive gap to net worth (%)					98.89

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

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, 2023

(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	$ 2,877,304	$ 181,032	$ 137,209	$ 2,360,812	$ 5,556,357
Interest rate-sensitive liabilities	5,005,233	1,203,189	1,084,324	3,063	7,295,809
Interest rate sensitivity gap	(2,127,929)	(1,022,157)	(947,115)	2,357,749	(1,739,452)
Net worth					(39,056)
Ratio of interest rate-sensitive assets to liabilities (%)					76.16
Ratio of interest rate-sensitive gap to net worth (%)					-

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 (%)					-

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, 2023					
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	$ 2,812,593	$ 2,484,475	$ 2,587,974	$ 2,484,475	$ 103,499
Financial assets at FVTPL	1,636,713	1,639,799	1,636,713	1,639,799	(3,086)
Financial assets at FVTOCI	39,942,045	38,926,656	39,942,045	38,926,656	1,015,389

December 31, 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	$ 934,238	$ 797,576	$ 842,586	$ 797,576	$ 45,010
Financial assets at FVTPL	1,104,088	1,079,721	1,104,088	1,079,721	24,367
Financial assets at FVTOCI	27,374,699	26,483,687	27,374,699	26,483,687	891,012

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

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, 2023						
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	$ 37,214,932	$ -	$ 37,214,932	$ 37,204,969	$ 9,963	$ -
Derivative financial instruments (Note 2)	29,224,990	-	29,224,990	7,094,294	719,322	21,411,374
Total	$ 66,439,922	$ -	$ 66,439,922	$ 44,299,263	$ 729,285	$ 21,411,374

June 30, 2023						
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	$ 43,050,930	$ -	$ 43,050,930	$ 42,982,682	$ 68,248	$ -
Derivative financial instruments (Note 2)	27,364,556	-	27,364,556	7,094,294	4,363,756	15,906,506
Total	$ 70,415,486	$ -	$ 70,415,486	$ 50,076,976	$ 4,432,004	$ 15,906,506

December 31, 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	$ 15,467,689	$ -	$ 15,467,689	$ 15,467,689	$ -	$ -
Derivative financial instruments (Note 2)	26,237,839	-	26,237,839	10,321,717	1,904,463	14,011,659
Total	$ 41,705,528	$ -	$ 41,705,528	$ 25,789,406	$ 1,904,463	$ 14,011,659

December 31, 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	$ 28,360,984	$ -	$ 28,360,984	$ 28,228,141	$ 132,843	$ -
Derivative financial instruments (Note 2)	25,124,990	-	25,124,990	10,321,717	5,048,395	9,754,878
Total	$ 53,485,974	$ -	$ 53,485,974	$ 38,549,858	$ 5,181,238	$ 9,754,878

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

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

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

46. 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, 2023</th><th>December 31, 2022</th><th>June 30, 2022</th></tr>
<tr><td rowspan="4">Eligible capital</td><td colspan="2">Common equity Tier 1 capital</td><td>$ 63,326,251</td><td>$ 59,742,889</td><td>$ 57,848,279</td></tr>
<tr><td colspan="2">Additional Tier 1 capital</td><td>2,737,812</td><td>2,746,213</td><td>2,762,105</td></tr>
<tr><td colspan="2">Tier 2 capital</td><td>11,118,097</td><td>10,983,505</td><td>11,105,833</td></tr>
<tr><td colspan="2">Eligible capital</td><td>77,182,160</td><td>73,472,607</td><td>71,716,217</td></tr>
<tr><td rowspan="9">Risk-weighted assets</td><td rowspan="3">Credit risk</td><td>Standardized approach</td><td>503,950,385</td><td>478,564,170</td><td>490,345,771</td></tr>
<tr><td>Internal rating-based approach</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Securitization</td><td>207,388</td><td>195,360</td><td>197,734</td></tr>
<tr><td rowspan="3">Operational risk</td><td>Basic indicator approach</td><td>23,078,097</td><td>23,078,097</td><td>20,309,375</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>20,315,363</td><td>15,919,650</td><td>26,250,413</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>547,551,233</td><td>517,757,277</td><td>537,103,293</td></tr>
<tr><td colspan="3">Capital adequacy ratio</td><td>14.10%</td><td>14.19%</td><td>13.35%</td></tr>
<tr><td colspan="3">Ratio of common equity to risk-weighted assets</td><td>11.57%</td><td>11.54%</td><td>10.77%</td></tr>
<tr><td colspan="3">Ratio of Tier 1 capital to risk-weighted assets</td><td>12.07%</td><td>12.07%</td><td>11.28%</td></tr>
<tr><td colspan="3">Leverage ratio</td><td>7.49%</td><td>7.41%</td><td>7.40%</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.

47. 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, 2023	December 31, 2022	June 30, 2022	Trust Liabilities	June 30, 2023	December 31, 2022	June 30, 2022
Bank deposits	$ 3,268,785	$ 2,582,693	$ 2,560,425	Payables	$ 84,947	$ 86,309	$ 85,327
Short-term investments				Accounts payable on securities under custody	3,946,853	2,269,849	4,569,055
Funds	27,891,536	28,650,887	29,387,242	Other liabilities	60,164	73,015	86,176
Bonds	9,191,942	6,367,352	4,534,647	Trust capital	53,607,742	49,239,268	45,886,043
Stocks	145,743	174,413	175,570	Accumulated profits and losses	23,110	7,760	(1,984)
Structured notes	34,560	47,904	27,051				
Receivables	13,115	25,785	38,506				
Securities under custody	3,946,853	2,269,849	4,569,055				
Real estate							
Land	12,184,641	10,522,529	8,305,644				
Buildings	22,570	12,094	2,256				
Intangible assets - surface rights	984,534	984,534	984,534				
Others	38,537	38,161	39,687				
Total	$ 57,722,816	$ 51,676,201	$ 50,624,617	Total	$ 57,722,816	$ 51,676,201	$ 50,624,617

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	
	2023	2022	2023	2022
Trust income and gains				
Dividend income	$ 2,533	$ 2,315	$ 4,790	$ 4,641
Interest income	385,761	337,139	812,690	681,938
Rental income	6,770	6,706	13,495	13,399
Other income	1,208	2,710	2,225	3,715
Total trust income and gains	396,272	348,870	833,200	703,693
Trust expenses				
Property transaction losses	(560,841)	(812,118)	(1,237,395)	(1,528,214)
Administrative expenses	(115)	(635)	(1,336)	(755)
Other expenses	(3,132)	(50,352)	(5,370)	(259,490)
Total trust expenses	(564,088)	(863,105)	(1,244,101)	(1,788,459)
Net loss	$ (167,816)	$ (514,235)	$ (410,901)	$ (1,084,766)

The above income from trust operations were excluded from the Bank’s income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	**June 30, 2023**	**December 31, 2022**	**June 30, 2022**
Bank deposits	$ 3,268,785	$ 2,582,693	$ 2,560,425
Short-term investments			
Funds	27,891,536	28,650,887	29,387,242
Bonds	9,191,942	6,367,352	4,534,647
Stocks	145,743	174,413	175,570
Structured notes	34,560	47,904	27,051
Securities under custody	3,946,853	2,269,849	4,569,055
Real estate			
Land	12,184,641	10,522,529	8,305,644
Buildings	22,570	12,094	2,256
Intangible assets - surface rights	984,534	984,534	984,534
Other assets	51,652	63,946	78,193
Total	$ 57,722,816	$ 51,676,201	$ 50,624,617

48. ALLOCATION OF REVENUE, COST, EXPENSE, PROFITS AND LOSSES RESULTING FROM INTERCOMPANY COOPERATION AND RESOURCE SHARING

a. Business or trading behaviors

Please refer to Note 41 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.

49. PROFITABILITY

(%)

Items		June 30, 2023	June 30, 2022
Return on total assets	Before income tax	0.88	0.92
	After income tax	0.77	0.78
Return on net worth	Before income tax	10.94	10.73
	After income tax	9.49	9.16
Profit margin		43.79	43.71

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.

50. 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 (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: None.

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 3 (attached).

c. Information on investments in Mainland China: Table 4 (attached).

d. Business relationships and significant transactions among the Bank and its subsidiaries: Table 5 (attached).

51. 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, assets and liabilities of an operating division, including items directly attributable to an operating segment, are reasonable.

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, 2023					
Interest revenue (loss), net	$ 1,465,805	$ 1,170,873	$ (591,174)	$ (14,397)	$ 2,031,107
Non-interest profits and gains, net	316,010	361,796	659,987	95,030	1,432,823
Net revenue	1,781,815	1,532,669	68,813	80,633	3,463,930
Reversal (provision) of allowance for bad debts expense, commitments, and guarantee liability provision	(42,823)	20,405	(130)	(4,441)	(26,989)
Operating expenses	(1,011,368)	(368,163)	(148,788)	(209,375)	(1,737,694)
Income (loss) before income tax	727,624	1,184,911	(80,105)	(133,183)	1,699,247
Income tax expense	-	-	-	(224,446)	(224,446)
Net income (loss)	$ 727,624	$ 1,184,911	$ (80,105)	$ (357,629)	$ 1,474,801

(Continued)

	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
Non-interest profits and gains (losses), net	237,935	373,487	408,631	(70,070)	949,983
Net revenue (loss)	1,494,146	1,383,599	649,647	(96,852)	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	(985,235)	(350,626)	(155,449)	(214,962)	(1,706,272)
Income (loss) before income tax	535,788	1,048,272	494,218	(305,975)	1,772,303
Income tax expense	-	-	-	(252,098)	(252,098)
Net income (loss)	$ 535,788	$ 1,048,272	$ 494,218	$ (558,073)	$ 1,520,205
For the six months ended June 30, 2023					
Interest revenue (loss), net	$ 2,890,775	$ 2,268,647	$ (1,110,764)	$ (32,615)	$ 4,016,043
Non-interest profits and gains (losses), net	658,552	743,901	1,455,978	(1,728)	2,856,703
Net revenue (loss)	3,549,327	3,012,548	345,214	(34,343)	6,872,746
Reversal (provision) of allowance for bad debts expense, commitments, and guarantee liability provision	(113,356)	103,302	(681)	77,017	66,282
Operating expenses	(2,007,530)	(733,376)	(295,398)	(434,483)	(3,470,787)
Income (loss) before income tax	1,428,441	2,382,474	49,135	(391,809)	3,468,241
Income tax expense	-	-	-	(458,810)	(458,810)
Net income (loss)	$ 1,428,441	$ 2,382,474	$ 49,135	$ (850,619)	$ 3,009,431
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
Non-interest profits and gains (losses), net	514,993	788,821	600,892	(170,718)	1,733,988
Net revenue (loss)	2,944,084	2,676,018	1,155,329	(179,397)	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	1,108,414	2,006,152	848,325	(583,184)	3,379,707
Income tax expense	-	-	-	(496,408)	(496,408)
Net income (loss)	$ 1,108,414	$ 2,006,152	$ 848,325	$ (1,079,592)	$ 2,883,299

(Concluded)

KGI BANK CO., LTD. AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2023
(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 (Note)	Limit on Financier's Total Financing (Note)
													Item	Value		
1	CDC Finance & Leasing Corporation	Fu-Tang Land Development Co., Ltd.	Receivables, net	No	$ 85,000	$ -	$ -	3.5%-18%	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 92,314	$ 369,254

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, 2023
(In Thousands of New Taiwan Dollars)

Holding Company	Security Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2023				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	76,704,787	$ 877,620	100.00	$ 877,620	
	CDIB International Leasing Corporation	Subsidiary	Investments accounted for using equity method	-	153,323	100.00	153,323	
CDC Finance & Leasing Corporation	Stock							
	Pacific Electric Wire and Cable Co., Ltd.	-	Financial assets at FVTOCI	546,231	9,400	0.07	9,400	

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

INFORMATION ON INVESTEES
JUNE 30, 2023
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business	Balance as of June 30, 2023			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	$ 3,399	$ 704	80,000	-	80,000	0.40	
Taiwan Futures Exchange	Taipei City, Taiwan	Futures exchange and settlement	0.51	134,746	6,623	29,305,142	-	29,305,142	6.12	
Financial Information Service Co., Ltd.	Taipei City, Taiwan	Telecommunication service; information system service	1.23	193,679	17,628	6,410,160	-	6,410,160	1.23	
Taiwan Asset Management Co., Ltd.	Taipei City, Taiwan	Purchasing for financial institutions' loans	0.57	77,047	3,960	6,000,000	-	6,000,000	0.57	
Sunlight Asset Management Co., Ltd.	Taipei City, Taiwan	Purchasing for financial institutions' loans	5.74	3,956	467	344,476	-	344,476	5.74	
Taiwan Financial Asset Service Company	Taipei City, Taiwan	Other activities auxiliary to financial service activities	2.94	47,953	-	5,000,000	-	5,000,000	2.94	
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Communication and IT service	1.00	3,174	-	600,000	-	600,000	1.00	
CDIB Management Consulting Corporation	Taipei City, Taiwan	Management consultancy activities	100.00	1,048,753	36,010	153,171,873	-	153,171,873	100.00	
Euroc II Venture Capital Corp.	Taipei City, Taiwan	Venture capital corporation	7.50	342	-	29,999	-	29,999	7.50	
Euroc III Venture Capital Corp.	Taipei City, Taiwan	Venture capital corporation	5.00	204	-	15,000	-	15,000	5.00	
Next Commercial Bank Co., Ltd.	Taipei City, Taiwan	Commercial banking	7.00	462,704	-	70,000,000	-	70,000,000	7.00	
Suyin KGI Consumer Finance Co., Ltd.	China	Consumer finance service	36.17	4,614,726	322,116	-	-	-	36.17	
Non-financial industry-related										
CDIB & Partners Investment Holding Corp.	Taipei City, Taiwan	General investment corporation	4.95	781,027	60,054	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, 2023
(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, 2023	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of June 30, 2023	Net Gain of the investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of June 30, 2023	Accumulated Inward Remittance of Earnings as of June 30, 2023
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	$ 890,562	36.17	$ 322,116 (Note 2 (b) 2)	$ 4,614,726	$ -
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	2,026	100.00	2,026 (Note 2 (b) 2)	153,323	-

Accumulated Investment in Mainland China as of June 30, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Limit on Investment
$5,414,127 (US$173,892 thousand)	US$173,892 thousand	$39,194,581

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, 2023
(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	$ 32,776	Note 4	0.00
1	CDC Finance & Leasing Corporation	KGI Bank Co., Ltd.	2	Cash and cash equivalents	32,776	Note 4	0.00
0	KGI Bank Co., Ltd.	CDIB Management Consulting Corporation	1	Deposit and remittances	17,985	Note 4	0.00
2	CDIB Management Consulting Corporation	KGI Bank Co., Ltd.	2	Cash and cash equivalents	17,985	Note 4	0.00

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.