

O-Bank and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2022, December 31, 2021 and June 30, 2021, its consolidated financial performance for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, and its consolidated cash flows for the six months ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

The descriptions of the key audit matters of the consolidated financial statements for the six months ended June 30, 2022 are as follows:

Allowance for Credit Losses of Loans

The Bank and its subsidiaries are engaged principally in providing loans to customers. The Bank's management performed loans impairment assessment in accordance with the requirements of International Financial Reporting Standard 9 "Financial Instruments". In addition, the allowance for credit losses of loans was calculated and classified in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" (referred to as "Banking Institutions Regulations Governing the Procedures for Bad Debt").

For details about the accounting policy on the allowance for credit losses, refer to Note 4 to the accompanying consolidated financial statements; for details about the critical accounting judgments, estimations and assumptions of loan impairment, refer to Note 5 to the accompanying consolidated financial statements; and for details about the allowance for credit losses, refer to Note 14 to the accompanying consolidated financial statements.

The Bank shall assess the classification of credit-granting assets and recognize allowance for credit losses of loans in accordance with the "Banking Institutions Regulations Governing the Procedures for Bad Debt". As the assessment and recognition of loss allowance involve subjective judgments, critical estimations and assumptions of the management, we have included the assessment of allowance for credit losses of loans as a key audit matter.

The main audit procedures we performed in response to certain aspects of the key audit matters described above are as follows:

- We obtained an understanding of and performed testing on the internal controls in respect of the Bank's loan impairment assessment.
- We examined that the classifications of loans were in accordance with the "Banking Institutions Regulations Governing the Procedures for Bad Debt". We also recalculated the amount of the allowance for credit losses on loans and checked whether the Bank meets the requirement of regulation or not.

Assessment of Reserve for Losses on Guarantee Contracts

The reserves set aside for the guarantee liabilities of China Bills Finance Corporation are in accordance with both the International Financial Reporting Standard 9 "Financial Instruments", whereby the expected losses of guarantee obligations generated by financial guarantee contracts are evaluated, and the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt" (referred to as the "Bills Finance Companies Regulations for Evaluating Bad Debt"), whereby the reserves for guarantee liabilities are classified and made.

For details about the accounting policy on the reserve for guarantee liabilities, refer to Note 4 to the accompanying consolidated financial statements; for details about the critical accounting judgments, estimations and assumptions of the reserve for guarantee liabilities, refer to Note 5 to the accompanying consolidated financial statements; and for details about the reserve for guarantee liabilities, refer to Note 14 to the accompanying consolidated financial statements.

China Bills Finance Corporation assesses reserve for guarantee contracts involves subjective judgments, critical estimations and assumptions of the management. The classification of credit-granting assets and recognition of the reserve for guarantee contracts in accordance with the “Bills Finance Companies Regulations for Evaluating Bad Debt” influence the amounts of the reserve for guarantee contracts. Thus, we consider the assessment of reserve losses on guarantee contracts as a key audit matter.

The main audit procedures we performed in response to certain aspects of the key audit matter described above are as follows:

- We understood the internal controls about the estimated impairment of reserve for losses on guarantee contracts and we tested the effectiveness of the operation of the controls.
- We reviewed the assessment schedule of reserve for losses on credit-granting assets, which the management of China Bills Finance Corporation used to assess the reserve. We checked the completeness of amount of credit-granting assets in the schedule and rationality of classifications. We recalculated the amounts of reserve for losses on guarantee contracts in the schedule and checked whether the reserve meets the requirement of “Bills Finance Companies Regulations for Evaluating Bad Debt” or not.

Other Matter

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Kuan-Hao Lee and Wang-Sheng Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 23, 2022

Notice to Readers

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

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Note 6)	\$ 11,908,794	2	\$ 11,779,386	2	\$ 11,000,195	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	15,870,195	3	12,981,310	2	13,481,326	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 43)	138,419,740	24	151,899,447	27	151,473,563	27
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 43 and 47)	167,518,164	29	191,156,680	33	175,547,128	31
INVESTMENT IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 10, 43 and 47)	9,537,498	2	-	-	-	-
BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS (Note 11)	4,464,163	1	5,364,108	1	6,934,804	1
RECEIVABLES, NET (Notes 12 and 14)	21,115,711	4	20,076,514	4	17,720,966	3
CURRENT TAX ASSETS	196,673	-	324,529	-	314,717	-
DISCOUNTS AND LOANS, NET (Notes 13, 14, 42 and 43)	196,802,143	34	172,727,589	30	174,734,520	31
INVESTMENT ACCOUNTED FOR THE USING EQUITY METHOD, NET (Note 17)	1,016,553	-	880,879	-	743,968	-
OTHER FINANCIAL ASSETS (Notes 18 and 43)	728,107	-	875,733	-	879,839	-
PROPERTY AND EQUIPMENT, NET (Notes 19 and 44)	2,506,229	1	2,545,050	1	2,609,219	1
RIGHT-OF-USE ASSETS, NET (Note 20)	333,718	-	332,938	-	380,261	-
INTANGIBLE ASSETS, NET (Note 21)	1,910,501	-	1,946,051	-	2,046,373	1
DEFERRED TAX ASSETS	1,205,468	-	900,743	-	890,843	-
OTHER ASSETS (Notes 20 and 22)	<u>1,433,528</u>	<u>-</u>	<u>1,289,712</u>	<u>-</u>	<u>1,344,354</u>	<u>-</u>
TOTAL	<u>\$ 574,967,185</u>	<u>100</u>	<u>\$ 575,080,669</u>	<u>100</u>	<u>\$ 560,102,076</u>	<u>100</u>
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from the Central Bank and other banks (Note 23)	\$ 28,348,615	5	\$ 27,876,301	5	\$ 27,802,498	5
Financial liabilities at fair value through profit or loss (Note 8)	927,299	-	441,337	-	447,743	-
Bills and bonds sold under repurchase agreements (Note 24)	160,590,781	28	187,952,616	33	172,657,250	31
Payables (Note 25)	5,640,750	1	2,467,406	-	5,922,265	1
Current tax liabilities	304,167	-	238,572	-	285,890	-
Deposits and remittances (Notes 26 and 42)	291,836,714	51	259,379,425	45	258,197,198	46
Bank debentures payable (Note 27)	13,500,000	2	15,000,000	3	15,100,000	3
Other financial liabilities (Note 28)	17,854,770	3	20,580,832	4	19,697,423	4
Provisions (Notes 14, 29 and 30)	2,014,440	-	2,076,334	-	2,106,047	-
Lease liabilities (Note 20)	343,559	-	350,370	-	397,628	-
Deferred tax liabilities	881,091	-	830,510	-	784,209	-
Other liabilities (Note 31)	<u>2,650,412</u>	<u>1</u>	<u>2,719,579</u>	<u>-</u>	<u>2,458,080</u>	<u>-</u>
Total liabilities	<u>524,892,598</u>	<u>91</u>	<u>519,913,282</u>	<u>90</u>	<u>505,856,231</u>	<u>90</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK						
Capital						
Common stock	27,339,923	5	27,330,063	5	27,330,063	5
Preferred stock	<u>2,990,140</u>	<u>-</u>	<u>3,000,000</u>	<u>1</u>	<u>3,000,000</u>	<u>1</u>
Total capital	<u>30,330,063</u>	<u>5</u>	<u>30,330,063</u>	<u>6</u>	<u>30,330,063</u>	<u>6</u>
Capital surplus	<u>13,670</u>	<u>-</u>	<u>6,734</u>	<u>-</u>	<u>6,743</u>	<u>-</u>
Retained earnings						
Legal reserve	4,341,816	1	3,729,690	1	3,729,690	1
Special reserve	634,610	-	797,783	-	797,783	-
Unappropriated earnings	<u>1,653,310</u>	<u>-</u>	<u>2,040,419</u>	<u>-</u>	<u>1,088,534</u>	<u>-</u>
Total retained earnings	<u>6,629,736</u>	<u>1</u>	<u>6,567,892</u>	<u>1</u>	<u>5,616,007</u>	<u>1</u>
Other equity	<u>(3,074,604)</u>	<u>-</u>	<u>(485,479)</u>	<u>-</u>	<u>(164,766)</u>	<u>-</u>
Treasury stock	<u>(16,837)</u>	<u>-</u>	<u>(38,304)</u>	<u>-</u>	<u>(38,304)</u>	<u>-</u>
Total equity attributable to owners of the Bank	<u>33,882,028</u>	<u>6</u>	<u>36,380,906</u>	<u>7</u>	<u>35,749,743</u>	<u>7</u>
NON-CONTROLLING INTERESTS	<u>16,192,559</u>	<u>3</u>	<u>18,786,481</u>	<u>3</u>	<u>18,496,102</u>	<u>3</u>
Total equity (Note 32)	<u>50,074,587</u>	<u>9</u>	<u>55,167,387</u>	<u>10</u>	<u>54,245,845</u>	<u>10</u>
TOTAL	<u>\$ 574,967,185</u>	<u>100</u>	<u>\$ 575,080,669</u>	<u>100</u>	<u>\$ 560,102,076</u>	<u>100</u>

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

O-BANK AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 33 and 42)	\$ 2,027,516	98	\$ 1,671,182	70	\$ 3,782,200	86	\$ 3,382,835	72
INTEREST EXPENSE (Notes 33 and 42)	<u>(765,961)</u>	<u>(37)</u>	<u>(525,436)</u>	<u>(22)</u>	<u>(1,320,227)</u>	<u>(30)</u>	<u>(1,103,197)</u>	<u>(23)</u>
NET INTEREST	<u>1,261,555</u>	<u>61</u>	<u>1,145,746</u>	<u>48</u>	<u>2,461,973</u>	<u>56</u>	<u>2,279,638</u>	<u>49</u>
NET REVENUE OTHER THAN INTEREST REVENUE								
Service fee revenue, net (Notes 34 and 42)	631,086	30	628,588	26	1,352,369	31	1,297,957	28
Gains on financial assets or liabilities measured at fair value through profit or loss (Note 35)	1,430,469	69	198,104	8	2,264,913	52	397,958	9
Realized gains (losses) on financial assets at fair value through other comprehensive income (Note 36)	(30,011)	(1)	41,644	2	(10,928)	-	151,877	3
Foreign exchange gain (loss), net	(1,344,805)	(65)	354,878	15	(1,942,167)	(45)	480,645	10
Reversal of impairment loss on assets	6,130	-	4,486	-	6,591	-	3,271	-
Share of profit (loss) of associates and joint ventures accounted for the using equity method	40,452	2	(34,960)	(1)	116,128	3	(37,049)	(1)
Other net revenue other than interest	<u>83,760</u>	<u>4</u>	<u>38,723</u>	<u>2</u>	<u>126,801</u>	<u>3</u>	<u>108,041</u>	<u>2</u>
Total net revenue other than interest revenue	<u>817,081</u>	<u>39</u>	<u>1,231,463</u>	<u>52</u>	<u>1,913,707</u>	<u>44</u>	<u>2,402,700</u>	<u>51</u>
NET REVENUE	<u>2,078,636</u>	<u>100</u>	<u>2,377,209</u>	<u>100</u>	<u>4,375,680</u>	<u>100</u>	<u>4,682,338</u>	<u>100</u>
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 14)	<u>(136,597)</u>	<u>(7)</u>	<u>(129,185)</u>	<u>(6)</u>	<u>(180,409)</u>	<u>(4)</u>	<u>(155,746)</u>	<u>(3)</u>
OPERATING EXPENSES								
Employee benefits expenses (Notes 30, 37 and 42)	695,048	33	718,323	30	1,389,295	32	1,411,676	30
Depreciation and amortization expenses (Note 38)	150,786	7	158,611	7	310,061	7	319,948	7
Other general and administrative expenses (Notes 39 and 42)	<u>303,594</u>	<u>15</u>	<u>268,008</u>	<u>11</u>	<u>584,784</u>	<u>13</u>	<u>540,085</u>	<u>12</u>
Total operating expenses	<u>1,149,428</u>	<u>55</u>	<u>1,144,942</u>	<u>48</u>	<u>2,284,140</u>	<u>52</u>	<u>2,271,709</u>	<u>49</u>

(Continued)

O-BANK AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	\$ 792,611	38	\$ 1,103,082	46	\$ 1,911,131	44	\$ 2,254,883	48
INCOME TAX EXPENSE (Note 40)	<u>232,953</u>	<u>11</u>	<u>246,145</u>	<u>10</u>	<u>466,543</u>	<u>11</u>	<u>555,893</u>	<u>12</u>
INCOME FROM CONTINUING OPERATIONS	559,658	27	856,937	36	1,444,588	33	1,698,990	36
INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 15)	<u>(3,329)</u>	<u>-</u>	<u>(2,408)</u>	<u>-</u>	<u>4,142</u>	<u>-</u>	<u>(3,001)</u>	<u>-</u>
NET PROFIT FOR THE PERIOD	<u>556,329</u>	<u>27</u>	<u>854,529</u>	<u>36</u>	<u>1,448,730</u>	<u>33</u>	<u>1,695,989</u>	<u>36</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:								
Losses on remeasurements of defined benefit plans	-	-	-	-	-	-	(149)	-
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	(638,675)	(31)	(9,878)	-	(732,657)	(17)	639,120	14
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 40)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>-</u>
Components of other comprehensive income (loss) that will not be reclassified to profit or loss, net of tax	<u>(638,675)</u>	<u>(31)</u>	<u>(9,878)</u>	<u>-</u>	<u>(732,657)</u>	<u>(17)</u>	<u>639,001</u>	<u>14</u>
Components of other comprehensive income (loss) that will be reclassified to profit or loss:								
Exchange differences on translation of financial statements of foreign operations	319,570	15	(255,451)	(11)	804,978	18	(259,055)	(6)
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income (Note 32)	(2,519,658)	(121)	219,175	9	(5,111,969)	(117)	(678,903)	(14)

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O-BANK AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 40)	\$ 118,558	6	\$ (10,973)	-	\$ 281,464	7	\$ 104,120	2
Components of other comprehensive loss that will be reclassified to profit or loss, net of tax	(2,081,530)	(100)	(47,249)	(2)	(4,025,527)	(92)	(833,838)	(18)
Other comprehensive loss for the period, net of income tax	(2,720,205)	(131)	(57,127)	(2)	(4,758,184)	(109)	(194,837)	(4)
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ (2,163,876)</u>	<u>(104)</u>	<u>\$ 797,402</u>	<u>34</u>	<u>\$ (3,309,454)</u>	<u>(76)</u>	<u>\$ 1,501,152</u>	<u>32</u>
NET PROFIT								
ATTRIBUTABLE TO:								
Owners of the Bank	\$ 425,181	21	\$ 519,035	22	\$ 1,006,964	23	\$ 972,838	21
Non-controlling interests	131,148	6	335,494	14	441,766	10	723,151	15
	<u>\$ 556,329</u>	<u>27</u>	<u>\$ 854,529</u>	<u>36</u>	<u>\$ 1,448,730</u>	<u>33</u>	<u>\$ 1,695,989</u>	<u>36</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Bank	\$ (1,168,213)	(56)	\$ 332,416	14	\$ (1,580,636)	(36)	\$ 866,025	18
Non-controlling interests	(995,663)	(48)	464,986	20	(1,728,818)	(40)	635,127	14
	<u>\$ (2,163,876)</u>	<u>(104)</u>	<u>\$ 797,402</u>	<u>34</u>	<u>\$ (3,309,454)</u>	<u>(76)</u>	<u>\$ 1,501,152</u>	<u>32</u>
EARNINGS PER SHARE (Note 41)								
From continuing and discontinued operations								
Basic	<u>\$0.11</u>		<u>\$0.14</u>		<u>\$0.32</u>		<u>\$0.31</u>	
Diluted	<u>\$0.10</u>		<u>\$0.13</u>		<u>\$0.29</u>		<u>\$0.28</u>	
From continuing operations								
Basic	<u>\$0.11</u>		<u>\$0.14</u>		<u>\$0.32</u>		<u>\$0.31</u>	
Diluted	<u>\$0.10</u>		<u>\$0.13</u>		<u>\$0.29</u>		<u>\$0.28</u>	

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

(Concluded)

O-BANK AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Bank (Notes 9 and 32)								Other Equity					
	Capital Stock			Capital Surplus	Retained Earnings				Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Stock	Owners of the Bank	Non-controlling Interests (Note 32)	Total Equity
	Common Stock	Preferred Stock	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total						
BALANCE AT JANUARY 1, 2021	\$ 27,330,063	\$ 3,000,000	\$ 30,330,063	\$ 5,966	\$ 3,697,811	\$ 1,396,353	\$ 106,262	\$ 5,200,426	\$ (697,554)	\$ 755,298	\$ (38,304)	\$ 35,555,895	\$ 18,696,870	\$ 54,252,765
Reversal of special reserve	-	-	-	-	-	(598,570)	598,570	-	-	-	-	-	-	-
Appropriation and distribution of 2020 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	31,879	-	(31,879)	-	-	-	-	-	-	-
Cash dividends of common stock distributed by the Bank	-	-	-	-	-	-	(545,454)	(545,454)	-	-	-	(545,454)	-	(545,454)
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	(127,500)	(127,500)	-	-	-	(127,500)	-	(127,500)
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	406	-	-	-	-	-	-	-	406	-	406
Unclaimed dividends	-	-	-	371	-	-	-	-	-	-	-	371	1,026	1,397
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(836,921)	(836,921)
Net profit for the six months ended June 30, 2021	-	-	-	-	-	-	972,838	972,838	-	-	-	972,838	723,151	1,695,989
Other comprehensive income (loss) for the six months ended June 30, 2021, net of income tax	-	-	-	-	-	-	(33)	(33)	(216,488)	109,708	-	(106,813)	(88,024)	(194,837)
Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	-	-	972,805	972,805	(216,488)	109,708	-	866,025	635,127	1,501,152
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	115,730	115,730	-	(115,730)	-	-	-	-
BALANCE AT JUNE 30, 2021	\$ 27,330,063	\$ 3,000,000	\$ 30,330,063	\$ 6,743	\$ 3,729,690	\$ 797,783	\$ 1,088,534	\$ 5,616,007	\$ (914,042)	\$ 749,276	\$ (38,304)	\$ 35,749,743	\$ 18,496,102	\$ 54,245,845
BALANCE AT JANUARY 1, 2022	\$ 27,330,063	\$ 3,000,000	\$ 30,330,063	\$ 6,734	\$ 3,729,690	\$ 797,783	\$ 2,040,419	\$ 6,567,892	\$ (946,067)	\$ 460,588	\$ (38,304)	\$ 36,380,906	\$ 18,786,481	\$ 55,167,387
Reversal of special reserve	-	-	-	-	-	(648,652)	648,652	-	-	-	-	-	-	-
Appropriation and distribution of 2021 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	612,126	-	(612,126)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	485,479	(485,479)	-	-	-	-	-	-	-
Cash dividends of common stock distributed by the Bank	-	-	-	-	-	-	(819,145)	(819,145)	-	-	-	(819,145)	-	(819,145)
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	(127,500)	(127,500)	-	-	-	(127,500)	-	(127,500)
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	427	-	-	-	-	-	-	-	427	-	427
Unclaimed dividends	-	-	-	641	-	-	-	-	-	-	-	641	1,079	1,720
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(865,780)	(865,780)
Net profit for the six months ended June 30, 2022	-	-	-	-	-	-	1,006,964	1,006,964	-	-	-	1,006,964	441,766	1,448,730
Other comprehensive income (loss) for the six months ended June 30, 2022, net of income tax	-	-	-	-	-	-	-	-	671,124	(3,258,724)	-	(2,587,600)	(2,170,584)	(4,758,184)
Total comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	-	-	1,006,964	1,006,964	671,124	(3,258,724)	-	(1,580,636)	(1,728,818)	(3,309,454)
Convertible preferred stock converted to ordinary shares	9,860	(9,860)	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction of subsidiaries for cash received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(403)	(403)
Transfer of treasury stock to employees under share-based payment arrangements	-	-	-	5,868	-	-	-	-	-	-	21,467	27,335	-	27,335
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	1,525	1,525	-	(1,525)	-	-	-	-
BALANCE AT JUNE 30, 2022	\$ 27,339,923	\$ 2,990,140	\$ 30,330,063	\$ 13,670	\$ 4,341,816	\$ 634,610	\$ 1,653,310	\$ 6,629,736	\$ (274,943)	\$ (2,799,661)	\$ (16,837)	\$ 33,882,028	\$ 16,192,559	\$ 50,074,587

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Six Months Ended	
	June 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	\$ 1,911,131	\$ 2,254,883
Profit (loss) from discontinued operations before tax	4,142	(3,001)
Adjustments for:		
Depreciation expenses	172,938	178,564
Amortization expenses	138,531	143,055
Expect credit losses/recognition of provisions	173,818	152,475
Net gain on financial assets or liabilities at fair value through profit or loss	(2,251,610)	(403,491)
Interest expense	1,320,227	1,103,197
Interest revenue	(3,782,200)	(3,382,696)
Dividends income	(190,633)	(23,906)
Share-based payment arrangements	8,423	-
Share of loss (profit) of associates and joint ventures accounted for using equity method	(116,128)	37,049
Loss on disposal of property and equipment	22	103
Loss (gain) on disposal of investments	201,561	(127,971)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(1,329,681)	2,927,249
Financial assets at fair value through profit or loss	15,322,438	11,054,454
Financial assets at fair value through other comprehensive income	18,376,848	(2,474,780)
Investment in debt instruments at amortized cost	(9,537,567)	-
Bills and bonds purchased under resell agreements	899,945	(2,201,922)
Receivables	(934,347)	(2,934,042)
Discounts and loans	(24,292,624)	8,849,896
Deposits from the Central Bank and other banks	472,314	(677,257)
Financial liabilities at fair value through profit or loss	485,962	(342,555)
Bills and bonds sold under repurchase agreements	(27,361,835)	(8,508,576)
Payables	990,762	1,727,789
Deposits and remittances	32,457,289	(9,522,474)
Provisions	31,312	(8,407)
Cash generated from (used in) operations	3,171,038	(2,182,364)
Interest received	3,719,358	3,505,157
Dividends received	103,343	21,318
Interest paid	(1,240,312)	(1,152,878)
Income taxes paid	(231,080)	(398,822)
Net cash flows generated from (used in) operating activities	<u>5,522,347</u>	<u>(207,589)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(64,764)	(43,478)
Proceeds from disposal of property and equipment	589	2,309
Increase in refundable deposits	(35,987)	(246,794)
Acquisitions of intangible assets	(18,173)	(4,902)

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2022	2021
Decrease in other financial assets	\$ 188,411	\$ 536,024
Increase in other assets	<u>(107,829)</u>	<u>(47,362)</u>
Net cash flows generated from (used in) investing activities	<u>(37,753)</u>	<u>195,797</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	-	147,597
Decrease in short-term borrowings	(179,907)	-
Increase in commercial papers	-	188,000
Decrease in commercial papers	(3,283,787)	-
Proceeds from issuing bank debentures	-	1,000,000
Repayments of bank debentures	(1,500,000)	(2,300,000)
Proceeds from long-term borrowings	3,870,596	2,654,090
Repayments of long-term borrowings	(3,132,841)	(1,244,236)
Repayment of the principal portion of lease liabilities	(76,699)	(87,010)
Decrease in other financial liabilities	(140,876)	(87,964)
Increase in other liabilities	-	208,407
Decrease in other liabilities	(69,167)	-
Transfer of treasury stock to employees	<u>18,912</u>	<u>-</u>
Net cash flows generated from (used in) financing activities	<u>(4,493,769)</u>	<u>478,884</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>738,572</u>	<u>(247,679)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,729,397	219,413
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	<u>15,198,196</u>	<u>16,905,644</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u>\$ 16,927,593</u>	<u>\$ 17,125,057</u>

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

	June 30	
	2022	2021
Cash and cash equivalents reported in the consolidated balance sheets	\$ 11,908,794	\$ 11,000,195
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	4,424,220	5,567,461
Other items qualifying for cash and cash equivalents under the definition of IAS 7	<u>594,579</u>	<u>557,401</u>
Cash and cash equivalents at the end of the period	<u>\$ 16,927,593</u>	<u>\$ 17,125,057</u>

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

(Concluded)

O-BANK AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Industrial Bank of Taiwan started its preparation for incorporation on March 2, 1998, was authorized for incorporation by the Ministry of Finance on July 27, 1999, and began its business operations on September 2, 1999.

To be in coordination with the government's financial liberation policy and to increase the operating efficiency, on August 14, 2015, the Industrial Bank of Taiwan's board of directors approved of the application for a change of registration to a commercial bank and for a change of name to "O-Bank Co., Ltd." ("O-Bank" or the "Bank"). The Financial Supervisory Commission (FSC) accepted the application on December 15, 2016 and required the Bank to submit its proposed adjustment plan to comply with the Banking Act of the Republic of China. On January 1, 2017, the Banking Bureau approved and issued the operating license for the Bank to operate a commercial banking business. The Bank's name was changed from "Industrial Bank of Taiwan" to "O-Bank Co., Ltd." on January 1, 2017.

The Bank's operations include the following: (a) accepting various deposits; (b) issuing bank debentures; (c) providing loans, discounts, and acceptance business; (d) providing domestic and foreign exchange and guarantee business; (e) issuing letters of credit at home and abroad; (f) making receipts and payments by agents; (g) investing in and underwriting offering of securities; (h) dealing in government bonds; (i) factoring; (j) providing financial advisory services to financing and non-financing business; (k) wealth management business; (l) providing personal insurance and property insurance agent business; (m) dealing with debit card business; (n) providing foreign exchange services for client's imports or exports, overseas remittances, foreign currency deposits, and foreign currency loans and guarantees; (o) overseeing trust business under the Trust Business Law and regulations; and (p) dealing in derivative financial instruments and participating in other operations authorized by the central authorities.

As of June 30, 2022, the Bank has eight main departments - Financial Service Department, Financial Market Department, Risk Control Department, Operation Management Department, Technology Financial Department, Legal Compliance Department, Strategic Development Department, Internal Audit Department. It also has six domestic branches - Business Department, Zhongxiao Dunhua branch, Taoyuan branch, Hsinchu branch, Taichung branch and Kaohsiung branch. In addition, it has an Offshore Banking Unit, Hong Kong branch, and Tianjin representative office.

The Bank's stocks were listed on the Emerging Stock Market of the Taipei Exchange ("TPEX") starting in August 2004. The TWSE approved the Bank's application for listing on November 28, 2016 and transferred the listing from the TPEX to the TWSE on May 5, 2017.

The consolidated financial statements are presented in the Bank's functional currency, the New Taiwan dollar.

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Bank and its subsidiaries (the "Group") had 1,649, 1,545 and 1,474 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on August 23, 2022.

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

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

Initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

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

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

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

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

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

The Group assessed the application of the above standards would not have any material impact on the Group’s financial position and financial performance. As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC.

Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values and the net defined benefit liabilities (assets) recognized at the fair value of the assets.

Since the operating cycle in the banking industry could not be clearly identified, accounts included in the consolidated financial statements of the Bank were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Refer to Note 47 for the maturity analysis of liabilities.

Basis of Consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Bank. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. The total comprehensive income of subsidiaries shall be attributed to the owners of the Bank and to the non-controlling interests, even if the balance becomes negative or loss is incurred.

Refer to Note 16, Tables 6 and 7 for the list of main business activities and ownership percentages of subsidiaries.

Other Significant Accounting and Reporting Policies

Except as described in the following paragraphs, other significant accounting policies used in the preparation of these consolidated financial statements are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2021.

a. Employee 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.

b. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

c. Impairment of financial assets

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

The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- 1) Internal or external information show that the debtor is unlikely to pay its creditors.
- 2) When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

Impairment losses on all financial assets are reduced by means of a provision account, but the provision for losses on investments in debt instruments measured at fair value through other comprehensive income are recognized as other comprehensive income and loss and do not reduce their book value.

Referring to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", the Bank classifies the credit assets as normal credit assets according to the financial position of the debtor (excluding the ROC government), and after assessing whether there is a delay in the payment of principal and interest and whether the loans have adequate collaterals, the Bank further classifies credit assets into need attention, expect to recover, difficult to recover, and hopeless to recover.

For the above-mentioned normal credit (excluding the balance of claims against the ROC government), need attention, expect to recover, difficult to recover, and hopeless to recover, minimum provisions of 1%, 2%, 10%, 50%, and 100%, respectively, of the outstanding balance are made. In addition, the Bank recognizes provision of at least 1.5% of normal credit assets in mainland China (including short-term advances for trade finance) and loans for the purchase and repair of residential property and construction loans.

In addition to valuating the impairment loss of receivables and recognizing allowance or bad debts under IFRS 9, China Bills Finance Corporation (CBF) will evaluate impairment loss under the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt" issued by the authorities and recognize the higher of allowance of and bad debts between the above regulations and IFRS 9.

The Group writes off credits deemed uncollectable after the write-off is proposed and approved by the board of directors.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed 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.

Estimated Impairment of Loans and Financial Guarantee Contract

The impairment of loans and financial guarantee contracts is based on assumptions about the risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs of the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	June 30, 2022	December 31, 2021	June 30, 2021
Cash on hand and petty cash	\$ 88,229	\$ 83,873	\$ 80,610
Checking for clearing	26,598	75,133	1,661,972
Due from banks	<u>11,793,967</u>	<u>11,620,380</u>	<u>9,257,613</u>
	<u>\$ 11,908,794</u>	<u>\$ 11,779,386</u>	<u>\$ 11,000,195</u>

The cash and cash equivalents of the consolidated cash flows and the related adjustments of the consolidated balance sheets as of December 31, 2021 are as follows. For the adjustments as of June 30, 2022 and 2021, refer to the statements of cash flows.

	December 31, 2021
Cash and cash equivalents in the consolidated balance sheets	\$ 11,779,386
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	2,865,016
Other items qualifying for cash and cash equivalents under the definition of IAS 7	<u>553,794</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 15,198,196</u>

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

	June 30, 2022	December 31, 2021	June 30, 2021
Reserves for deposits - Type A	\$ 5,238,471	\$ 2,921,318	\$ 1,664,498
Reserves for deposits - Type B	5,368,056	5,166,200	5,420,669
Reserves for deposits - Financial	806,746	2,001,086	800,828
Call loans to banks	4,424,220	2,865,016	5,567,461
Others	<u>32,702</u>	<u>27,690</u>	<u>27,870</u>
	<u>\$ 15,870,195</u>	<u>\$ 12,981,310</u>	<u>\$ 13,481,326</u>

Under a directive issued by the Central Bank, deposit reserves are determined monthly at prescribed rates on average balances of customers' deposits. Type B deposit reserves are subject to withdrawal restrictions.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Financial assets mandatorily classified as at FVTPL</u>			
Hybrid financial assets			
Convertible bond - domestic (include assets swap contracts)	\$ 10,267,263	\$ 11,103,311	\$ 9,211,774
Structured debt	<u>592,557</u>	<u>557,116</u>	<u>562,250</u>
	<u>10,859,820</u>	<u>11,660,427</u>	<u>9,774,024</u>
Derivative financial instruments			
Currency swap contracts	1,214,957	211,885	228,306
Forward contracts	135,638	40,823	22,155
Currency option contracts-call	75,624	4,630	18,223
Promised purchase contracts	29,355	-	-
Interest rate swap contracts	282	5,528	6,509
Future exchange margins	<u>24,039</u>	<u>-</u>	<u>-</u>
	<u>1,479,895</u>	<u>262,866</u>	<u>275,193</u>
Non-derivative financial assets			
Bills	86,340,903	95,940,011	93,766,610
Negotiable certificates of deposit	37,854,207	42,434,758	46,288,788
Stocks and beneficiary certificates	1,481,140	1,601,385	1,368,948
Government bonds	<u>403,775</u>	<u>-</u>	<u>-</u>
	<u>126,080,025</u>	<u>139,976,154</u>	<u>141,424,346</u>
	<u>\$ 138,419,740</u>	<u>\$ 151,899,447</u>	<u>\$ 151,473,563</u>
<u>Held-for-trading financial liabilities</u>			
Derivative financial instruments			
Currency swap contracts	\$ 501,070	\$ 273,190	\$ 345,742
Forward contracts	153,367	62,885	24,480
Interest rate swap contracts	1,972	9,311	11,916
Currency option contracts-put	75,196	4,289	19,480
Promised purchase contracts	<u>1,399</u>	<u>40,404</u>	<u>45,486</u>
	<u>733,004</u>	<u>390,079</u>	<u>447,104</u>

(Continued)

	June 30, 2022	December 31, 2021	June 30, 2021
Non-derivative financial liabilities			
When-issued government bonds	\$ -	\$ 49,567	\$ -
Commercial paper contracts	<u>194,295</u>	<u>1,691</u>	<u>639</u>
	<u>194,295</u>	<u>51,258</u>	<u>639</u>
	<u>\$ 927,299</u>	<u>\$ 441,337</u>	<u>\$ 447,743</u>
			(Concluded)

The Group engages in derivative transactions, including forward contracts, currency swap contracts and currency option contracts, mainly for accommodating customers' needs and managing the exposure positions. As for the engagement in interest rate swap contracts, its purpose is to hedge risk of cash flow and risk of market value caused by the change of interest rates or exchange rates. The Group strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a high negative correlation with the changes in the market of the exposures being hedged.

The contract amounts (or notional amounts) of outstanding derivative transactions as of June 30, 2022, December 31, 2021 and June 30, 2021 as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Interest rate swap contracts	\$ 12,022,400	\$ 14,010,914	\$ 12,328,849
Currency swap contracts	92,232,236	99,978,371	69,346,741
Forward contracts	16,561,823	10,506,426	6,054,362
Currency option contracts			
Buy	2,873,881	388,971	1,267,679
Sell	2,726,593	307,351	1,375,114
Promised purchase contracts	14,000,000	12,900,000	13,750,000

As of June 30, 2022, December 31, 2021 and June 30, 2021, financial assets at fair value through profit and loss under agreement to repurchase were in the amount of \$63,489,000 thousand, \$78,572,100 thousand and \$66,348,100 thousand, respectively.

Refer to Note 43 for information relating to financial assets at fair value through profit or loss pledged as security.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2022	December 31, 2021	June 30, 2021
Investments in equity instruments at FVTOCI	\$ 7,469,838	\$ 7,600,894	\$ 6,906,308
Investments in debt instruments at FVTOCI			
Government bonds	21,107,084	21,349,542	21,090,664
Bank debentures	30,509,332	34,596,305	36,225,506
Corporate bonds	77,576,401	86,613,703	73,668,772
Overseas government bonds	2,132,367	2,721,421	2,654,026
Mortgage-backed securities	2,710,203	2,467,423	2,368,550
Commercial papers	6,018,580	6,384,497	7,621,632
Negotiable certificates of deposit	<u>19,994,359</u>	<u>29,422,895</u>	<u>25,011,670</u>
	<u>\$ 167,518,164</u>	<u>\$ 191,156,680</u>	<u>\$ 175,547,128</u>

a. Investments in equity instruments at FVTOCI

These investments in listed and emerging stocks are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

The Group disposed stock classified as at FVTOCI for invested management purpose for the six months ended June 30, 2022 and 2021. The fair value of stocks classified as at FVTOCI which had to be disposed of were \$1,381,170 thousand and \$1,016,301 thousand and the accumulated loss and gain related to the sold assets of \$1,525 thousand and \$115,730 thousand gain, respectively, were transferred from other equity-unrealized valuation gain or loss on financial assets at FVTOCI to retained earnings.

Dividends income from FVTOCI of \$190,633 thousand and \$23,906 thousand were recognized in profit or loss for the six months ended June 30, 2022 and 2021. The dividends related to investments held at the end of the reporting period were \$187,676 thousand and \$23,906 thousand, respectively.

b. Investments in debt instruments at FVTOCI

- 1) Refer to Note 43 for information relating to investments in debt instruments at FVTOCI pledged as security.
- 2) Refer to Note 47 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.
- 3) Investments in debt instruments at FVTOCI under agreement to repurchase were in the face amount of \$89,360,465 thousand, \$99,219,428 thousand and \$95,134,267 thousand, as of on June 30, 2022, December 31, 2021 and June 30, 2021, respectively.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	June 30, 2022
Government bonds	\$ 1,094,045
Bank debentures	686,124
Corporate bonds	318,368
Overseas government bonds	439,359
Negotiable certificates of deposit	<u>7,000,000</u>
	9,537,896
Less: Allowance for impairment loss	<u>398</u>
	<u>\$ 9,537,498</u>

Refer to Note 43 for information relating to investments in debt instruments at amortized cost pledged as security.

Refer to Note 47 for information relating to the credit risk management and impairment assessment of investments in debt instruments at amortized cost.

11. BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS

As of June 30, 2022, December 31, 2021 and June 30, 2021, bonds and bills in the amounts of \$4,464,163 thousand, \$5,364,108 thousand and \$6,934,804 thousand, respectively, had been purchased under resell agreements would subsequently be sold for \$4,465,354 thousand, \$5,365,201 thousand and \$6,935,979 thousand before July 2022, February 2022 and August 2021, respectively. As of June 30, 2022, December 31, 2021 and June 30, 2021, bonds and bills purchased under resell agreements were sold under repurchase agreements in the face amount of \$4,210,000 thousand, \$5,330,000 thousand and \$6,447,100 thousand, respectively.

12. RECEIVABLES, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Lease payment receivable	\$ 17,450,903	\$ 17,072,141	\$ 15,139,161
Factored receivable	1,562,641	1,568,952	1,271,695
Interests receivable	1,053,549	980,147	970,202
Accounts receivable	1,525,979	1,557,850	1,136,212
Investment settlements receivable	638,077	88,899	204,380
Acceptances receivable	103,361	84,266	63,305
Settlement accounts receivable - trusteeship	64,680	60,580	66,233
Others	<u>174,232</u>	<u>145,595</u>	<u>168,515</u>
	22,573,422	21,558,430	19,019,703
Less: Unrealized interest revenue	934,442	976,710	855,621
Allowance for credit losses	<u>523,269</u>	<u>505,206</u>	<u>443,116</u>
Receivables, net	<u>\$ 21,115,711</u>	<u>\$ 20,076,514</u>	<u>\$ 17,720,966</u>

The changes in gross carrying amount on receivables (less unrealized interest revenue) for the six months ended June 30, 2022 and 2021 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit- impaired Financial Assets)	Total
Balance at January 1, 2022	\$ 20,194,073	\$ 135,829	\$ 251,818	\$ 20,581,720
Transfers				
To 12-month ECLs	19,323	(19,323)	-	-
To lifetime ECLs	(163,726)	163,726	-	-
To credit-impaired financial assets	(207)	(98,762)	98,969	-
New financial assets purchased or originated	10,850,999	655,445	866	11,507,310
Derecognition of financial assets in the reporting period	(10,627,682)	(82,971)	(24,854)	(10,735,507)
Write-offs	-	(3,136)	(44,834)	(47,970)
Exchange rate or other changes	<u>326,708</u>	<u>1,666</u>	<u>5,053</u>	<u>333,427</u>
Balance at June 30, 2022	<u>\$ 20,599,488</u>	<u>\$ 752,474</u>	<u>\$ 287,018</u>	<u>\$ 21,638,980</u>

(Continued)

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2021	\$ 15,070,846	\$ 86,938	\$ 226,280	\$ 15,384,064
Transfers				
To 12-month ECLs	125	(124)	(1)	-
To lifetime ECLs	(54,998)	54,998	-	-
To credit-impaired financial assets	(193)	(24,941)	25,134	-
New financial assets purchased or originated	10,343,706	4,538	1,510	10,349,754
Derecognition of financial assets in the reporting period	(7,352,931)	(19,329)	(35,859)	(7,408,119)
Write-offs	-	-	(15,236)	(15,236)
Exchange rate or other changes	(142,003)	(2,151)	(2,227)	(146,381)
Balance at June 30, 2021	<u>\$ 17,864,552</u>	<u>\$ 99,929</u>	<u>\$ 199,601</u>	<u>\$ 18,164,082</u> (Concluded)

Rental equipment is held as collateral for the lease payments receivables. The Group is not allowed to sell or re-pledge the collateral if the lessee has no arrears.

The Group provides an appropriate allowance for doubtful debts for the assessment of receivables. Refer to Note 14 for the details and changes in the allowance for doubtful debts of receivables.

Refer to Note 47 for the impairment loss analysis of receivables.

13. DISCOUNTS AND LOANS, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Short-term	\$ 70,549,996	\$ 61,988,195	\$ 64,319,236
Medium-term	102,791,594	87,064,663	84,973,633
Long-term	25,519,519	25,363,949	26,983,986
Export bill negotiated	4,875	91,416	58,469
Guaranteed overdraft	112,195	138,453	153,208
Overdue loans	656,582	649,859	672,214
Accounts receivables financing	-	-	102,969
	<u>199,634,761</u>	<u>175,296,535</u>	<u>177,263,715</u>
Less: Allowance for credit losses	<u>2,832,618</u>	<u>2,568,946</u>	<u>2,529,195</u>
	<u>\$ 196,802,143</u>	<u>\$ 172,727,589</u>	<u>\$ 174,734,520</u>

The changes in gross carrying amount on discount and loans for the six months ended June 30, 2022 and 2021 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit- impaired Financial Assets)	Total
Balance at January 1, 2022	\$ 161,284,858	\$ 12,775,541	\$ 1,236,136	\$ 175,296,535
Transfers				
To 12-month ECLs	570,350	(570,350)	-	-
To lifetime ECLs	(2,135,374)	2,135,374	-	-
To credit-impaired financial assets	(30,768)	(80,033)	110,801	-
New financial assets purchased or originated	92,014,892	8,563,138	145,375	100,723,405
Derecognition of financial assets in the reporting period	(70,783,865)	(8,387,914)	(209,025)	(79,380,804)
Write-offs	-	-	(26,328)	(26,328)
Exchange rate or other changes	<u>2,767,991</u>	<u>249,835</u>	<u>4,127</u>	<u>3,021,953</u>
Balance at June 30, 2022	<u>\$ 183,688,084</u>	<u>\$ 14,685,591</u>	<u>\$ 1,261,086</u>	<u>\$ 199,634,761</u>
Balance at January 1, 2021	\$ 167,034,025	\$ 17,442,689	\$ 1,696,982	\$ 186,173,696
Transfers				
To 12-month ECLs	238,140	(234,746)	(3,394)	-
To lifetime ECLs	(357,247)	357,247	-	-
To credit-impaired financial assets	(49,379)	(12,092)	61,471	-
New financial assets purchased or originated	65,473,994	7,301,393	225,014	73,000,401
Derecognition of financial assets in the reporting period	(70,499,285)	(10,043,814)	(434,863)	(80,977,962)
Write-offs	-	-	(52,517)	(52,517)
Exchange rate or other changes	<u>(773,509)</u>	<u>(98,509)</u>	<u>(7,885)</u>	<u>(879,903)</u>
Balance at June 30, 2021	<u>\$ 161,066,739</u>	<u>\$ 14,712,168</u>	<u>\$ 1,484,808</u>	<u>\$ 177,263,715</u>

The balance of the overdue loans of the Group as of June 30, 2022, December 31, 2021 and June 30, 2021 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to \$6,477 thousand and \$11,629 thousand for the six months ended June 30, 2022 and 2021, respectively. For the six months ended June 30, 2022 and 2021, the Group wrote off credits only upon completing the required legal procedures.

Refer to Note 43 for information relating to discounts and loan assets pledged as security.

The Group provides an appropriate allowance for doubtful debts based on the assessment of discounts and loans. Refer to Note 14 for the details and changes in the allowance for doubtful debts of discounts and loans.

Refer to Note 47 for the impairment loss analysis of discounts and loans.

14. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The change in allowance for credit losses and provisions for the six months ended June 30, 2022 were as follows:

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2022	\$ 270,996	\$ 28,036	\$ 190,494	\$ 489,526	\$ 15,680	\$ 505,206
Transfers						
To 12-month ECLs	976	(976)	-	-	-	-
To lifetime ECLs	(3,192)	3,192	-	-	-	-
To credit-impaired financial assets	(126)	(33,060)	33,186	-	-	-
New financial assets purchased or originated	125,578	544	211	126,333	-	126,333
Derecognition of financial assets in the reporting period	(139,373)	(4,344)	(15,174)	(158,891)	-	(158,891)
Change in model or risk parameters	162	35,654	49,678	85,494	-	85,494
Difference between IFRS 9 and local requirements	-	-	-	-	2,611	2,611
Write-offs	-	(3,136)	(44,834)	(47,970)	-	(47,970)
Withdrawal after write-offs	-	-	1,393	1,393	-	1,393
Exchange rate or other changes	4,234	456	4,334	9,024	69	9,093
Balance at June 30, 2022	<u>\$ 259,255</u>	<u>\$ 26,366</u>	<u>\$ 219,288</u>	<u>\$ 504,909</u>	<u>\$ 18,360</u>	<u>\$ 523,269</u>
Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2022	\$ 382,077	\$ 108,320	\$ 238,363	\$ 728,760	\$ 1,840,186	\$ 2,568,946
Transfers						
To 12-month ECLs	12,541	(12,541)	-	-	-	-
To lifetime ECLs	(14,799)	14,799	-	-	-	-
To credit-impaired financial assets	(17,442)	(2,438)	19,880	-	-	-
New financial assets purchased or originated	89,568	6,134	49,255	144,957	-	144,957
Derecognition of financial assets in the reporting period	(162,190)	(32,280)	(41,798)	(236,268)	-	(236,268)
Change in model or risk parameters	(53,906)	(9,060)	9,406	(53,560)	-	(53,560)
Difference between IFRS 9 and local requirements	-	-	-	-	362,941	362,941
Write-offs	-	-	(26,328)	(26,328)	-	(26,328)
Withdrawal after write-offs	-	-	12,901	12,901	-	12,901
Exchange rate or other changes	6,106	3,800	312	10,218	48,811	59,029
Balance at June 30, 2022	<u>\$ 241,955</u>	<u>\$ 76,734</u>	<u>\$ 261,991</u>	<u>\$ 580,680</u>	<u>\$ 2,251,938</u>	<u>\$ 2,832,618</u>
Reserve for Losses on Guarantees and Financing Quota Preparation	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2022	\$ 121,611	\$ 15,461	\$ -	\$ 137,072	\$ 1,705,435	\$ 1,842,507
Transfers						
To 12-month ECLs	-	-	-	-	-	-
To lifetime ECLs	(209)	209	-	-	-	-
New financial assets purchased or originated	24,383	2,001	-	26,384	-	26,384
Derecognition of financial assets in the reporting period	(60,396)	(7,142)	-	(67,538)	-	(67,538)
Change in model or risk parameters	(20,304)	(332)	-	(20,636)	-	(20,636)
Difference between IFRS 9 and local requirements	-	-	-	-	(31,416)	(31,416)
Withdrawal after write-offs	-	-	-	-	21,136	21,136
Exchange rate or other changes	754	42	-	796	438	1,234
Balance at June 30, 2022	<u>\$ 65,839</u>	<u>\$ 10,239</u>	<u>\$ -</u>	<u>\$ 76,078</u>	<u>\$ 1,695,593</u>	<u>\$ 1,771,671</u>

The change in allowance for credit losses for six months ended June 30, 2021 were as follows:

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2021	\$ 220,734	\$ 25,785	\$ 175,691	\$ 422,210	\$ 8,995	\$ 431,205
Transfers						
To 12-month ECLs	-	-	-	-	-	-
To lifetime ECLs	(8,436)	8,436	-	-	-	-
To credit-impaired financial assets	(117)	(9,532)	9,649	-	-	-
New financial assets purchased or originated	22,322	1,587	1,486	25,395	-	25,395
Derecognition of financial assets in the reporting period	(2,492)	(61)	(10,712)	(13,265)	-	(13,265)
Change in model or risk parameters	134	(9)	(3)	122	-	122
Difference between IFRS 9 and local requirements	-	-	-	-	4,496	4,496
Write-offs	-	-	(15,236)	(15,236)	-	(15,236)
Withdrawal after write-offs	-	-	14,682	14,682	-	14,682
Exchange rate or other changes	(1,913)	(243)	(2,092)	(4,248)	(35)	(4,283)
Balance at June 30, 2021	<u>\$ 230,232</u>	<u>\$ 25,963</u>	<u>\$ 173,465</u>	<u>\$ 429,660</u>	<u>\$ 13,456</u>	<u>\$ 443,116</u>
Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2021	\$ 530,975	\$ 194,967	\$ 352,887	\$ 1,078,829	\$ 1,383,894	\$ 2,462,723
Transfers						
To 12-month ECLs	328	(325)	(3)	-	-	-
To lifetime ECLs	(3,074)	3,074	-	-	-	-
To credit-impaired financial assets	(27,099)	(6,168)	33,267	-	-	-
New financial assets purchased or originated	109,121	26,854	196,348	332,323	-	332,323
Derecognition of financial assets in the reporting period	(200,154)	(46,475)	(178,090)	(424,719)	-	(424,719)
Change in model or risk parameters	(28,236)	138	75,894	47,796	-	47,796
Difference between IFRS 9 and local requirements	-	-	-	-	171,156	171,156
Write-offs	-	-	(52,517)	(52,517)	-	(52,517)
Withdrawal after write-offs	-	-	12,523	12,523	-	12,523
Exchange rate or other changes	(3,020)	(2,377)	(44)	(5,441)	(14,649)	(20,090)
Balance at June 30, 2021	<u>\$ 378,841</u>	<u>\$ 169,688</u>	<u>\$ 440,265</u>	<u>\$ 988,794</u>	<u>\$ 1,540,401</u>	<u>\$ 2,529,195</u>
Reserve for Losses on Guarantees and Financing Quota Preparation	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2021	\$ 131,948	\$ 21,026	\$ -	\$ 152,974	\$ 1,686,303	\$ 1,839,277
Transfers						
To 12-month ECLs	6	(6)	-	-	-	-
To lifetime ECLs	-	-	-	-	-	-
New financial assets purchased or originated	65,879	23,477	-	89,356	-	89,356
Derecognition of financial assets in the reporting period	(83,511)	(4,643)	-	(88,154)	-	(88,154)
Change in model or risk parameters	(7,256)	1,791	-	(5,465)	-	(5,465)
Difference between IFRS 9 and local requirements	-	-	-	-	16,705	16,705
Withdrawal after write-offs	-	-	-	-	6,901	6,901
Exchange rate or other changes	(277)	(162)	-	(439)	74	(365)
Balance at June 30, 2021	<u>\$ 106,789</u>	<u>\$ 41,483</u>	<u>\$ -</u>	<u>\$ 148,272</u>	<u>\$ 1,709,983</u>	<u>\$ 1,858,255</u>

15. DISCONTINUED OPERATIONS

Chun Teng New Century Co., Ltd. (the former IBTS) decided to transfer operating rights and property of brokerage of securities to SinoPac Securities Corp. Ltd. approved by the temporary stockholders' meeting on May 25, 2016. The total transfer price was \$390,000 thousand, and the business transfer date was set on September 26, 2016.

The subsidiary ended the securities business on September 23, 2016, and was dissolved and liquidated on November 11, 2016 which had been approved by the board of directors in their meeting on October 17, 2016.

From September 30, 2016, the self-operating and new financial assets business of the operating department of subsidiary had ended and conformed to the discontinued operations definition of IFRS 5. Hence, the consolidated financial report regarded the above operating department as discontinued operations.

The details and cash flows information of discontinued operations are exhibited below:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Interest revenue	\$ 170	\$ 36	\$ 248	\$ 82
Interest expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net interest	<u>170</u>	<u>36</u>	<u>248</u>	<u>82</u>
Net revenue other than interest				
Gain (loss) on financial assets and liabilities measured at fair value through profit or loss	604	1,926	(13,303)	5,533
Other net revenue other than interest	<u>56</u>	<u>(82)</u>	<u>25,490</u>	<u>29</u>
Total net revenue other than interest	<u>660</u>	<u>1,844</u>	<u>12,187</u>	<u>5,562</u>
Net revenue	<u>830</u>	<u>1,880</u>	<u>12,435</u>	<u>5,644</u>
Operating expenses				
Employee benefits expenses	1,899	1,870	4,134	4,290
Depreciation and amortization expense	721	1,513	1,408	1,671
Other general and administrative expenses	<u>1,391</u>	<u>968</u>	<u>2,586</u>	<u>2,806</u>
Total operating expenses	<u>4,011</u>	<u>4,351</u>	<u>8,128</u>	<u>8,767</u>
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) from discontinued operations before elimination	(3,181)	(2,471)	4,307	(3,123)
Elimination of transactions with related parties	<u>(148)</u>	<u>63</u>	<u>(165)</u>	<u>122</u>
Income (loss) from discontinued operations	<u>\$ (3,329)</u>	<u>\$ (2,408)</u>	<u>\$ 4,142</u>	<u>\$ (3,001)</u>
Income (loss) of discontinued operations attributable to:				
Owners of the Bank	\$ (3,320)	\$ (2,402)	\$ 4,132	\$ (2,993)
Non-controlling interests	<u>(9)</u>	<u>(6)</u>	<u>10</u>	<u>(8)</u>
	<u>\$ (3,329)</u>	<u>\$ (2,408)</u>	<u>\$ 4,142</u>	<u>\$ (3,001)</u>

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Cash flows:				
Net cash flows generated from (used in) operating activities	\$ 13,051	\$ (4,584)	\$ 53,613	\$ (5,938)
Net cash flows generated from (used in) investing activities	(58)	36	(104)	39
Net cash flows used in financing activities	(726)	(1,406)	(1,420)	(1,406)
Effect of exchange rate changes on cash and cash equivalents	<u>(5,973)</u>	<u>3,943</u>	<u>(11,219)</u>	<u>4,181</u>
Net cash inflow (outflow)	<u>\$ 6,294</u>	<u>\$ (2,011)</u>	<u>\$ 40,870</u>	<u>\$ (3,124)</u> (Concluded)

16. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership			Remark	Audited by CPA
			June 30, 2022	December 31, 2021	June 30, 2021		
The Bank	China Bills Finance Co. (CBF)	Bonds underwriting, dealing and brokerage of securities	28.37	28.37	28.37	Founded in 1978	Yes
	IBT Holding Corp. (IBTH)	Holding company	100.00	100.00	100.00	Founded in 2006 in California	Yes
	IBT Leasing Co., Ltd	Leasing	100.00	100.00	100.00	Founded in 2011	Yes
	IBT Management Corp.	Investment consulting	100.00	100.00	100.00	Founded in 2000	Yes
	Chun Teng New Century Co., Ltd. (former IBTS)	Investment (former Security Firm)	99.75	99.75	99.75	Founded in 1961 (dissolved on November 11, 2016 and still recognized using the equity method)	Yes
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	100.00	Founded in 2011 in mainland China (Note)	Yes
	IBT VII Venture Capital Co., Ltd.	Venture capital	100.00	100.00	100.00	Founded in 2014	Yes
Chun Teng New Century Co., Ltd. (formerly IBTS)	TBTS Holding B.V.I. Limited (IBTSH)	Holding company	100.00	100.00	100.00	Founded in 2003 in the British Virgin Islands	Yes
IBTSH	IBTS Financial (HK) Limited	Investment	100.00	100.00	100.00	Founded in 2003 in Hong Kong	Yes
	IBTS Asia (HK) Limited	Securities and investment	100.00	100.00	100.00	Founded in 2004 in Hong Kong	Yes
IBTH	EverTrust Bank	Banking	91.78	91.78	91.78	Founded in 1994 in California	Yes

Note: Before the completion of the transfer in April 2022, IBT International Leasing Corp. was commonly held with IBT VII.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
		June 30, 2022	December 31, 2021	June 30, 2021
CBF	Taipei	71.63%	71.63%	71.63%

The summarized financial information below represents amounts before intragroup eliminations:

	June 30, 2022	December 31, 2021	June 30, 2021
CBF			
Equity attributable to:			
Owners of CBF	\$ 6,210,097	\$ 7,250,266	\$ 7,138,993
Non-controlling interests of CBF	<u>15,680,489</u>	<u>18,306,919</u>	<u>18,025,951</u>
	<u>\$ 21,890,586</u>	<u>\$ 25,557,185</u>	<u>\$ 25,164,944</u>
		For the Six Months Ended June 30	
		2022	2021
Net revenue		<u>\$ 936,592</u>	<u>\$ 1,496,057</u>
Net profit from continuing operations		\$ 601,507	\$ 989,098
Other comprehensive loss for the period		<u>(3,060,949)</u>	<u>(106,653)</u>
Total comprehensive income (loss) for the period		<u>\$ (2,459,442)</u>	<u>\$ 882,445</u>
Profit attributable to:			
Owners of CBF		\$ 170,640	\$ 280,595
Non-controlling interests of CBF		<u>430,867</u>	<u>708,503</u>
		<u>\$ 601,507</u>	<u>\$ 989,098</u>
Total comprehensive income attributable to:			
Owners of CBF		\$ (697,714)	\$ 250,339
Non-controlling interests of CBF		<u>(1,761,728)</u>	<u>632,106</u>
		<u>\$ (2,459,442)</u>	<u>\$ 882,445</u>
Net cash inflow (outflow) from:			
Operating activities		\$ (1,823,067)	\$ (4,067,722)
Investing activities		(6,665)	(4,669)
Financing activities		<u>2,064,720</u>	<u>4,108,215</u>
Net cash inflow		<u>\$ 234,988</u>	<u>\$ 35,824</u>
Dividends paid to non-controlling interest CBF		<u>\$ -</u>	<u>\$ -</u>

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Investments in Associates

	June 30, 2022	December 31, 2021	June 30, 2021
Associates - Beijing Sunshine Consumer Finance Co., Ltd.,	<u>\$ 1,016,553</u>	<u>\$ 880,879</u>	<u>\$ 743,968</u>

The investment in Beijing Sunshine Consumer Finance Co., Ltd., was jointly invested by the Bank, China Everbright Bank and China CYTS Tours Holding. The Bank's investment amounted to RMB200,000 thousand with the shareholding ratio of 20%, and Beijing Sunshine Consumer Finance Co., Ltd. has begun operation since August 17, 2020.

Refer to Table 6 "Name, locations and other information of investees on which the Group exercises significant influence" and Table 7 "Information on Investments in Mainland China" for the nature of activities, principal place of business and country of incorporation of the associate.

18. OTHER FINANCIAL ASSETS

	June 30, 2022	December 31, 2021	June 30, 2021
Time deposits with original maturities more than 3 months	\$ 24,378	\$ 9,414	\$ 49,860
Pledged time deposits	14,800	232,100	215,597
Compensation account for payment	28,100	36,310	16,218
Prepaid investment	-	-	-
Call loans to securities firms	594,579	553,794	557,401
Others	<u>66,250</u>	<u>44,115</u>	<u>40,763</u>
	<u>\$ 728,107</u>	<u>\$ 875,733</u>	<u>\$ 879,839</u>

19. PROPERTY AND EQUIPMENT, NET

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Carrying amounts of each class of</u>			
Land	\$ 781,970	\$ 781,970	\$ 781,970
Buildings	1,216,117	1,239,222	1,262,271
Machinery and computer equipment	275,924	304,007	299,991
Transportation equipment	33,754	24,886	27,361
Office and other equipment	43,873	49,632	59,337
Lease improvement	119,595	125,143	141,292
Construction in progress and prepayments for equipment	<u>34,996</u>	<u>20,190</u>	<u>36,997</u>
	<u>\$ 2,506,229</u>	<u>\$ 2,545,050</u>	<u>\$ 2,609,219</u>

The movements of property and equipment for the six months ended June 30, 2022 and 2021 are summarized as follows:

	Freehold Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>								
Balance at January 1, 2022	\$ 781,970	\$ 1,906,173	\$ 856,234	\$ 76,998	\$ 283,582	\$ 407,191	\$ 20,190	\$ 4,332,338
Additions	-	90	7,366	13,825	3,983	13,471	26,029	64,764
Disposals and scrapped	-	-	(10,822)	(1,571)	(161)	(4,790)	-	(17,344)
Reclassification	-	-	84	50	1,059	3,762	(11,304)	(6,349)
Effect of foreign currency exchange differences	-	-	2,471	605	3,672	10,736	81	17,565
Balance at June 30, 2022	<u>\$ 781,970</u>	<u>\$ 1,906,263</u>	<u>\$ 855,333</u>	<u>\$ 89,907</u>	<u>\$ 292,135</u>	<u>\$ 430,370</u>	<u>\$ 34,996</u>	<u>\$ 4,390,974</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2022	\$ -	\$ 666,951	\$ 552,227	\$ 52,112	\$ 233,950	\$ 282,048	\$ -	\$ 1,787,288
Disposals and scrapped	-	-	(10,719)	(1,088)	(148)	(4,790)	-	(16,745)
Depreciation expense	-	23,195	36,023	4,771	11,271	25,971	-	101,231
Effect of foreign currency exchange differences	-	-	1,878	358	3,189	7,546	-	12,971
Balance at June 30, 2022	<u>\$ -</u>	<u>\$ 690,146</u>	<u>\$ 579,409</u>	<u>\$ 56,153</u>	<u>\$ 248,262</u>	<u>\$ 310,775</u>	<u>\$ -</u>	<u>\$ 1,884,745</u>
<u>Carrying amounts</u>								
Balance at June 30, 2022	<u>\$ 781,970</u>	<u>\$ 1,216,117</u>	<u>\$ 275,924</u>	<u>\$ 33,754</u>	<u>\$ 43,873</u>	<u>\$ 119,595</u>	<u>\$ 34,996</u>	<u>\$ 2,506,229</u>
<u>Cost</u>								
Balance at January 1, 2021	\$ 781,970	\$ 1,905,429	\$ 842,003	\$ 80,683	\$ 282,030	\$ 393,822	\$ 21,209	\$ 4,307,146
Additions	-	601	7,604	3,340	5,789	5,216	20,928	43,478
Disposals and scrapped	-	-	(12,017)	(6,042)	(2,103)	(829)	-	(20,991)
Reclassification	-	-	173	50	582	2,289	(5,036)	(1,942)
Effect of foreign currency exchange differences	-	-	(1,006)	(235)	(1,216)	(3,481)	(104)	(6,042)
Balance at June 30, 2021	<u>\$ 781,970</u>	<u>\$ 1,906,030</u>	<u>\$ 836,757</u>	<u>\$ 77,796</u>	<u>\$ 285,082</u>	<u>\$ 397,017</u>	<u>\$ 36,997</u>	<u>\$ 4,321,649</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2021	\$ -	\$ 620,571	\$ 515,993	\$ 49,109	\$ 216,796	\$ 232,110	\$ -	\$ 1,634,579
Disposals and scrapped	-	-	(11,649)	(4,108)	(1,993)	(829)	-	(18,579)
Depreciation expense	-	23,188	33,566	5,540	11,444	26,607	-	100,345
Reclassification	-	-	(429)	-	429	-	-	-
Effect of foreign currency exchange differences	-	-	(715)	(106)	(931)	(2,163)	-	(3,915)
Balance at June 30, 2021	<u>\$ -</u>	<u>\$ 643,759</u>	<u>\$ 536,766</u>	<u>\$ 50,435</u>	<u>\$ 225,745</u>	<u>\$ 255,725</u>	<u>\$ -</u>	<u>\$ 1,712,430</u>
<u>Carrying amounts</u>								
Balance at June 30, 2021	<u>\$ 781,970</u>	<u>\$ 1,262,271</u>	<u>\$ 299,991</u>	<u>\$ 27,361</u>	<u>\$ 59,337</u>	<u>\$ 141,292</u>	<u>\$ 36,997</u>	<u>\$ 2,609,219</u>

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	5-55 years
Machinery and computer equipment	3-25 years
Transportation equipment	3-5 years
Office and other equipment	3-15 years
Lease improvement	5-8 years

20. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2022	December 31, 2021	June 30, 2021	
<u>Carrying amounts</u>				
Buildings	\$ 317,140	\$ 314,304	\$ 364,552	
Machinery	735	-	-	
Transportation equipment	14,843	16,967	13,771	
Office equipment	<u>1,000</u>	<u>1,667</u>	<u>1,938</u>	
	<u>\$ 333,718</u>	<u>\$ 332,938</u>	<u>\$ 380,261</u>	
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Additions to right-of-use assets	<u>\$ 12,275</u>	<u>\$ 26,713</u>	<u>\$ 23,531</u>	<u>\$ 27,283</u>
Depreciation charge for right-of-use assets				
Buildings	\$ 28,165	\$ 35,165	\$ 64,755	\$ 71,489
Machinery	74	-	147	-
Transportation equipment	3,259	2,646	6,337	4,725
Office equipment	<u>145</u>	<u>321</u>	<u>468</u>	<u>646</u>
	<u>\$ 31,643</u>	<u>\$ 38,132</u>	<u>\$ 71,707</u>	<u>\$ 76,860</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the six months ended June 30, 2022 and 2021.

b. Lease liabilities

	June 30, 2022	December 31, 2021	June 30, 2021
Carrying amounts	<u>\$ 343,559</u>	<u>\$ 350,370</u>	<u>\$ 397,628</u>

Range of discount rates for lease liabilities was as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Buildings	0.67%-5.70%	0.44%-5.70%	0.44%-5.70%
Machinery	1.359%	-	-
Transportation equipment	2.04%-6.00%	2.04%-6.00%	2.04%-6.00%
Office equipment	0.63%-2.33%	0.65%-2.76%	1.71%-2.76%

c. Material lease-in activities

Due to the rental of buildings, the Group had entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of October 2028.

As of June 30, 2022, December 31, 2021 and June 30, 2021, refundable deposits paid under operating lease amounted to \$36,931 thousand, \$35,026 thousand and \$35,093 thousand.

d. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Expenses relating to short-term leases	\$ 11,949	\$ 5,330	\$ 15,130	\$ 10,565
Expenses relating to low-value asset leases	\$ 2,269	\$ 536	\$ 2,834	\$ 1,237
Total cash outflow for leases			\$ (94,663)	\$ (98,812)

21. INTANGIBLE ASSETS

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Carrying amounts of each class of</u>			
Computer software	\$ 782,003	\$ 894,295	\$ 987,830
Goodwill	<u>1,128,498</u>	<u>1,051,756</u>	<u>1,058,543</u>
	<u>\$ 1,910,501</u>	<u>\$ 1,946,051</u>	<u>\$ 2,046,373</u>

The changes in of intangible assets for the six months ended June 30, 2022 and 2021 are summarized as follows:

	Computer Software	Goodwill	Others	Total
<u>Cost</u>				
Balance at January 1, 2022	\$ 2,427,072	\$ 1,051,756	\$ 6,760	\$ 3,485,588
Additions	18,173	-	-	18,173
Disposals	(10,597)	-	-	(10,597)
Reclassification	6,349	-	-	6,349
Effect of foreign currency exchange differences	<u>5,887</u>	<u>76,742</u>	<u>498</u>	<u>83,127</u>
Balance at June 30, 2022	<u>\$ 2,446,884</u>	<u>\$ 1,128,498</u>	<u>\$ 7,258</u>	<u>\$ 3,582,640</u>

(Continued)

	Computer Software	Goodwill	Others	Total
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2022	\$ 1,532,777	\$ -	\$ 6,760	\$ 1,539,537
Amortization	138,531	-	-	138,531
Disposals	(10,585)	-	-	(10,585)
Effect of foreign currency exchange differences	<u>4,158</u>	<u>-</u>	<u>498</u>	<u>4,656</u>
Balance at June 30, 2022	<u>\$ 1,664,881</u>	<u>\$ -</u>	<u>\$ 7,258</u>	<u>\$ 1,672,139</u>
<u>Carrying amounts</u>				
Balance at June 30, 2022	<u>\$ 782,003</u>	<u>\$ 1,128,498</u>	<u>\$ -</u>	<u>\$ 1,910,501</u>
<u>Cost</u>				
Balance at January 1, 2021	\$ 2,376,821	\$ 1,082,563	\$ 6,960	\$ 3,466,344
Additions	4,902	-	-	4,902
Reclassification	2,592	-	-	2,592
Effect of foreign currency exchange differences	<u>(2,040)</u>	<u>(24,020)</u>	<u>(156)</u>	<u>(26,216)</u>
Balance at June 30, 2021	<u>\$ 2,382,275</u>	<u>\$ 1,058,543</u>	<u>\$ 6,804</u>	<u>\$ 3,447,622</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2021	\$ 1,252,140	\$ -	\$ 6,960	\$ 1,259,100
Amortization	143,055	-	-	143,055
Reclassification	650	-	-	650
Effect of foreign currency exchange differences	<u>(1,400)</u>	<u>-</u>	<u>(156)</u>	<u>(1,556)</u>
Balance at June 30, 2021	<u>\$ 1,394,445</u>	<u>\$ -</u>	<u>\$ 6,804</u>	<u>\$ 1,401,249</u>
<u>Carrying amounts</u>				
Balance at June 30, 2021	<u>\$ 987,830</u>	<u>\$ 1,058,543</u>	<u>\$ -</u>	<u>\$ 2,046,373</u> (Concluded)

The goodwill was recognized from IBT Holding Corp.'s purchase of 100% of the stocks of Ever Trust Bank on March 30, 2007. The investment cost exceeded the fair value of net identifiable assets.

When the Group executes the goodwill impairment test, Ever Trust Bank was used as a cash-generating unit, and the recoverable amount is assessed by the value in use of the cash-generating unit. The key assumptions base the expected future cash flows on the actual profit conditions of the cash-generating units. On the assumption of sustainable operations, the Group discounts the net cash flows from those of the operations of the cash-generating units in the next five years in order to calculate the value in use. Under the estimation of the Group, there is no occurrence of impairment.

The computer software and other intangible assets are amortized on a straight-line basis of 3 and 15 years, respectively.

22. OTHER ASSETS

	June 30, 2022	December 31, 2021	June 30, 2021
Refundable deposits	\$ 695,659	\$ 659,672	\$ 709,083
Life insurance cash surrender value	342,991	319,399	321,114
Prepayment	137,958	109,618	131,044
Others	<u>256,920</u>	<u>201,023</u>	<u>183,113</u>
	<u>\$ 1,433,528</u>	<u>\$ 1,289,712</u>	<u>\$ 1,344,354</u>

23. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	June 30, 2022	December 31, 2021	June 30, 2021
Call loans from banks	\$ 25,375,721	\$ 25,107,334	\$ 18,015,495
Deposits from Chunghwa Post Co., Ltd.	-	-	7,000,000
Call loans from the Central Bank	<u>2,972,894</u>	<u>2,768,967</u>	<u>2,787,003</u>
	<u>\$ 28,348,615</u>	<u>\$ 27,876,301</u>	<u>\$ 27,802,498</u>

24. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENTS

	June 30, 2022	December 31, 2021	June 30, 2021
Bills	\$ 62,368,249	\$ 78,017,892	\$ 66,307,625
Government bonds	96,844,751	21,680,879	27,268,444
Corporate bonds	1,236,390	66,112,201	57,757,817
Bank debentures	141,391	21,607,056	21,323,364
Beneficiary Securities	<u>-</u>	<u>534,588</u>	<u>-</u>
	<u>\$ 160,590,781</u>	<u>\$ 187,952,616</u>	<u>\$ 172,657,250</u>
Date of agreement to repurchase	Before June 2023	Before August 2022	Before April 2022
Amount of agreement to repurchase	\$ 160,687,840	\$ 188,018,898	\$ 172,710,737

25. PAYABLES

	June 30, 2022	December 31, 2021	June 30, 2021
Investment settlements payable	\$ 1,537,956	\$ 150,764	\$ 568,623
Settlement accounts payable - trusteeship	64,681	60,579	66,242
Dividends payable	1,812,569	160	1,510,005
Acceptances	103,361	84,266	63,305
Accrued interest	430,573	353,405	491,519
Accrued expenses	891,859	1,296,025	936,216
Collections payable	85,443	81,188	83,318
Factored payables	289,466	114,189	334,103
Checks for clearing	26,598	75,133	1,661,972
Others	<u>398,244</u>	<u>251,697</u>	<u>206,962</u>
	<u>\$ 5,640,750</u>	<u>\$ 2,467,406</u>	<u>\$ 5,922,265</u>

26. DEPOSITS AND REMITTANCES

	June 30, 2022	December 31, 2021	June 30, 2021
Deposits			
Checking	\$ 8,533,275	\$ 7,578,807	\$ 7,848,674
Demand	57,209,015	69,422,918	62,150,267
Time	211,510,704	163,221,744	169,136,555
Savings deposits	14,551,963	19,016,234	19,003,660
Export remittances	<u>31,757</u>	<u>139,722</u>	<u>58,042</u>
	<u>\$ 291,836,714</u>	<u>\$ 259,379,425</u>	<u>\$ 258,197,198</u>

27. BANK DEBENTURES PAYABLE

	June 30, 2022	December 31, 2021	June 30, 2021
Subordinate bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repayment of the principal at maturity	\$ -	\$ -	\$ 600,000
Subordinate bonds fourth issued in 2014; fixed 2.20% interest rate; maturity: May 5, 2022; interest paid annually and repayment of the principal at maturity	-	1,500,000	1,500,000
Subordinate bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repayment of the principal at maturity	1,000,000	1,000,000	1,000,000

(Continued)

	June 30, 2022	December 31, 2021	June 30, 2021
Subordinate bonds type A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repayment of the principal at maturity	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Subordinate bonds type B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repayment of the principal at maturity	1,500,000	1,500,000	1,500,000
Subordinate bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repayment of the principal at maturity	2,000,000	2,000,000	2,000,000
Subordinate bonds type A second issued in 2017; fixed 4.00% interest rate; no maturity, interest paid annually	750,000	750,000	750,000
Subordinate bonds type B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repayment of the principal at maturity	1,000,000	1,000,000	1,000,000
Subordinate bonds type A first issued in 2018; fixed 4.00% interest rate; no maturity, interest paid annually	700,000	700,000	700,000
Subordinate bonds type B first issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repayment of the principal at maturity	1,050,000	1,050,000	1,050,000
Subordinate bonds first issued in 2019; fixed 1.50% interest rate; maturity: June 6, 2026; interest paid annually and repayment of the principal at maturity	2,500,000	2,500,000	2,500,000
Subordinate bonds first issued in 2021; fixed 0.90% interest rate; maturity: June 25, 2028; interest paid annually and repayment of the principal at maturity	1,000,000	1,000,000	1,000,000
Bonds second issued in 2021; fixed 0.65% interest rate; maturity: December 22, 2024; interest paid annually and repay the principal at maturity	<u>500,000</u>	<u>500,000</u>	<u>-</u>
	<u>\$ 13,500,000</u>	<u>\$ 15,000,000</u>	<u>\$ 15,100,000</u> (Concluded)

28. OTHER FINANCIAL LIABILITIES

	June 30, 2022	December 31, 2021	June 30, 2021
Bank borrowings	\$ 13,266,593	\$ 12,569,012	\$ 11,488,008
Commercial papers payable	2,414,443	5,697,210	5,449,371
Structured products	102,177	44,900	153,258
Funds obtained from the government - intended for specific types of loans	<u>2,071,557</u>	<u>2,269,710</u>	<u>2,606,786</u>
	<u>\$ 17,854,770</u>	<u>\$ 20,580,832</u>	<u>\$ 19,697,423</u>

a. Bank borrowings

	June 30, 2022	December 31, 2021	June 30, 2021
Short-term borrowings	\$ 5,337,724	\$ 5,517,631	\$ 5,119,121
Long-term borrowings	<u>7,928,869</u>	<u>7,051,381</u>	<u>6,368,887</u>
	<u>\$ 13,266,593</u>	<u>\$ 12,569,012</u>	<u>\$ 11,488,008</u>
Interest rate interval			
New Taiwan dollars	1.18%-1.88%	1.00%-1.30%	1.00%-1.35%
U.S. dollars	2.59%-4.27%	1.51%-1.80%	0.95%-1.79%
Renminbi	4.55%-4.76%	4.05%-4.85%	4.52%-5.50%

b. Commercial papers payable

	June 30, 2022	December 31, 2021	June 30, 2021
Commercial papers payable	\$ 2,416,000	\$ 5,700,000	\$ 5,450,000
Less: Unamortized discount	<u>(1,557)</u>	<u>(2,790)</u>	<u>(629)</u>
	<u>\$ 2,414,443</u>	<u>\$ 5,697,210</u>	<u>\$ 5,449,371</u>
Interest rate interval	0.83%-1.50%	0.30%-1.14%	0.21%-1.14%

c. Funds obtained from the government - intended for specific types of loans

	June 30, 2022	December 31, 2021	June 30, 2021
Funds obtained from the government - intended for specific types of loans	<u>\$ 2,071,557</u>	<u>\$ 2,269,710</u>	<u>\$ 2,606,786</u>

The Lending Fund is a development fund established by the Executive Yuan to promote the development of the financial market economy. The Bank applied for the quota and appointed Export-Import Bank of the Republic of China, China Trust Commercial Bank, and Taiwan Enterprise Bank to act as the managing bank wherein the loan quota is available for use.

29. PROVISIONS

	June 30, 2022	December 31, 2021	June 30, 2021
Provisions for employee benefits	\$ 242,769	\$ 233,827	\$ 247,792
Provisions for losses on guarantees contracts	1,679,950	1,750,786	1,766,534
Provision for losses on financing commitments	<u>91,721</u>	<u>91,721</u>	<u>91,721</u>
	<u>\$ 2,014,440</u>	<u>\$ 2,076,334</u>	<u>\$ 2,106,047</u>

Refer to Note 14 for the details and changes in the provision for losses on guarantees and financing commitment.

30. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

The pension system under the “Labor Pensions Ordinance” applicable to the Bank and its subsidiaries is the required retirement plan stipulated by the government, except that of Ever Trust Bank which is not more than 10% of the annual salary of the respective employees. A pension of 6% of an employee’s monthly salary is paid to the Labor Insurance Bureau under each individual’s account.

The amount to be paid in accordance with the percentage specified in the proposed plan for the three months ended June 30, 2022 and 2021 and the six months ended June 30, 2022 and 2021 was recognized in the consolidated statements of comprehensive income in the total amounts of \$20,819 thousand, \$16,851 thousand, \$38,036 thousand and \$34,373 thousand, respectively.

Defined Benefit Plan

The retirement expense recognized under defined benefit plans for the three months ended June 30, 2022 and 2021 and the six months ended June 30, 2022 and 2021 were calculated using the respective 2021 and 2020 annually determined discount rates as of December 31, 2021 and 2020 and amounted to \$1,122 thousand, \$2,920 thousand, \$5,243 thousand and \$5,674 thousand, respectively.

31. OTHER LIABILITIES

	June 30, 2022	December 31, 2021	June 30, 2021
Guarantee deposits received	\$ 2,265,608	\$ 2,242,552	\$ 2,037,945
Advance receipts	70,771	59,158	55,508
Payable for custody	25,472	33,048	16,078
Others	<u>288,561</u>	<u>384,821</u>	<u>348,549</u>
	<u>\$ 2,650,412</u>	<u>\$ 2,719,579</u>	<u>\$ 2,458,080</u>

32. EQUITY

a. Capital stock

	June 30, 2022	December 31, 2021	June 30, 2021
Number of stock authorized (in thousands)	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,500,000</u>
Amount of capital stock authorized	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>
Number of stocks issued and fully paid (in thousands)			
Common stock	<u>2,733,992</u>	<u>2,733,006</u>	<u>2,733,006</u>
Preferred stock	<u>299,014</u>	<u>300,000</u>	<u>300,000</u>
Amount of stocks issued	<u>\$ 30,330,063</u>	<u>\$ 30,330,063</u>	<u>\$ 30,330,063</u>

Fully paid common stock, which have a par value of \$10, carry one vote per share and carry a right to dividends.

The Bank's board of directors resolved to issue 300,000 thousand Series A preferred stock, with a par value of \$10 on June 27, 2018. The subscription date was November 29, 2018, and finished the regulation on December 21, 2018. The rights and obligations of Series A preferred stockholders are as follows:

- 1) The interest rate of Series A preferred stock shall be based on the 5-year Interest Rate Swap (IRS) rate on the pricing date and the interest shall be calculated on the issue price per share; the interest rate is initially set at 0.94375% plus 3.30625% (total 4.25%) per annum. The interest Rate Swap issued price per share. Interest rate per annum will be reset on the day after the 5.5-year anniversary of the issue date and the day after each subsequent period of 5.5 years thereafter. Dividends for the Series A preferred stock shall be declared once every year in cash. After the stockholders' approval of the Bank's financial statements at its annual stockholders' meeting, the board of directors may set a record date for the distribution of dividends declared from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual issued days of the given year.
- 2) The Bank has sole discretion on dividend issuance of Series A preferred stock including, but not limited to, its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for preferred stock dividends, or preferred stock dividend declaration would render the Bank of International Settlement (BIS) ratio below the level required by the law or relevant authorities, or due other necessary consideration. The Series A preferred stockholders shall not have any objection towards the Bank's cancellation of preferred stock dividend declaration. Undeclared or under declared dividends are not cumulative and are not paid in subsequent years with profit.
- 3) Unless the authorities take over the Bank, order the Bank to suspend, terminate or liquidate its business in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks", Series A preferred stockholders shall have the same priority as the common stockholders in the event of liquidation, both second to tier 2 capital instrument holder, depositor, and common creditor, but will be capped at the value of issuance.
- 4) Series A preferred stockholders have no voting rights at the annual stockholders' meeting and cannot elect directors. However, the preferred stockholders should have voting rights at the preferred stockholders' meeting and also at the stockholders' meeting when it involves the rights and obligations of the preferred stockholders, and the aforesaid stockholders are eligible for director candidacy. Series A preferred stockholders have voting rights at Series A stockholders' meeting.

- 5) The preferred stock issued by the Bank shall not be converted within one year from the date of issuance. Starting from the day after the expiration of one year, stockholders of convertible preferred stock may apply for the conversion of part or all of the preferred stock held, from preferred stock to common stock during the conversion period (conversion ratio 1:1). After the convertible preferred stock are converted into common stock, their rights and obligations are the same as the common stock. The issuance of annual dividends for the convertible preferred stock is based on the ratio of the actual number of issued days in the current year to the number of days within the whole year. However, stockholders who converted their preferred stock into common stock before the date of distribution of dividends (interests) in each year shall not participate in the distribution in that year but may participate in the distribution of common stock surplus and additional paid in capital.
- 6) After five and a half years from the issue date, the Bank may, subject to the competent authority's approval, redeem a portion or all of the outstanding shares of preferred stock any time at the issue price. The rights and obligations associated with any remaining outstanding shares of preferred stock shall continue as specified in the agreement. If the Bank's board of directors approves the distribution of dividends in the year the Bank redeems the outstanding shares of preferred stock - A, the dividends payable shall be calculated at the ratio of the number of days outstanding from beginning of year to the redemption date to total days in a fiscal year.
- 7) When the Bank issues new shares for cash, Series A preferred stockholders have the same subscription rights as the common stockholders.

As of June 30, 2022, 986 thousand of preferred Series A shares has been converted into common stock.

b. Capital surplus

	June 30, 2022	December 31, 2021	June 30, 2021
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)			
Treasury share transactions	\$ 9,061	\$ 3,193	\$ 3,193
Must be used to offset a deficit			
Unclaimed dividends	1,982	1,341	1,349
May not be used for any purpose			
Share of changes in capital surplus of subsidiaries associates or joint ventures	<u>2,627</u>	<u>2,200</u>	<u>2,201</u>
	<u>\$ 13,670</u>	<u>\$ 6,734</u>	<u>\$ 6,743</u>

Note: Such capital surplus 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 stock (limited to a certain percentage of the Bank's capital surplus and once a year).

c. Special reserves

	June 30, 2022	December 31, 2021	June 30, 2021
Trading loss and default loss reserve	\$ 133,955	\$ 133,955	\$ 133,955
Employee transfer or placement expenditure arising from financial technology development	15,176	15,902	15,902
Other equity deductions special reserves	485,479	-	-
According to the Bank's policy	<u>-</u>	<u>647,926</u>	<u>647,926</u>
	<u>\$ 634,610</u>	<u>\$ 797,783</u>	<u>\$ 797,783</u>

The Bank reclassified reserve for trading loss and default losses as of December 31, 2010 to a special reserve account, which is part of equity, in accordance with Order No. 10010000440 issued by the FSC.

In addition, according to Rule No. 10510001510 issued by the FSC on May 25, 2016, a public bank shall appropriate to special reserve an amount in the range of 0.5% to 1% of net profit after tax from 2016 to 2018; from 2017, the same amount of employee transfer or placement expenditure arising from financial technology development shall be reversed from the balance of the special reserve. The above order was repealed by the FSC Rule No. 10802714560 on May 15, 2019, which stipulates that in 2019, a public bank shall no longer continue to provide a special reserve for the purpose of protecting the interests of domestic bank practitioners in the development of financial technology. The Bank is allowed to reverse the special reserve appropriated in 2016 to 2018 at the amounts of the following expenses.

- 1) Expenses for staff transfer or placement, including the related expenses for assisting employees to transfer between departments or groups, and the payment of retirement and severance benefits to employees that are superior to labor-related laws and regulations.
- 2) Expenses for financial technology or banking business development, i.e., expenditure for education and training to enhance or develop employee functions.

Under related regulations, the Bank should appropriate or reverse to a special reserve according to the net debit balance of other equity. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

d. Retained earnings and dividend policy

- 1) The Bank's dividend policy approved by the stockholders' meeting of the Bank on June 17, 2022 is as follows:

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit until the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders.

In the event of a shortfall in "other previously accumulated net deductions from shareholders' equity" when the Bank sets aside a portion of distributable earnings for special reserve, it shall first set aside an equal amount of special reserve from undistributed earnings from the previous period. If any shortfall remains, the Bank shall make an allocation from the undistributed earnings of the current period that also take account of net profit plus other items of the current period.

In principle, common stock dividends shall not be less than 20% of the available for distribution retained earnings minus the amount for preferred stock dividends and the reversal of special reserve for the current year. Cash dividend shall not be less than 20% of the total dividend for the current year. When the amount of legal reserve has not reached the Bank's total capital, the amount of cash dividends cannot exceed 15% of the Bank's paid-in capital.

The Bank shall consider its future capital budget plan, financial needs for various businesses, and financial structure in the adoption of a stable and balanced dividend policy. The board of directors may, according to the actual needs, propose adjustments to the dividend distribution, and submit the proposal for approval in the stockholders' meeting.

2) The dividend policy before June 17, 2022 is as follows:

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit until the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders.

In principle, common stock dividends shall not be less than 20% of the available for distribution retained earnings minus the amount for preferred stock dividends. Cash dividend shall not be less than 20% of the total dividend for the current year. When the amount of legal reserve has not reached the Bank's total capital, the amount of cash dividends cannot exceed 15% of the Bank's paid-in capital.

The Bank shall consider its future capital budget plan, financial needs for various businesses, and financial structure in the adoption of a stable and balanced dividend policy. The board of directors may, according to the actual needs, propose adjustments to the dividend distribution, and submit the proposal for approval in the stockholders' meeting.

For the policies on distribution of compensation of employees and remuneration of directors, please refer to Note 37.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Bank's paid-in capital. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, the Banking Law limits the appropriation of cash dividends to 15% of the Bank's paid-in capital.

The appropriations of earnings for 2021 and 2020 have been proposed by the Bank's board of directors and approved in the stockholders' meetings on June 17, 2022 and July 20, 2021, respectively. The appropriations and dividends per share were as follows:

	2021	2020
Legal reserve	\$ 612,126	\$ 31,879
Special reserve appropriated (reversed)	(163,173)	(598,570)
Cash dividends - common stock	819,145	545,454
Cash dividends - preferred stock	127,500	127,500

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Six Months Ended June 30	
	2022	2021
Balance at January 1	\$ (946,067)	\$ (697,554)
Exchange differences arising on translating the financial statements of foreign operations	755,446	(242,088)
Income tax related to gains arising on translating the financial statements of foreign operations	<u>(84,322)</u>	<u>25,600</u>
Balance at June 30	<u>\$ (274,943)</u>	<u>\$ (914,042)</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Six Months Ended June 30	
	2022	2021
Balance at January 1	\$ 460,588	\$ 755,298
Recognized during the period		
Unrealized gain (loss)		
Debt instruments	(2,740,103)	(395,786)
Equity instruments	(666,065)	480,828
Tax effects	151,117	24,515
Loss allowance of debt instruments	<u>(3,673)</u>	<u>151</u>
Other comprehensive income (loss) recognized in the period	<u>(3,258,724)</u>	<u>109,708</u>
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>(1,525)</u>	<u>(115,730)</u>
Balance at June 30	<u>\$ (2,799,661)</u>	<u>\$ 749,276</u>

f. Non-controlling interests

	For the Six Months Ended June 30	
	2022	2021
Balance at January 1	\$ 18,786,481	\$ 18,696,870
Attributed to non-controlling interests		
Share of profit for the year	441,766	723,151
Capital surplus	1,079	1,026
Other comprehensive income		
Exchange differences arising on translation of foreign entities	35,672	(10,617)
Unrealized valuation gain or loss on FVTOCI		
Debt instruments	(2,368,193)	(283,268)
Equity instruments	(66,592)	158,292
Tax effects	228,529	47,654
Actuarial profit and loss of defined benefit plan	-	(85)
Capital reduction of subsidiaries for cash received by non-controlling interest	(403)	-
Cash dividends paid by subsidiaries	<u>(865,780)</u>	<u>(836,921)</u>
Balance at June 30	<u>\$ 16,192,559</u>	<u>\$ 18,496,102</u>

g. Treasury stocks

	Unit: In Thousands of Shares	
	For the Six Months Ended	
	June 30	
	2022	2021
Number of shares at January 1	5,737	5,737
Decrease during the period	<u>(3,215)</u>	<u>-</u>
Number of shares at June 30	<u><u>2,522</u></u>	<u><u>5,737</u></u>

On March 19, 2020, the board of directors proposed to acquire treasury stocks transfer to employees. The acquiring period was from March 20, 2020 to May 19, 2020. As of May 19, 2020, the Bank had acquiring 5,737 thousand shares of treasury stocks for \$38,304 thousand. The Bank had transferred 3,215 thousand shares to employees at the price of \$5.9 per share in February 2022. As a result, treasury shares decreased by \$21,467 thousand.

Under the Securities and Exchange Act, the Bank shall neither pledge treasury stocks nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

33. NET INTEREST

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
<u>Interest revenue</u>				
Discounts and loans	\$ 1,192,774	\$ 972,279	\$ 2,162,336	\$ 1,981,573
Investments in securities	448,577	407,824	866,441	826,522
Installment sales and leases	318,961	257,814	641,131	507,241
Due from the Central Bank and call loans to other banks	23,697	10,068	34,210	22,719
Others	<u>43,507</u>	<u>23,197</u>	<u>78,082</u>	<u>44,780</u>
	<u>2,027,516</u>	<u>1,671,182</u>	<u>3,782,200</u>	<u>3,382,835</u>
<u>Interest expense</u>				
Deposits	358,954	263,175	593,240	563,344
Deposits from the Central Bank and other banks	47,465	9,586	69,592	24,034
Bank debentures	66,716	76,104	137,662	157,379
Bills and bonds sold under repurchase agreements	181,706	97,798	303,280	208,101
Others	<u>111,120</u>	<u>78,773</u>	<u>216,453</u>	<u>150,339</u>
	<u>765,961</u>	<u>525,436</u>	<u>1,320,227</u>	<u>1,103,197</u>
	<u><u>\$ 1,261,555</u></u>	<u><u>\$ 1,145,746</u></u>	<u><u>\$ 2,461,973</u></u>	<u><u>\$ 2,279,638</u></u>

34. SERVICE FEE REVENUE, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Service fee				
Guarantee business	\$ 254,200	\$ 295,266	\$ 523,693	\$ 583,451
Loan business	100,694	37,092	259,477	140,052
Underwrite business	111,265	132,225	245,177	285,774
Trust business	11,216	15,520	31,602	30,661
Lease business	114,740	99,005	175,081	159,751
Credit examining business	31,665	34,537	88,122	74,633
Import and export business	5,653	2,959	9,242	6,476
Factoring business	4,582	6,350	11,205	11,536
Insurance agent business	8,876	10,436	18,526	18,691
Others	<u>16,528</u>	<u>20,295</u>	<u>46,100</u>	<u>36,982</u>
	659,419	653,685	1,408,225	1,348,007
Service charge				
Others	<u>28,333</u>	<u>25,097</u>	<u>55,856</u>	<u>50,050</u>
	<u>\$ 631,086</u>	<u>\$ 628,588</u>	<u>\$ 1,352,369</u>	<u>\$ 1,297,957</u>

35. GAINS ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Realized gains or losses				
Bills	\$ (16,095)	\$ 39,452	\$ (3,659)	\$ 82,599
Stocks and beneficiary certificates	(69,164)	273,384	(73,977)	326,409
Bonds	27,579	38,431	51,007	44,966
Derivatives	<u>1,092,325</u>	<u>(183,657)</u>	<u>1,456,794</u>	<u>(716,417)</u>
	<u>1,034,645</u>	<u>167,610</u>	<u>1,430,165</u>	<u>(262,443)</u>
Gains (losses) on valuation				
Bills	(143,837)	3,423	(253,311)	38
Stocks and beneficiary certificates	(25,907)	36,781	(37,150)	40,721
Bonds	(27,054)	(671)	(46,778)	5,607
Derivatives	<u>373,583</u>	<u>(156,850)</u>	<u>786,283</u>	<u>305,340</u>
	<u>176,785</u>	<u>(117,317)</u>	<u>449,044</u>	<u>351,706</u>
Interest revenue	<u>219,039</u>	<u>147,811</u>	<u>385,704</u>	<u>308,695</u>
	<u>\$ 1,430,469</u>	<u>\$ 198,104</u>	<u>\$ 2,264,913</u>	<u>\$ 397,958</u>

36. REALIZED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Realized income - debt instruments	\$ (136,924)	\$ 23,201	\$ (201,561)	\$ 127,971
Dividend revenue	<u>106,913</u>	<u>18,443</u>	<u>190,633</u>	<u>23,906</u>
	<u>\$ (30,011)</u>	<u>\$ 41,644</u>	<u>\$ (10,928)</u>	<u>\$ 151,877</u>

37. EMPLOYEE BENEFITS EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Short-term employee benefits				
Salaries and wages	\$ 594,412	\$ 591,979	\$ 1,160,396	\$ 1,158,266
Labor insurance and national health insurance	42,686	37,516	83,883	74,936
Others	36,008	69,057	101,726	138,427
Post-employment benefits				
Pension expenses	21,941	19,771	43,279	40,047
Pension benefits	<u>1</u>	<u>-</u>	<u>11</u>	<u>-</u>
	<u>\$ 695,048</u>	<u>\$ 718,323</u>	<u>\$ 1,389,295</u>	<u>\$ 1,411,676</u>

The Bank accrued employees' compensation and remuneration of directors at the rates between 1% to 2.5% and no higher than 2.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The amounts and accrual rates of employees' compensation and remuneration of directors for the six months ended June 30, 2022 and 2021 were as follows:

Accrual rate

	For the Six Months Ended June 30	
	2022	2021
Compensation of employees	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Employees' compensation	<u>\$ 6,400</u>	<u>\$ 7,710</u>	<u>\$ 14,925</u>	<u>\$ 14,610</u>
Remuneration of directors	<u>\$ 12,800</u>	<u>\$ 15,420</u>	<u>\$ 29,850</u>	<u>\$ 29,220</u>

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

The employees' compensation and remuneration of directors for 2021 and 2020, which were approved by the Bank's board of director on March 16, 2022 and March 22, 2021, respectively, were as follows:

	2021		2020	
	Cash	Stock	Cash	Stock
Employees' compensation	\$ 26,170	\$ -	\$ 16,056	\$ -
Remuneration of directors	52,339	-	32,111	-

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

Information for the employee' compensation and remuneration of directors proposed by the Board is available at the Market Observation Post System website of the Taiwan Stock Exchange.

38. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Property and equipment	\$ 50,471	\$ 49,738	\$ 101,198	\$ 100,033
Right-of-use assets	30,938	38,132	70,332	76,860
Intangible assets	<u>69,377</u>	<u>70,741</u>	<u>138,531</u>	<u>143,055</u>
	<u>\$ 150,786</u>	<u>\$ 158,611</u>	<u>\$ 310,061</u>	<u>\$ 319,948</u>

39. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Taxation	\$ 66,558	\$ 57,169	\$ 126,180	\$ 117,724
Rental	13,994	1,111	17,696	7,904
Management fees	9,913	9,884	20,857	20,662
Computer operating and consulting fees	83,269	73,625	163,831	147,500
Entertainment fees	6,094	5,807	13,359	15,082
Professional services fees	26,107	25,065	48,787	44,865
Advertisement fees	11,333	16,966	19,099	28,040
Others	<u>86,326</u>	<u>78,381</u>	<u>174,975</u>	<u>158,308</u>
	<u>\$ 303,594</u>	<u>\$ 268,008</u>	<u>\$ 584,784</u>	<u>\$ 540,085</u>

40. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Current tax				
In respect of the current period	\$ 173,047	\$ 236,525	\$ 412,110	\$ 480,045
Income tax on unappropriated earnings	14,975	139	14,975	139
Adjustment of prior period	<u>(1,661)</u>	<u>(19,506)</u>	<u>(1,225)</u>	<u>(19,506)</u>
	<u>186,361</u>	<u>217,158</u>	<u>425,860</u>	<u>460,678</u>
Deferred tax				
In respect of the current period	<u>46,592</u>	<u>28,987</u>	<u>40,683</u>	<u>95,215</u>
Income tax expense recognized in profit or loss	<u>\$ 232,953</u>	<u>\$ 246,145</u>	<u>\$ 466,543</u>	<u>\$ 555,893</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
<u>Deferred tax</u>				
Translation of foreign operations	\$ 30,912	\$ (30,673)	\$ 98,181	\$ (31,950)
Loss on remeasurements of defined benefit plans	-	-	-	(30)
Unrealized gain (loss) on financial assets at FVTOCI	<u>(149,470)</u>	<u>41,646</u>	<u>(379,645)</u>	<u>(72,170)</u>
Income tax expense (benefit) recognized in other comprehensive income	<u>\$ (118,558)</u>	<u>\$ 10,973</u>	<u>\$ (281,464)</u>	<u>\$ (104,150)</u>

c. Assessment of the income tax returns

The income tax returns of the Bank through 2019 have been assessed by the tax authorities. The income tax returns of the Bank's subsidiaries IBT Leasing through 2019 have been assessed. The income tax returns of the Bank's subsidiaries IBTM and IBT VII Venture Capital Co., Ltd. through 2020 have been assessed. Except for 2018, the income tax returns of CBF through 2019 have been assessed by the tax authorities.

41. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Basic earnings per share				
From continuing operations	\$ 0.11	\$ 0.14	\$ 0.32	\$ 0.31
From discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total basic earnings per share	<u>\$ 0.11</u>	<u>\$ 0.14</u>	<u>\$ 0.32</u>	<u>\$ 0.31</u>
Diluted earnings per share				
From continuing operations	\$ 0.10	\$ 0.13	\$ 0.29	\$ 0.28
From discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total diluted earnings per share	<u>\$ 0.10</u>	<u>\$ 0.13</u>	<u>\$ 0.29</u>	<u>\$ 0.28</u>

Earnings used in calculating earnings per share and weighted average number of common stocks are as follows:

Net Profit for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Profit for the period attributable to owners of the Bank	\$ 425,181	\$ 519,035	\$1,006,964	\$ 972,838
Less: Declared preferred stock dividend	<u>127,500</u>	<u>127,500</u>	<u>127,500</u>	<u>127,500</u>
Earnings used in the computation of basic earnings per share	297,681	391,535	879,464	845,338
Less: Gain (loss) for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations	<u>(3,320)</u>	<u>(2,402)</u>	<u>4,132</u>	<u>(2,993)</u>
Earnings used in the computation of basic and diluted earnings per share from continuing operations	<u>\$ 301,001</u>	<u>\$ 393,937</u>	<u>\$ 875,332</u>	<u>\$ 848,331</u>

Stock (In Thousand Shares)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Weighted average number of common stocks in computation of basic earnings per share	2,731,428	2,727,269	2,730,164	2,727,269
Effect of potentially dilutive common stocks:				
Employees' compensation issued to employees	1,716	1,089	2,906	3,094
Convertible preferred stock	<u>299,056</u>	<u>300,000</u>	<u>299,521</u>	<u>300,000</u>
Weighted average number of common stocks in the computation of diluted earnings per share	<u>3,032,200</u>	<u>3,028,358</u>	<u>3,032,591</u>	<u>3,030,363</u>

If the Bank offered to settle compensation or bonuses paid to employees in cash or stocks, then the Bank will assume the entire amount of the compensation or bonuses will be settled in stocks and the dilutive effect of the resulting potential stocks will be included in the weighted average number of stocks outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential stocks will be included in the computation of diluted earnings per share until the number of stocks to be distributed to employees is resolved in the following year.

42. RELATED PARTY TRANSACTIONS

The transactions, account balances, income and loss of the Bank and its subsidiaries (which are the related parties of the Bank) are all eliminated upon consolidation, so they are not disclosed in this note. Except for other transactions disclosed in other notes, the transactions between the Group and other related parties are as follows:

- a. The related parties and their relationships with the Group are summarized as follows:

<u>Related Party</u>	<u>Relationship with The Bank</u>
IBT II Venture Capital Co., Ltd. (IBT II Venture) (Company in liquidation)	Associates
Beijing Sunshine Consumer Finance Co., Ltd.	Associates
IBT Education Foundation (IBTEF)	The Group is the major donor of the foundation
Taiwan Cement Corporation	The Bank's legal director
Yi Chang Investment Co., Ltd.	The Bank's legal director
Ming Shan Investment Co., Ltd.	The Group's legal director
TCC Chemical Corporation (TCC)	Other related party
Others	The Group's management and their other relatives

b. The significant transactions and balances with the related parties are summarized as follows:

1) Deposits (part of deposits and remittances)

	Ending Balance	Interest Expense	Rate (%)
<u>For the six months ended June 30, 2022</u>			
Associates	\$ 262	\$ -	0.21-0.35
Others	<u>11,393,130</u>	<u>26,247</u>	0.00-8.00
	<u>\$ 11,393,392</u>	<u>\$ 26,247</u>	
<u>For the six months ended June 30, 2021</u>			
Associates	\$ 261	\$ -	0.03-0.04
Others	<u>4,189,987</u>	<u>19,286</u>	0.00-6.29
	<u>\$ 4,190,248</u>	<u>\$ 19,286</u>	

2) Loan

	Maximum Balance	Ending Balance	Interest Income	Rate (%)
<u>For the six months ended June 30, 2022</u>				
Others	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 2,839</u>	1.58
<u>For the six months ended June 30, 2021</u>				
Others	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 2,513</u>	1.18

June 30, 2022

Category	Name	Maximum Balance (Note 1)	Ending Balance	Normal Loans	Non-performing Loans	Collateral	Difference of Terms of the Transactions with Unrelated Parties
Others	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ -</u>	Real estate	None

December 31, 2021

Category	Name	Maximum Balance (Note 1)	Ending Balance	Normal Loans	Non-performing Loans	Collateral	Difference of Terms of the Transactions with Unrelated Parties
Others	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ -</u>	Real estate	None

June 30, 2021

Category	Name	Maximum Balance (Note 1)	Ending Balance	Normal Loans	Non- performing Loans	Collateral	Difference of Terms of the Trans- actions with Unrelated Parties
Others	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ _____</u>	Real estate	None

Note 1: The maximum balance of daily total for each category of loan.

3) Service fees (part of service fee income, net)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
	Others	<u>\$ _____ 1</u>	<u>\$ _____ 8</u>	<u>\$ _____ 2</u>

Service fee is earned by providing authentication, custody and fund purchase services.

4) Other expenses (part of other general and administrative expense)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
	Others	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ 5,600</u>

Other expenses are donations.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the three months and six months ended June 30, 2022 and 2021 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
	Short-term employee benefits	\$ 60,355	\$ 61,685	\$ 120,751
Post-employment benefits	<u>1,564</u>	<u>2,975</u>	<u>3,198</u>	<u>9,274</u>
	<u>\$ 61,919</u>	<u>\$ 64,660</u>	<u>\$ 123,949</u>	<u>\$ 135,127</u>

The remuneration of directors and other key management personnel is reviewed by the remuneration committee and determined by the Bank's board of director or chairman.

The terms of the transactions with related parties are similar to those for third parties, except for the preferential interest rates given to employees for savings and loans. These rates should be within certain limits.

Under the Banking Law Article 32 and 33, except for consumer loans and government loans, credits extended by the Bank to any related parties should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

43. PLEDGED ASSETS

	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets at FVTPL	\$ 6,301,817	\$ 3,900,978	\$ 15,897,546
Financial assets at FVTOCI	5,145,916	15,076,563	6,739,349
Investment in debt instruments at amortized cost	6,000,000	-	-
Receivables	710,104	629,434	-
Discounts and loans	6,806,808	7,780,357	6,651,298
Pledged time deposits	14,800	232,100	215,597
Compensation account for payment	<u>28,100</u>	<u>36,310</u>	<u>16,218</u>
	<u>\$ 25,007,545</u>	<u>\$ 27,655,742</u>	<u>\$ 29,520,008</u>

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (parts of other financial assets) and negotiable certificates of deposits (part of financial assets at FVTPL, financial assets at FVTOCI and investment in debt instruments at amortized cost) as collateral for day-term overdrafts. The pledged amount is adjustable based on the respective overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. The above financial assets were debt and equity investments and were mainly provided as collateral for exchange clearing, interest rate swap contracts, trust compensation, and for EverTrust Bank to issue certificates of deposit in the United States. Besides, the above loans were provided as collateral for EverTrust Bank to apply for credit limits with Federal Home Loan Bank of San Francisco. Pledged time deposits and compensation account for payment (both were parts of other financial assets) have been provided as collaterals or short-term loans.

Under the requirement of credit given by other banks, subsidiaries provided checks issued by their customers as collaterals.

44. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those mentioned in other notes, as of June 30, 2022, December 31, 2021 and June 30, 2021, the Group had commitments as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Office decorating and contracts of computer software			
Amount of contracts	\$ 69,787	\$ 41,599	\$ 69,865
Payments for construction in progress and prepayments for equipment	34,996	20,190	36,997

45. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	June 30, 2022	December 31, 2021	June 30, 2021
Trust assets			
Petty cash	\$ 100	\$ 100	\$ 100
Bank deposits	1,894,103	1,820,544	2,006,218
Financial assets	4,886,420	4,236,190	4,205,284
Receivables	35	27	18
Prepayments	708	1,222	374
Real estate	6,839,084	6,121,444	6,648,885
Structured products	130,307	45,854	-
Other assets	<u>106</u>	<u>42</u>	<u>52</u>
Total trust assets	<u>\$ 13,750,863</u>	<u>\$ 12,225,423</u>	<u>\$ 12,860,931</u>
Trust capital and liabilities			
Payables	\$ 2,053	\$ 1,787	\$ 2,034
Unearned receipts	1,443	1,180	1,618
Taxes payable	2,949	4,203	2,949
Guarantee deposits received	32,725	39,020	45,187
Other liabilities	992	981	980
Trust capital	13,551,701	12,024,438	12,628,506
Provisions and accumulated profit and loss	<u>159,000</u>	<u>153,814</u>	<u>179,657</u>
Total trust capital and liabilities	<u>\$ 13,750,863</u>	<u>\$ 12,225,423</u>	<u>\$ 12,860,931</u>

Income Statements of Trust Accounts

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Trust revenue				
Interest revenue	\$ 530	\$ 254	\$ 795	\$ 531
Rent revenue	29,176	28,754	58,406	57,145
Other revenue	<u>469</u>	<u>757</u>	<u>932</u>	<u>1,687</u>
	<u>30,175</u>	<u>29,765</u>	<u>60,133</u>	<u>59,363</u>
Trust expenses				
Management fees	(680)	(1,003)	(1,413)	(1,912)
Service charge	(2,036)	(4,657)	(7,616)	(7,429)
Other expenses	(2,768)	(3,416)	(6,290)	(6,519)
Tax	(3,820)	(3,482)	(6,921)	(7,030)
Income tax expense	<u>(20)</u>	<u>(4)</u>	<u>(29)</u>	<u>(4)</u>
	<u>(9,324)</u>	<u>(12,562)</u>	<u>(22,269)</u>	<u>(22,894)</u>
	<u>\$ 20,851</u>	<u>\$ 17,203</u>	<u>\$ 37,864</u>	<u>\$ 36,469</u>

Note: The above income accounts of the trust business were not included in the Group's income statement.

Trust Property List

	June 30, 2022	December 31, 2021	June 30, 2021
Petty cash	\$ 100	\$ 100	\$ 100
Bank deposits	1,894,103	1,820,544	2,006,218
Bonds	848,414	539,051	371,230
Stocks	237,753	228,378	228,378
Funds	3,800,253	3,468,761	3,557,115
Investment of structured products	130,307	45,854	48,561
Land	6,019,361	5,302,344	5,808,190
Buildings	819,723	819,100	840,695
Receivables	35	27	18
Prepayments	708	1,222	374
Other	<u>106</u>	<u>42</u>	<u>52</u>
	<u>\$ 13,750,863</u>	<u>\$ 12,225,423</u>	<u>\$ 12,860,931</u>

46. FINANCIAL INSTRUMENTS

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

1) Financial instruments significant difference between carrying amount and fair value

Except as detailed in the following table, the management consider that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values.

	June 30, 2022		December 31, 2021		June 30, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>						
Investments in debt instruments at amortized cost	\$ 9,537,498	\$ 9,516,573	\$ -	\$ -	\$ -	\$ -
<u>Financial liabilities</u>						
Bank debentures payable	13,500,000	13,632,451	15,000,000	15,150,259	15,100,000	15,255,093

2) The fair value hierarchy

Financial Instrument Items at Fair Value	June 30, 2022			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 9,516,573	\$ 1,252,545	\$ 8,264,028	\$ -
<u>Financial liabilities</u>				
Bank debentures payable	13,632,451	-	13,632,451	-

Financial Instrument Items at Fair Value	December 31, 2021			
	Total	Level 1	Level 2	Level 3

Financial liabilities

Bank debentures payable	\$ 15,150,259	\$ -	\$ 15,150,259	\$ -
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Financial Instrument Items at Fair Value	June 30, 2021			
	Total	Level 1	Level 2	Level 3

Financial liabilities

Bank debentures payable	\$ 15,255,093	\$ -	\$ 15,255,093	\$ -
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Refer to quoted market prices for fair value if there are public quotation on financial instrument with active market. If quoted market prices are not available, the fair value is determined by using a valuation technique or counterparty quotation.

b. Fair value information - financial instruments carried at fair value on a duplicated basis

- 1) The fair value hierarchy of the financial instruments as of June 30, 2022, December 31, 2021 and June 30, 2021 were as follows:

Item	June 30, 2022			
	Total	Level 1	Level 2	Level 3

Non-derivative financial instruments

Assets

Financial assets at FVTPL

Stocks and beneficial certificates	\$ 1,481,140	\$ 339,971	\$ 1,019,941	\$ 121,228
Bonds	403,775	-	403,775	-
Bills	86,340,903	-	86,340,903	-
Hybrid financial assets	10,859,820	313,653	1,390,834	9,155,333
Negotiable certificates of deposit	37,854,207	-	37,854,207	-

Financial assets at FVTOCI

Equity instruments	7,469,838	6,528,729	123,289	817,820
Bills	6,018,580	-	6,018,580	-
Debt instruments	134,035,387	17,748,213	116,287,174	-
Negotiable certificates of deposit	19,994,359	-	19,994,359	-

Liabilities

Financial liabilities at FVTPL	194,295	-	194,295	-
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Derivative financial instruments

Assets

Financial assets at FVTPL	1,479,895	24,039	1,455,856	-
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Liabilities

Financial liabilities at FVTPL	733,004	-	733,004	-
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Item	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 1,601,385	\$ 879,772	\$ 527,946	\$ 193,667
Bills	95,940,011	-	95,940,011	-
Hybrid financial assets	11,660,427	435,348	1,245,732	9,979,347
Negotiable certificates of deposit	42,434,758	-	42,434,758	-
Financial assets at FVTOCI				
Equity instruments	7,600,894	6,646,416	118,575	835,903
Bills	6,384,497	-	6,384,497	-
Debt instruments	147,748,394	19,466,751	128,281,643	-
Negotiable certificates of deposit	29,422,895	-	29,422,895	-
Liabilities				
Financial liabilities at FVTPL	51,258	-	51,258	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	262,866	-	262,866	-
Liabilities				
Financial liabilities at FVTPL	390,079	-	390,079	-

Item	June 30, 2021			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 1,368,948	\$ 711,982	\$ 502,965	\$ 154,001
Bills	93,766,610	-	93,766,610	-
Hybrid financial assets	9,774,024	182,156	1,136,709	8,455,159
Negotiable certificates of deposit	46,288,788	-	46,288,788	-
Financial assets at FVTOCI				
Equity instruments	6,906,308	5,963,954	118,575	823,779
Bills	7,621,632	-	7,621,632	-
Debt instruments	136,007,518	21,103,596	114,903,922	-
Negotiable certificates of deposit	25,011,670	-	25,011,670	-
Liabilities				
Financial liabilities at FVTPL	639	-	639	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	275,193	-	275,193	-
Liabilities				
Financial liabilities at FVTPL	447,104	-	447,104	-

2) Valuation techniques and assumptions applied for the purpose of measuring the fair values

In a fair deal, the transaction is fully understood and there is willingness to achieve by the two sides, in exchange of assets or settle of liabilities, fair value is the amount settled. Financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income refer to quoted market prices for fair value. If quoted market prices are not available, then fair value is determined by using a valuation technique.

a) Marking-to-market

This measurement should be used first. Following are the factors that should be considered when using marking-to-market:

- i. Ensure the consistency and completeness of market data.
- ii. The source of market data should be transparent, easy to access, and should come from independent resources.
- iii. Listed securities with high liquidity and representative closing prices should be valued at closing prices.
- iv. Unlisted securities which lack tradable closing prices should use quoted middle prices from independent brokers and follow the guidelines required by regulatory authorities.

b) Marking-to-model

The marking-to-model is used if marking-to-market is infeasible. This valuation methodology is based upon the market parameters to derive the value of the positions and incorporate estimates, as well as assumptions consistent with acquirable information generally used by other market participants to price financial instruments.

Fair values of forward contracts used by the Group are estimated based on the forward rates provided by Reuters. Fair values of interest rate swap and cross-currency swap contracts are based on counterparties' quotation, using the Murex⁺ information system to capture market data from Reuters for calculating the fair value assessment of individual contracts. Option trading instruments use option pricing model commonly used in the market (ex: Black-Scholes model) to calculate the fair value.

- i. Level 1 - quoted prices in active markets for identical assets or liabilities. Active markets are markets with all of the following conditions: (i) the products traded in the market are homogeneous, (ii) willing parties are available anytime in the market, and (iii) price information is available to the public.
- ii. Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).
- iii. Level 3 - inputs not based on observable market data (unobservable inputs. i.e., option pricing model of historical volatility, due to historical volatility could not represent the overall market participants' volatility expectations of the future).

3) Reconciliation of Level 3 fair value measurement the financial instruments

For the six months ended June 30, 2022

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
	Hybrid Financial Assets	Equity Instruments		
Beginning balance	\$ 9,979,347	\$ 193,667	\$ 835,903	\$ 11,008,917
Recognition in profit or loss - gains (losses) on financial assets at fair value through profit or loss	(56,314)	(28,933)	(191)	(85,438)
Recognition in other comprehensive income - unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	-	(23,892)	(23,892)
Purchases	2,450,800	12,632	6,000	2,469,432
Disposals	(3,218,500)	-	-	(3,218,500)
Transferred out of Level 3 (Note)	-	(56,138)	-	(56,138)
Ending balance	\$ 9,155,333	\$ 121,228	\$ 817,820	\$ 10,094,381

For the six months ended June 30, 2021

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
	Hybrid Financial Assets	Equity Instruments		
Beginning balance	\$ 9,096,650	\$ 132,458	\$ 824,524	\$ 10,053,632
Recognition in profit or loss - gains (losses) on financial assets at fair value through profit or loss	4,109	22,222	-	26,331
Recognition in other comprehensive income - unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	-	(745)	(745)
Purchases	7,380,900	-	-	7,380,900
Disposals	(8,026,500)	(203)	-	(8,026,703)
Other	-	(476)	-	(476)
Ending balance	\$ 8,455,159	\$ 154,001	\$ 823,779	\$ 9,432,939

The assets held at the balance sheet date, which were included in the profit and loss and the unrealized gains and losses on June 30, 2022 and 2021, were consisted of \$81,314 thousand in loss and \$24,320 thousand in profit, respectively.

The Group had no significant transfers Level 3 for the six months period ended June 30, 2022 and 2021.

Note: The stock transferred into Level 1 since the quoted price in active markets is available.

4) Transfers between Level 1 and Level 2

The Group had no significant transfers between Level 1 and Level 2 for the three months period ended June 30, 2022. For the three months period ended June 30, 2021, certain debt instrument investments were transferred from Level 2 to Level 1, which resulted from the change in the determination of fair value from the use of valuation model with market parameters to the adoption of quoted prices in active markets.

5) Sensitivity to using reasonable alternative in assumption against Level 3 fair value

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different evaluation results. For the fair value measurements of structured bonds which fall under Level 3 of the fair value hierarchy, they are evaluated according to counterparty quotes; for bonds and convertible corporate bonds for asset swaps which have no quoted market prices, they are evaluated using the future cash flows discounted model. Were there to be a 10% or 1 basis point change in either direction of the quotes from respective counterparties or in discount rates and all other conditions remained the same, the effects on the income and other comprehensive income for the six months ended June 30, 2022 and 2021 periods would be as follows:

For the six months ended June 30, 2022

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	\$ 1,478	\$ (1,478)	\$ -	\$ -
Equity instruments	10%	12,123	(12,123)	89,366	(89,366)

For the six months ended June 30, 2021

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	\$ 1,347	\$ (1,347)	\$ -	\$ -
Equity instruments	10%	15,400	(15,400)	92,084	(92,084)

c. Transfer of financial assets

Transferred financial assets not derecognized

Most of the transferred financial assets of the Group that were not fully derecognized were securities sold under repurchase agreements. Under the terms of these transfers, the right to the cash flows of the transferred financial assets would be transferred to other entities, and the associated liabilities of the Group's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. Since the Group is restricted from using, selling, or pledging the transferred financial assets within the transaction period, and is still exposed to interest rate risks and credit risks on these assets, the transferred financial assets were not fully derecognized.

June 30, 2022

Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities
Financial assets at FVTPL		
Bills sold under repurchase agreements	\$ 62,333,902	\$ 62,368,249
Bonds sold under repurchase agreements	1,053,984	1,132,896
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	87,595,848	92,713,634
Securities purchase under resell agreements		
Bonds sold under repurchase agreements	4,214,163	4,376,002

December 31, 2021

Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities
Financial assets at FVTPL		
Bills sold under repurchase agreements	\$ 77,979,560	\$ 78,017,892
Bonds sold under repurchase agreements	502,343	534,588
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	100,946,933	103,773,535
Securities purchase under resell agreements		
Bonds sold under repurchase agreements	5,334,108	5,626,601

June 30, 2021

Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities
Financial assets at FVTPL		
Bills sold under repurchase agreements	\$ 66,273,936	\$ 66,307,625
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	97,520,884	99,642,017
Securities purchase under resell agreements		
Bonds sold under repurchase agreements	6,934,804	6,707,608

d. Offsetting financial assets and financial liabilities

Certain transactions of the Bank and its subsidiaries are covered by enforceable master netting agreements or similar agreements, or under similar repurchase agreements may not meet all offsetting criteria under IFRSs. However, in these transactions, financial liabilities are allowed to be offset against financial assets when any of the counterparties specifies to settle at net amounts. If no counterparty specifies to settle at net amounts, the transactions will be settled at gross amounts instead. One of the counterparties can decide to settle at net amounts if the other party of the transaction defaults.

The tables below present the quantitative information of financial assets and financial liabilities on the balance sheets that had been offset or are covered by enforceable master netting arrangements or similar agreements.

June 30, 2022

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivatives	\$ 1,450,540	\$ -	\$ 1,450,540	\$ (327,918)	\$ (296,993)	\$ 825,629

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivatives	\$ 731,605	\$ -	\$ 731,605	\$ (327,918)	\$ (1,784)	\$ 401,903
Repurchase agreements	160,590,781	-	160,590,781	(155,059,910)	-	5,530,871
	<u>\$ 161,322,386</u>	<u>\$ -</u>	<u>\$ 161,322,386</u>	<u>\$ (155,387,828)</u>	<u>\$ (1,784)</u>	<u>\$ 5,932,774</u>

December 31, 2021

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivatives	\$ 262,866	\$ -	\$ 262,866	\$ (56,086)	\$ (71,922)	\$ 134,858

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivatives	\$ 349,675	\$ -	\$ 349,675	\$ (56,086)	\$ (3,260)	\$ 290,329
Repurchase agreements	187,952,616	-	187,952,616	(184,711,607)	-	3,241,009
	<u>\$ 188,302,291</u>	<u>\$ -</u>	<u>\$ 188,302,291</u>	<u>\$ (184,767,693)</u>	<u>\$ (3,260)</u>	<u>\$ 3,531,338</u>

June 30, 2021

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivatives	\$ 275,193	\$ -	\$ 275,193	\$ (68,556)	\$ (20,345)	\$ 186,292

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivatives	\$ 401,618	\$ -	\$ 401,618	\$ (68,556)	\$ (5,927)	\$ 327,135
Repurchase agreements	172,657,250	-	172,657,250	(170,560,813)	-	2,096,437
	<u>\$ 173,058,868</u>	<u>\$ -</u>	<u>\$ 173,058,868</u>	<u>\$ (170,629,369)</u>	<u>\$ (5,927)</u>	<u>\$ 2,423,572</u>

Note: Included non-cash financial collaterals.

47. FINANCIAL RISK MANAGEMENT

a. Overview

For the potential expected and unexpected risk, the Group establishes a comprehensive risk management system to distribute resource effectively and enhance competitiveness by ensuring that all operating risks are controlled to an acceptable extent. The Group continues to engage actively in the capital adequacy ratio with in the accordance to the regulator's requirements and monitors to meet the international requirement of the Basel Commission.

b. Risk management framework

Ultimate responsibility for setting the Bank's risk appetite rests with the board of director. The Auditing Department, Audit Committee and Compensation Committee report to the board of director. Risk Management Committee, which is under the Chairman, deliberate the bank risk management mechanism and the risk management proposals of the board of directors, supervising the risk management of each risk and review the implementation effect. Assets and Liabilities Committee and Loan Evaluation Subcommittee, which are under the President, hold Meetings for discussing and considering risk management proposals regularly. The Risk Management Department is responsible for establishing a total scheme of risk management and monitoring the execution of such management.

China Bills Finance Corporation's (CBF) board of directors has the ultimate responsibility for risk framework decision making and oversees the implementation of risk management. Business risk management which is headed by the President is comprised of Financial Assets and Liabilities Management Committee, Business Committee and the Investment Commission for the joint implementation of market risk, credit risk, operational risk control, and other set of business and oversight of the audit office, and the business risk control management unit case. To effectively manage the overall risk and risks associated with integration of information, CBF has defined risk assessment methods and has summarized risk positions for the risk management group responsible for implementing the risk management operations.

c. Credit risk

1) Sources and definition of credit risk

Credit risk is the potential loss due to the failure of counterparty to meet its obligations to pay the Group in accordance with agreed terms. The source of credit risks includes the subjects in the balance sheet and off-balance sheet items.

2) Strategy/objectives/policies and procedures

- a) Credit risk management strategy: The Bank implements the relevant provisions of the principles of credit risk management requirement and establish the Bank's credit risk management mechanism to ensure that credit risk control is within effective but affordable range, and maintain adequate capital, and execute sound management of the Bank credit risk, and achieve operational and management objectives.
- b) Credit risk management objectives: Through appropriate risk management strategies, policies and procedures, application of the principle of risk diversification, implementation of the Bank's credit risk management, to minimize potential financial losses and pursue optimal rewards.

Sound risk management systems and control processes, strengthened information integration, analysis and early warning validation, make credit management and monitoring to ensure compliance with laws and regulations to maintaining high credit standards and asset quality.

- c) Credit risk management policy: To establish risk management system and to ensure the integrity of business risk management and compliance, the Bank stipulated its "Risk Management Policy" which is in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" issued by the FSC. The Bank keeps its capital adequately, achieves the goal of credit risk strategy and creates risk adjusted return maximization plan under the Bank's acceptable range of credit risk.

d) Credit risk management process:

i. Risk identification

Credit risk management process begins with the identification of existing and potential risks, including all the transactions in banking book and trading book, balance sheet and off-balance sheet transactions. With financial innovation, as new credit businesses become increasingly complex; business executives in order do existing and new credit businesses, should be fully aware of the complexity involved in the business of re-order business and other cases or transactions to be able to identify any possibility of having an event of default.

ii. Risk measurement

i) The Bank manages asset portfolios by the risk rating scale.

The risk rating scale qualifies the default possibilities of debtors and operation difficulty possibilities of investees in the next year. Risk ratings must actually be scaled when the individual credit and investment accounts are approved. The continual change of the market gives rise to the change in credit or investment household. Therefore, risk ratings must be reevaluated and updated often to adjust the risk rating scale when it is verified.

ii) Portfolio management:

- It is used to ensure the risk of loan is within the tolerable scope.
- “Concentrative risks” are concentration-limited, avoiding the risks to be overly centralized to sufficiently diversify the risk.
- It achieves the optimal profits.

iii. Risk communication

i) Internal reporting: Risk management position shall establish appropriate credit risk reporting mechanism for regular statistical reporting and the preparation of a variety of business risk management reports which contain correct, consistent, and real-time credit risk reporting information to ensure any exceptions can be acted on immediately, and as a reference for decision-making. The above communication may include asset quality, portfolio rating classification status, and all kinds of exception reports.

ii) External disclosure: To comply with the requirements for capital adequacy supervisory review and market discipline principles, the business director of credit risk level should prepare reports in the format specified by the competent authority showing contents, methods and frequency to provide information on the credit risk of the Bank’s quantitative, qualitative indicators to illustrate the self-assessment and credit risk management system and disclose information about capital and other capital adequacy matters.

iv. Risk monitoring

i) The Bank shall establish monitoring system to assess the changes in credit risk of borrower or counterparty or issuer (e.g., bonds issuer and guarantor of issuers of equity related products, derivatives counterparties’ credit rating information and credit information), to serve timely detection of problems on assets or transactions, and take immediate action to cope with the possible breach.

- ii) Besides monitoring the individual credit risk, the Bank also deal with credit portfolio monitoring and management.
- iii) Establish stringent credit processes, credit standards and loan management; the project includes the credit factors that should be considered for new credit and credit transfer period, commitment to the periodic review of credit, maintenance of credit records and the proportion of various types of loans in the credit portfolio.
- iv) Establish quota management system to avoid excessive concentration of credit risk to nationality, industry types, same group, same relations, etc.
- v) Establish collateral management system to ensure that collaterals can be effectively managed.

3) Credit risk management and framework

- a) Board of Directors: Responsible for authorizing and reviewing the credit risk management strategies and approving the credit risk management framework. The strategy reflects the level of risk that the Bank can tolerate and the level of profitability that the Bank expects to achieve under various credit risks.
- b) Audit Committee: Responsible for the stipulation and amendment on issues relating to internal control framework, effectiveness of internal control framework, acquisition or disposal of assets or derivatives, monitoring of directors' self-interest issues, appointment or dismissal of the CPA and internal auditors, and other important issues ruled by the FSC.
- c) Risk Management Committee: Responsible for the risk management policies, various risk management regulations, annual risk appetites, limits, risk management proposals for the board of directors' approval levels and various risk management mechanisms, supervising and reviewing credit, market, operations, liquidity, information security, AML, personal data protection, climate change, emergencies and other risk management, improving the Bank's risk management mechanism to ensure the effective implementation of the Bank's risk management procedures.
- d) Assets and Liabilities Committee: Holds asset/liability management meeting to inspect asset/liability management, liquidity risk, interest rate sensitivity risk management, market risk, BIS management and in charge of making decisions on policies.
- e) Loan Evaluation Subcommittee: Reviews the loan cases rendered by the corporate credit management department and retail credit management department. After passing the provisions, they are still need to be submitted to the competent level for review.
- f) Loan Assets Quality Evaluation Meeting: In charge of making policies and strategies for identifying the possibilities of loss on credit assets. The Bank evaluates the adequacy of the allowance for credit assets.
- g) The Risk Management Department: Independent risk management unit which is in charge of risk management and responsible for the related operations of credit risks. It also makes sure the Bank follows the BASEL regulations. It is also responsible for the preparation of risk management reports presented to appropriate management, and plans to establish monitoring tools for credit risk measurement.
- h) Corporate Credit Management Department: Supervises the establishment of corporate finance risk identification, measurement, monitoring and management, preparation of regulatory review of credit grading, devising and enhancement of deed lists, deed for credit and guarantee amount control, proper release and other release matters.

- i) Retail Credit Management Department: Manages personal financial risk, identifies, measures, monitors the allowance for bad debts, and prepares for bad debts presentation, loss assessment and post-loan management.
- 4) The scope and characteristics of credit risk reports and measurement system

For the credit risks implicated in all products and business activities, new products and business, the Bank regularly monitors the credit risk management and is authorized by the board of directors or appropriate committee.

Credit risk measurement and control procedures include credit review, rating scoring, credit control, post-loan management and collection operations. The risk management units regularly provide analysis reports of various types of credit risk and asset quality in addition to the above operational procedures for management indicators. In addition, the Bank also actively controls and periodically reports the monitoring results to the board of directors to grasp the risk situations faced by the state, the group, the industry, the same related parties and the related enterprise risks.

In order to understand the risk appetite and its changes in the financial environment and the impact on capital adequacy, the Bank handles its credit according to the “Regulation on Stress Test Operation for Banks” and “Bank Credit Risk Stress Test Guidelines” issued by the FSC, as an important basis for credit risk management, and continues to adjust the direction of business development, credit policy and credit evaluation procedures.

- 5) Mitigation of risks or hedging of credit risk and monitoring the risk avoidance

The Bank primarily applies the following risk mitigation tools to reduce extent of credit risk exposures: (1) by requiring the counterparty or third parties to provide collateral, (2) the balance sheet netting: Credit is backed by the counterparty’s bank deposits (on-balance sheet netting), (3) third party guarantees.

Credit risk mitigation tools can reduce or transfer credit risk, but may give rise to other residual risks, including: Legal risk, operational risk, liquidity risk and market risk. The Bank adopted stringent procedures necessary to control these risks, such as policy formulation, development of operating procedures to conduct credit checks and evaluation, system implementation, contract control and so on.

The Bank has developed collateral management policies and operating procedures, including recognition of collateral data, and building of collateral management system. The Bank uses a computing platform for mitigation of complex risk and completes the required collateral to offset data field collection and analysis, and links credit systems and collateral management system information to build up capital provision.

- 6) Maximum exposure to credit risk

The maximum credit risk exposure amount of financial assets is the book value of the specific asset on the balance sheet date. The analysis of the maximum credit exposure amount (excluding the fair value of collateral) of each off-balance sheet financial instrument held by the Bank and its subsidiaries is as follows:

Off-balance Sheet Item	Maximum Exposure Amount		
	June 30, 2022	December 31, 2021	June 30, 2021
Financial guarantees and irrevocable documentary letter of credit			
Contract amounts	\$ 128,654,083	\$ 149,267,289	\$ 148,830,074
Maximum exposure amounts	128,654,083	149,267,289	148,830,074
Loan commitments	55,661,505	47,740,121	41,739,610

7) Concentration of credit risk exposure

Concentration of credit risk exist when the counterparty includes only one specific person or include many people who engage in similar business which are similar in economic characteristics. The Group does not concentrate on single customer or counterparty in trading but have similar counterparty, industry and geographic region on the loan business (including loan commitments and guarantees and commercial bond issuing commitments).

On June 30, 2022, December 31, 2021 and June 30, 2021, the Group's significant concentration of credit risk were summarized as follows (only the top three are shown below):

a) By industry

Credit Risk Profile by Industry Sector	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%
Financial and insurance	\$ 87,087,195	29	\$ 78,675,612	27	\$ 79,683,550	28
Real estate	59,218,081	20	57,361,927	20	55,536,413	19
Manufacturing	56,119,542	19	58,775,129	20	58,783,736	20

b) By counterparty

Credit Risk Profile by Counterparty Sector	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%
Private sector	\$ 162,156,920	81	\$ 139,529,652	80	\$ 141,232,669	80
Natural person	37,477,841	19	35,766,883	20	36,031,046	20

c) By geographical area

Credit Risk Profile by Geographical Sector	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 125,914,775	63	\$ 116,051,668	66	\$ 116,792,967	66
Other Asia area	35,663,212	18	27,972,835	16	24,948,311	14
America	34,110,088	17	27,471,135	16	30,676,190	17

8) Credit quality and impairment assessment of financial assets

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to other banks, financial asset at fair value through profit or loss, bills and bonds purchased under resale agreements, refundable deposits, operating deposits and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

On each reporting date, the Group assesses the change in the default risk of financial assets and considers reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, including the overdue status of credit assets from clients, actual repayment situations, credit investigation results, announcements of dishonored checks and negotiations of the debts from other financial institutions, or information that the debtor has reorganized or is likely to reorganize, to determine whether the credit risk has increased significantly.

The Group adopts the 12-month ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has not increased significantly since initial recognition and adopts the lifetime ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or which are credit-impaired.

The Group considers both the 12-month and lifetime probability of default (“PD”) of the borrower together with the loss given default (“LGD”), multiplied by the exposure at default (“EAD”), and considers the impact of the time value of money in order to calculate the 12-month ECLs and lifetime ECLs, respectively.

The PD refers to the borrower’s probability to default, and the LGD refers to losses caused by such default. The Group applies the PD and LGD for the impairment assessment of the credit business according to each group entity’s historical information (such as credit loss experience) from internal statistical data and adjusts such historical data based on the current observable and forward-looking macroeconomic information. It then calculates the respective impairment by applying the progressive one factor model (ASRF).

Considering the impact of COVID-19 to the overall economy which caused obvious changes in macroeconomic information, the Bank has adjusted the weights of the assessment forward-looking factors to reflect the estimated influence of the economic indicator changes in the default rate.

The Group estimates the balance of each account based on the method of amortization and considers the possible survival rate in order to calculate the EAD. In addition, the Group estimates the 12-month ECLs and lifetime ECLs of loan commitments based on the guidelines issued by the Bank’s Association and Basel Accords. The Group calculates the EAD of expected credit losses by considering the portion of the loan commitments expected to be used within 12 months after the reporting date as compared with the expected lifetime of the loan commitments.

The Group uses the same definitions for default and credit impairment of financial assets. If one or more of the conditions are met, for instance, the financial assets are overdue for more than 90 days or the credit investigation appears to be abnormal, then the Group determines that the financial assets have defaulted and are credit-impaired.

Credit assets are classified into five categories. In addition to the first category of credit assets, which are normal credit assets classified as sound assets, the remaining credit assets are classified as unsound assets and assessed according to the respective collateral and the length of time in which the respective payments become overdue. Such unsound credit assets are then categorized within the second category if they should only be noted; within the third category if they have substandard expected recovery; within the fourth category if their collectability is highly doubtful; and within the fifth category if they are considered uncollectable. The Group also sets up policies for the management of provisions for doubtful credit assets and the collection and settlement of overdue debts in order to deal with collection problems.

b) Credit risk management for investments in debt instruments

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Bank and its subsidiaries’ exposure and the external credit ratings are continuously monitored. The Bank and its subsidiaries review other public information on debtors and make an assessment as to whether there has been a significant increase in credit risk since the last period to the current reporting date.

In order to minimize credit risk, the Group has tasked its credit management committee with developing and maintaining a credit risk grading framework for categorizing exposures according to the degree of risk of default. The credit rating information may be obtained from independent rating agencies where available, and if not available, the credit management committee uses other publicly available financial information to rate the debtors.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecasts to estimate 12-month or lifetime expected credit losses.

The Group's current credit risk grading mechanism is as follows:

Category	Description	Basis for Recognizing Expected Credit Losses (ECLs)
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECLs
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECLs - credit-impaired

The Group's gross carrying amounts of investments in debt instruments by credit category was as follows:

Category	June 30, 2022	December 31, 2021	June 30, 2021
Performing	\$ 173,368,197	\$ 182,232,250	\$ 166,537,139
Doubtful	1,000,003	1,000,010	1,000,017
In default	-	-	-

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost is reconciled are summarized as follows:

	Credit Rating		Total
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	
Balance at January 1, 2022	\$ 42,456	\$ 5,218	\$ 47,674
New financial assets purchased	4,126	-	4,126
Derecognition of financial assets	(7,659)	-	(7,659)
Change in model or risk parameters	(3,847)	(120)	(3,967)
Exchange rates or others	<u>1,310</u>	<u>-</u>	<u>1,310</u>
Balance at June 30, 2022	<u>\$ 36,386</u>	<u>\$ 5,098</u>	<u>\$ 41,484</u>
Balance at January 1, 2021	\$ 42,548	\$ 8,821	\$ 51,369
New financial assets purchased	8,972	-	8,972
Derecognition of financial assets	(9,764)	-	(9,764)
Change in model or risk parameters	(2,038)	(159)	(2,197)
Exchange rates or others	<u>(434)</u>	<u>-</u>	<u>(434)</u>
Balance at June 30, 2021	<u>\$ 39,284</u>	<u>\$ 8,662</u>	<u>\$ 47,946</u>

In addition to the above, the credit quality analysis of the remaining financial assets of the Bank and subsidiaries is as follows:

a) Credit analysis for receivables and discounts and loans

June 30, 2022

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Receivables	\$ 20,599,488	\$ 752,474	\$ 287,018	\$ -	\$ 21,638,980
Allowance for credit losses	(259,255)	(26,366)	(219,288)	-	(504,909)
Difference of impairment loss under regulations	-	-	-	(18,360)	(18,360)
Net total	<u>\$ 20,340,233</u>	<u>\$ 726,108</u>	<u>\$ 67,730</u>	<u>\$ (18,360)</u>	<u>\$ 21,115,711</u>

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Discounts and loans	\$ 183,688,084	\$ 14,685,591	\$ 1,261,086	\$ -	\$ 199,634,761
Allowance for credit losses	(241,955)	(76,734)	(261,991)	-	(580,680)
Difference of impairment loss under regulations	-	-	-	(2,251,938)	(2,251,938)
Net total	<u>\$ 183,446,129</u>	<u>\$ 14,608,857</u>	<u>\$ 999,095</u>	<u>\$ (2,251,938)</u>	<u>\$ 196,802,143</u>

December 31, 2021

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Receivables	\$ 20,194,073	\$ 135,829	\$ 251,818	\$ -	\$ 20,581,720
Allowance for credit losses	(270,996)	(28,036)	(190,494)	-	(489,526)
Difference of impairment loss under regulations	-	-	-	(15,680)	(15,680)
Net total	<u>\$ 19,923,077</u>	<u>\$ 107,793</u>	<u>\$ 61,324</u>	<u>\$ (15,680)</u>	<u>\$ 20,076,514</u>

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Discounts and loans	\$ 161,284,858	\$ 12,775,541	\$ 1,236,136	\$ -	\$ 175,296,535
Allowance for credit losses	(382,077)	(108,320)	(238,363)	-	(728,760)
Difference of impairment loss under regulations	-	-	-	(1,840,186)	(1,840,186)
Net total	<u>\$ 160,902,781</u>	<u>\$ 12,667,221</u>	<u>\$ 997,773</u>	<u>\$ (1,840,186)</u>	<u>\$ 172,727,589</u>

June 30, 2021

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Receivables	\$ 17,864,552	\$ 99,929	\$ 199,601	\$ -	\$ 18,164,082
Allowance for credit losses	(230,232)	(25,963)	(173,465)	-	(429,660)
Difference of impairment loss under regulations	-	-	-	(13,456)	(13,456)
Net total	<u>\$ 17,634,320</u>	<u>\$ 73,966</u>	<u>\$ 26,136</u>	<u>\$ (13,456)</u>	<u>\$ 17,720,966</u>

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Discounts and loans	\$ 161,066,739	\$ 14,712,168	\$ 1,484,808	\$ -	\$ 177,263,715
Allowance for credit losses	(378,841)	(169,688)	(440,265)	-	(988,794)
Difference of impairment loss under regulations	-	-	-	(1,540,401)	(1,540,401)
Net total	<u>\$ 160,687,898</u>	<u>\$ 14,542,480</u>	<u>\$ 1,044,543</u>	<u>\$ (1,540,401)</u>	<u>\$ 174,734,520</u>

b) Credit analysis for marketable securities

June 30, 2022

	At FVTOCI - Debt Instruments	At Amortized Cost - Debt Instruments	Total
Gross carrying amount	\$ 164,830,304	\$ 9,537,896	\$ 174,368,200
Allowance for impairment loss	<u>(41,086)</u>	<u>(398)</u>	<u>(41,484)</u>
Amortized cost	164,789,218	<u>\$ 9,537,498</u>	174,326,716
Fair value adjustment	<u>(4,740,892)</u>		<u>(4,740,892)</u>
	<u>\$ 160,048,326</u>		<u>\$ 169,585,824</u>

December 31, 2021

	At FVTOCI - Debt Instruments
Gross carrying amount	\$ 183,232,260
Allowance for impairment loss	<u>(47,674)</u>
Amortized cost	183,184,586
Fair value adjustment	<u>371,200</u>
	<u>\$ 183,555,786</u>

June 30, 2021

	At FVTOCI - Debt Instruments
Gross carrying amount	\$ 167,537,156
Allowance for impairment loss	<u>(47,946)</u>
Amortized cost	167,489,210
Fair value adjustment	<u>1,151,610</u>
	<u>\$ 168,640,820</u>

9) Aging analysis for overdue but not yet impaired financial assets

Delays in processing payments by borrowers and other administrative reasons could result in financial assets which are overdue but not yet impaired.

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group had no financial assets which were overdue but not impaired.

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity is the Group's capacity to realize assets, obtain financing or funds to meet obligations at maturity, including deposits and off-balance sheet guarantees.

Liquidity risk is the risk that the Group's fund is unable to meet its payment obligation and to operate normally.

2) Management strategy and principles of liquidity risk

- a) Liquidity risk management process should be able to adequately identify, measure effectively, monitor continuously, and properly control of the Group's liquidity risk, to ensure that banks both in normal operating environments or under pressure, have sufficient funds to cope assets or settle liabilities when due.
- b) Manage current assets to ensure that the Group have enough instantly-realized assets to deal with currency risks.
- c) Capital management should include regular review of the asset and liability structure, and proper configuration of assets and liabilities, and should take into account the realization of assets and the stability of financing sources to plan combinations of funding sources to ensure that the Group's liquidity.
- d) To establish an appropriate information system to measure, monitor and report liquidity risk.
- e) The setting of the measurement systems or models should include important factors which affect the currency risks of the Bank fund (including the introduction of new products or services) for managing current risks to help the Bank to evaluate and monitor the fund currency risks in the regular condition and under pressure.
- f) To use early warning tools and continuously monitor and report liquidity risk profile, and set liquidity risk limits, with due consideration of business strategy, operational characteristics and risk preference factors.
- g) In addition to the monitoring of the capital requirements, under normal business conditions, the Group should regularly conduct stress tests to evaluate the assumptions in the liquidity position and ensure that banks have sufficient liquidity to withstand stress scenarios; assessment should be made to view liquidity risk management indicators and reasonableness of limits.
- h) Develop appropriate action plans to respond to possible occurrence of liquidity crisis, and regularly review such plans to ensure that the action plans are in line with the Bank's operating environment and conditions, and can continue to play its role effectively.

As of June 30, 2022, December 31, 2021 and June 30, 2021, the liquidity reserve ratio was 43.08%, 46.81% and 45.27%, respectively.

3) The analysis of cash outflow of non-derivative financial liabilities held was prepared according to the remaining periods from reporting date to contractual maturity date. The maturity analysis of non-derivative financial liabilities was as follows:

June 30, 2022	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and other banks	\$ 25,362,168	\$ 2,986,447	\$ -	\$ -	\$ -	\$ 28,348,615
Financial liabilities at fair value through profit or loss	-	-	181	3,043	191,071	194,295
Bills and bonds sold under repurchase agreements	137,192,871	20,949,522	2,383,144	162,303	-	160,687,840
Payables	4,242,412	58,523	498,308	735,663	56,369	5,591,275
Deposits and remittances	67,747,150	89,319,264	49,247,337	32,773,726	52,749,237	291,836,714
Bank debentures payable	-	-	-	3,250,000	10,250,000	13,500,000
Other financial liabilities	4,565,513	2,906,629	2,380,644	2,908,700	5,093,284	17,854,770
Lease liabilities	9,223	23,472	29,199	54,122	245,309	361,325
	<u>\$ 239,119,337</u>	<u>\$ 116,243,857</u>	<u>\$ 54,538,813</u>	<u>\$ 39,887,557</u>	<u>\$ 68,585,270</u>	<u>\$ 518,374,834</u>

December 31, 2021	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and other banks	\$ 27,322,508	\$ 553,793	\$ -	\$ -	\$ -	\$ 27,876,301
Financial liabilities at fair value through profit or loss	-	49,567	-	-	1,691	51,258
Bills and bonds sold under repurchase agreements	145,883,179	39,298,675	2,721,818	115,226	-	188,018,898
Payables	1,093,095	55,976	309,460	906,858	65,974	2,431,363
Deposits and remittances	45,081,502	75,571,865	45,197,884	47,580,591	45,947,583	259,379,425
Bank debentures payable	-	-	1,500,000	1,000,000	12,500,000	15,000,000
Other financial liabilities	4,259,658	4,718,033	1,667,612	2,438,087	7,497,442	20,580,832
Lease liabilities	12,373	28,137	40,484	60,039	229,508	370,541
	<u>\$ 223,652,315</u>	<u>\$ 120,276,046</u>	<u>\$ 51,437,258</u>	<u>\$ 52,100,801</u>	<u>\$ 66,242,198</u>	<u>\$ 513,708,618</u>
June 30, 2021	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and other banks	\$ 20,802,498	\$ -	\$ -	\$ -	\$ 7,000,000	\$ 27,802,498
Financial liabilities at fair value through profit or loss	-	-	-	-	639	639
Bills and bonds sold under repurchase agreements	139,551,527	29,605,438	3,437,847	115,925	-	172,710,737
Payables	2,553,782	1,911,635	494,677	708,779	223,724	5,892,597
Deposits and remittances	47,692,814	72,927,569	53,312,756	38,274,654	45,989,405	258,197,198
Bank debentures payable	-	600,000	-	1,500,000	13,000,000	15,100,000
Other financial liabilities	7,907,118	2,816,228	977,321	3,072,329	4,924,427	19,697,423
Lease liabilities	12,023	27,877	39,387	78,518	255,760	413,565
	<u>\$ 218,519,762</u>	<u>\$ 107,888,747</u>	<u>\$ 58,261,988</u>	<u>\$ 43,750,205</u>	<u>\$ 71,393,955</u>	<u>\$ 499,814,657</u>

- 4) The Group assessed based contractual maturities at the balance sheet to understand all the basic elements of derivative financial instruments. The maturity consolidated analysis of derivative financial liabilities was as follows:

June 30, 2022	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
<u>Deliverable</u>						
Forward contracts	\$ 117,942	\$ 12,457	\$ 16,067	\$ 6,901	\$ -	\$ 153,367
Currency swap contracts	246,208	204,277	28,411	22,174	-	501,070
Others	25,979	26,607	21,120	1,490	1,399	76,595
	<u>390,129</u>	<u>243,341</u>	<u>65,598</u>	<u>30,565</u>	<u>1,399</u>	<u>731,032</u>
<u>Non-deliverable</u>						
Interest rate swap contracts	-	-	608	1,364	-	1,972
	<u>\$ 390,129</u>	<u>\$ 243,341</u>	<u>\$ 66,206</u>	<u>\$ 31,929</u>	<u>\$ 1,399</u>	<u>\$ 733,004</u>
December 31, 2021	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
<u>Deliverable</u>						
Forward contracts	\$ 29,786	\$ 12,570	\$ 9,446	\$ 11,083	\$ -	\$ 62,885
Currency swap contracts	88,795	66,584	76,687	41,124	-	273,190
Others	2,951	61	1,277	1,266	39,138	44,693
	<u>121,532</u>	<u>79,215</u>	<u>87,410</u>	<u>53,473</u>	<u>39,138</u>	<u>380,768</u>
<u>Non-deliverable</u>						
Interest rate swap contracts	365	-	882	1,537	6,527	9,311
	<u>\$ 121,897</u>	<u>\$ 79,215</u>	<u>\$ 88,292</u>	<u>\$ 55,010</u>	<u>\$ 45,665</u>	<u>\$ 390,079</u>
June 30, 2021	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
<u>Deliverable</u>						
Forward contracts	\$ 7,894	\$ 9,916	\$ 3,105	\$ 3,565	\$ -	\$ 24,480
Currency swap contracts	65,864	215,567	31,495	32,816	-	345,742
Others	5,687	10,157	3,711	78	45,333	64,966
	<u>79,445</u>	<u>235,640</u>	<u>38,311</u>	<u>36,459</u>	<u>45,333</u>	<u>435,188</u>
<u>Non-deliverable</u>						
Interest rate swap contracts	-	-	606	1,455	9,855	11,916
	<u>\$ 79,445</u>	<u>\$ 235,640</u>	<u>\$ 38,917</u>	<u>\$ 37,914</u>	<u>\$ 55,188</u>	<u>\$ 447,104</u>

- 5) The maturity analysis of off-balance sheet items shows the remaining balance from the balance sheet date to the maturity date. For the financial guarantee contracts, the maximum amounts are possibly asked for settlement in the earliest period. The amounts in the table below were on cash flow basis; therefore, some disclosed amounts will not match with the consolidated balance sheet.

June 30, 2022	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	\$ 1,161,104	\$ 1,525,392	\$ 226,216	\$ -	\$ -	\$ 2,912,712
Other guarantees	49,554,483	71,708,058	2,632,662	1,563,166	283,002	125,741,371
Loan commitments	<u>4,704,510</u>	<u>9,409,021</u>	<u>14,113,531</u>	<u>27,434,443</u>	<u>-</u>	<u>55,661,505</u>
	<u>\$ 55,420,097</u>	<u>\$ 82,642,471</u>	<u>\$ 16,972,409</u>	<u>\$ 28,997,609</u>	<u>\$ 283,002</u>	<u>\$ 184,315,588</u>

December 31, 2021	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	\$ 613,264	\$ 1,341,312	\$ 245,066	\$ 40,189	\$ -	\$ 2,239,831
Other guarantees	49,164,358	80,786,091	13,675,750	3,182,797	218,462	147,027,458
Loan commitments	<u>4,034,995</u>	<u>8,069,990</u>	<u>12,104,985</u>	<u>23,530,151</u>	<u>-</u>	<u>47,740,121</u>
	<u>\$ 53,812,617</u>	<u>\$ 90,197,393</u>	<u>\$ 26,025,801</u>	<u>\$ 26,753,137</u>	<u>\$ 218,462</u>	<u>\$ 197,007,410</u>

June 30, 2021	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	\$ 531,490	\$ 1,104,150	\$ 139,376	\$ -	\$ -	\$ 1,775,016
Other guarantees	47,495,824	85,593,496	11,851,895	2,094,247	19,596	147,055,058
Loan commitments	<u>3,527,832</u>	<u>7,055,664</u>	<u>10,583,495</u>	<u>20,572,619</u>	<u>-</u>	<u>41,739,610</u>
	<u>\$ 51,555,146</u>	<u>\$ 93,753,310</u>	<u>\$ 22,574,766</u>	<u>\$ 22,666,866</u>	<u>\$ 19,596</u>	<u>\$ 190,569,684</u>

e. Market risk

1) Source and definition of market risk

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices and commodity prices) which may cause financial instruments classified in trading book a potential loss on or off the balance sheet.

2) Market risk management strategy and process

The Bank manage the market risk with active, careful attitude.

The Bank makes the profit majorly by doing trading business through knowing well correctly how market risk of factors fluctuate. (e.g., market price, exchange rate, interest rate). More violent the market risk factors fluctuate, the bigger the opportunity of the implicit profit is. When preparing the Annual Trading Budget Report of the trading business, the Bank will refer to the overall economic and industrial analysis of the Bank itself and also the other similar business. After discussed to the full and stipulated by the president, the trading department and the market risk management department, it is submitted to the risk management Committee and the board of directors with the plan of stop-loss quotas and product parts quotas to avoid setting up proposed the goal in an impracticable way that leads the dealer to take more risk on operating.

The Bank sets up definite management rules and risk management indicators for different trading business and its risk attribute, and stipulates exposure amount, submission of expiration, authorizing management and ways of disposure. Implement certainly and ensure the trading department to abide by the discipline to control the market risk exposure extent in a safe range.

3) Market risk management organization and framework

- a) The Board of Directors: It is the top market risk supervising organization. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank, approved by the board of directors, are the top stipulation in market risk management.
- b) Risk Management Committee: It is the supervisory agency which responsible for setting risk management limits and supervising market risk management operations. In principle, a risk management committee meeting is held monthly to deliberate the revision of market risk limits and regulations, reporting various market risk limit control situations and market risk related matters.
- c) Risk Management Department: In charge of market risk management. According to the Bank's regulation, the department is in charge of every operation related to market risk management, including planning of market risk limit, statistics, reporting and monitoring.

4) Market risk report and evaluation system

The Bank setup the risk index, exposure amount and authority levels by products' type (e.g. equity, interest rate, currency exchange rate).

The Bank setup the limit amount of trading and loss, and other index including VaR, MAT limit, 20-Day average liquidity and FS sensitivity limit to enhance the risk control system.

The Bank calculates the risk exposure amount of the trade department and traders based on authorized amount, and submits risk report, monitors the limits and executes the following measures.

The Bank sets up the index of stop loss to control the risk of transaction including bonds, Forex, securities and derivative by building the risk evaluation module, and monitor the loss caused by the fluctuation of stock market, exchange rate and interest rates.

5) Value at risk

The Bank adopts Value at Risk to evaluate trading book products such as rate financial instruments, TWD interest products and market risks of trading assets IPO stocks. When market factors happen negative changes, Value at Risk reveals the potential losses of holding financial instruments during a certain period and in a confidence interval. The bank adopts Monte Carlo method to estimate Value at Risk, the confidence interval is 99%, the sample interval of rate and stock products is the past year, the sample interval of interest products is the past three years, simulation times is 5,000 times, simulation path is GBM.

The following table illustrates the Value at Risk of the Bank, this risk value is based on confidence interval, estimated in one day potential losses and assumed unfavorable interest and rate changes can cover all possible fluctuation in one day. Based on this assumption, the Value at Risk of financial assets and liabilities in the table have one in hundred days possibility more than the amount in the table due to the fluctuation of interest, rate and stock prices. Annual average value, maximum value and minimum value are calculated based on daily Value at Risk. The total market risk value of the bank is less than the sum of the fair value risk value, rate risk value and price risk value of interest changes.

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	June 30, 2022			December 31, 2021			June 30, 2021		
	Average	High	Low	Average	High	Low	Average	High	Low
Currency exchange rate risk	\$ 1,899	\$ 12,790	\$ 284	\$ 1,684	\$ 5,086	\$ 365	\$ 2,040	\$ 3,651	\$ 631
Fair value risk resulting from interest rate	2,014	5,147	772	2,490	4,162	1,056	2,688	4,162	1,643
Fair value resulting from stock price	9,835	22,962	2,001	14,991	31,270	4,874	19,962	31,270	5,183

6) Effect of interest rate benchmark reform

The Group is exposed to USD LIBOR and HKD HIBOR which are subject to interest rate benchmark reform. The exposures arise on non-derivative financial assets. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. HONIA (Hong Kong Dollar Overnight Index Average) is expected to replace HKD HIBOR. There are key differences among these benchmarks. 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 Group established USD LIBOR and HKD HIBOR transition project plans for each benchmark. These transition projects are considering changes to risk management policies, internal processes, IT systems and valuation models, as well as managing any related tax and accounting implications. As at June 30, 2022, the bank has identified all the information systems and internal processes that need to be updated, and planned the update schedule. The bank has completed the identification of the affected contracts, and expects to gradually switch to alternative interest rate indicators in the second half of 2022, and pay close attention to the regulations of the competent authority, market development, and processing methods among other banks.

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

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

	Book Value Not Transitioned to Alternative Benchmark Rates	Transition Progress
<u>USD LIBOR financial assets</u>		
Financial assets at fair value through other comprehensive income	\$ 2,602,876	The Group will pay close attention to the regulations of the competent authority, market development, and processing methods among other banks, and will cooperate with the issuer and counterparty to negotiate the contract revision. It is expected that the contract revision will be sold or completed in the first half of 2023. It is expected to gradually switch to alternative interest rate indicators in the second half of 2022, and pay close attention to the regulations of the competent authority, market development, and processing methods among other banks.
Discounts and loans	<u>1,560,770</u>	
	<u>4,163,646</u>	
<u>HKD HIBOR financial asset</u>		
Discounts and loans	<u>168,574</u>	It is expected to gradually switch to alternative interest rate indicators in the second half of 2022, and pay close attention to the regulations of the competent authority, market development, and processing methods among other banks.
	<u>\$ 4,332,220</u>	

7) Foreign currency rate risk information

The information of significant foreign financial assets and liabilities is as follows:

Unit: Foreign Currencies (Thousands)/NT\$ (Thousands)

	June 30, 2022		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 2,953,097	29.7289	\$ 87,792,466
JPY	4,537,399	0.2182	989,902
HKD	8,223,382	3.7895	31,162,835
EUR	23,832	31.0141	739,117
AUD	218,263	20.4615	4,466,000
RMB	3,527,580	4.4412/4.4380	15,655,474
Investments accounted for using equity method			
RMB	228,893	4.4412	1,016,553
<u>Financial liabilities</u>			
Monetary item			
USD	3,962,559	29.7289	117,802,700
JPY	4,606,240	0.2182	1,004,920
HKD	3,549,318	3.7895	13,450,284
EUR	13,675	31.0141	424,132
AUD	48,721	20.4615	996,906
RMB	2,711,958	4.4412/4.4380	12,035,727
December 31, 2021			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 3,112,041	27.6897	\$ 86,171,399
JPY	3,981,910	0.2404	957,168
HKD	6,609,887	3.5506	23,468,933
EUR	23,834	31.3001	746,003
AUD	205,517	20.0948	4,129,826
RMB	3,515,948	4.3453/4.3460	15,280,308
Investments accounted for using equity method			
RMB	202,722	4.3453	880,879
<u>Financial liabilities</u>			
Monetary item			
USD	3,972,367	27.6897	109,993,525
JPY	3,765,547	0.2404	905,159
HKD	3,221,115	3.5506	11,436,826
EUR	13,438	31.3001	420,622
AUD	47,150	20.0948	947,472
RMB	3,053,131	4.3453/4.3460	13,268,907

	June 30, 2021		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 2,507,062	27.8700	\$ 69,871,897
JPY	3,037,188	0.2523	766,323
HKD	5,987,409	3.5892	21,490,068
EUR	20,649	33.1485	684,487
AUD	158,054	20.9204	3,306,541
RMB	3,108,530	4.3120/4.3157	13,413,948
Investments accounted for using equity method			
RMB	172,388	4.3157	743,968
<u>Financial liabilities</u>			
Monetary item			
USD	3,160,460	27.8700	88,082,111
JPY	3,288,862	0.2523	829,824
HKD	4,426,168	3.5892	15,886,445
EUR	14,416	33.1485	477,868
AUD	38,612	20.9204	807,775
RMB	2,470,654	4.3120/4.3157	10,659,631

f. Banking book interest rate risk

1) Source and definition of interest rate risk of banking book

Banking book's interest rate risk means the probably loss of non-trading book's position within balance sheet and off-balance sheet arise from interest change.

2) Management strategy and process of interest rate risk of banking book

The Bank controls this interest rate risk with a positive and strict attitude. The Bank hopes to pursue the stability and growth of surplus without liquidity flaws.

The Bank set the clear management methods and risk management indicators with different trading, investment and risk, and set the report of risk amount and over limit, approved level and reaction plan. The Bank executes the procedures clearly, establishes a trading discipline that upholds the discipline of investment, and controls the interest rate risk of banking book within the limit.

3) Management organization and framework of interest rate risk of banking book

a) The Board of Directors: It is the top organization to supervise interest rate risk of banking book. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank and approved by the board of director are the top stipulation in bank book interest risk.

b) Risk Management Committee: It is the supervisory agency which responsible for setting risk management limits and supervising market risk management operations. In principle, a risk management committee meeting is held monthly to review the risk management conditions of interest rate risk of banking book and the result of interest rate pressure test.

c) Risk Management Department: In charge of risk management of interest rate risk of banking book. According to the Bank's regulation, the department is in charge of every operation related to management of interest rate risk of banking book, including planning limits, statistics, reporting and monitoring.

4) The extent and characteristics of interest rate risk report and evaluation system of banking book

The Risk Management Department set the regulation with interest rate risk of banking book as follow, limit of position, annual stop buying maximum loss limit, FS sensitivity limit, duration limit, Individual Investment Target Warning Limits, Individual Investment Target stop buying limit, Tier I Capital Interest Rate Sensitivity Warning Limit-Rising/falling interest rates by 1bp, net income interest rate sensitivity warning limit: Interest rate rise/fall 25bps, 50bps, 75bps, 100bps.

In summary, it is intended to enhance the risk control framework of interest rate risk of banking book.

Besides, the Risk Management Department executes the following tests to assess the impact to the Bank's net income in each quarter, including the interest special situation pressure test, and reports the result to the Risk Management Committee.

The Risk Management Department calculates the exposure amount of each trading departments and traders, and it also reports the risk reports, monitors over-limits, and performs follow-up actions under the regulations.

g. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities

Interest rate fluctuations affect the earning assets and interest-bearing liabilities, and current average interest rates are as follows:

Average balance was calculated at the daily average balances of interest-earning assets and interest-bearing liabilities.

O-Bank

	For the Six Months Ended June 30			
	2022		2021	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks (part of cash and cash equivalents and other financial assets)	\$ 879,213	0.95	\$ 846,654	1.12
Call loans to other banks	6,616,655	0.44	10,834,517	0.19
Due from the Central Bank	5,177,695	0.55	5,503,958	0.39
Financial assets at FVTPL	37,795,084	0.47	45,984,013	0.30
Bills and bonds purchased under resell agreements	387	0.24	20,639	0.09
Discounts and loans	168,094,712	2.10	158,525,572	1.89
Financial assets at FVTOCI	74,457,583	0.69	68,052,072	0.63
Receivables	1,256,212	1.78	843,128	1.09
Financial assets at amortized cost	2,922,237	0.79	-	-
<u>Interest-bearing liabilities</u>				
Deposits from the Central Bank and other banks	18,925,924	0.44	20,658,433	0.43
Demand deposits	62,212,128	0.21	63,151,029	0.21
Time deposits	185,533,859	0.54	175,797,175	0.46
Bills and bonds sold under repurchase agreements	4,274,166	0.40	1,850,030	0.21
Bank debentures payable	14,527,624	1.90	15,741,436	2.00

China Bills Finance Corporation (CBF)

	For the Six Months Ended June 30			
	2022		2021	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents (and other assets-refundable deposits)	\$ 818,043	0.03	\$ 882,020	0.02
Call loans to banks	189,870	0.41	45,746	0.09
Financial assets at FVTPL - bonds and bills	94,989,685	0.49	95,412,461	0.38
FVTOCI - debt instruments	100,388,634	1.16	99,366,633	1.21
Financial assets at FVTPL - hybrid financial assets	9,649,306	1.47	8,528,244	1.51
Securities purchased under resell agreements	5,519,475	0.24	6,071,609	0.17
<u>Interest-bearing liabilities</u>				
Call loans from other banks	11,418,368	0.50	6,591,069	0.21
Bank overdrafts	1,266	0.56	1,484	0.61
Securities sold under repurchase agreement	168,936,634	0.35	174,719,912	0.24
Commercial paper payable	3,337,569	0.52	4,500,000	0.31

48. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

The Group's common equity ratio of Tier I capital ratio and capital adequacy ratio required by the competent authority shall comply with the minimum capital ratio for each year; leverage ratio measurement basis subject to the competent authorities. The calculation of the ratio mentioned above by competent authority regulations.

b. Capital assessment program

Measures are taken when capital ratio and leverage ratio deteriorates such as regular calculation, analysis, monitoring and reporting, the annual allocation of each business's capital adequacy ratio targets and regularly tracking the target achievement rate in the capital.

c. Capital adequacy ratio

O-Bank

(In Thousands of New Taiwan Dollars or in %)

Items		Year	June 30, 2022		
			Own Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio	
Eligible capital	Common stocks equity		\$ 26,028,852	\$ 26,028,852	
	Other Tier 1 capital		586,824	586,824	
	Tier 2 capital		1,803,152	1,803,152	
	Eligible capital		28,418,828	28,418,828	
Risk-weighted assets	Credit risk	Standardized approach	203,176,935	203,176,935	
		Internal rating based approach	-	-	
		Asset securitization	-	-	
	Operational risk	Basic indicator approach	9,483,113	9,483,113	
		Standardized/alternative standardized approach	-	-	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	4,676,138	4,676,138	
		Internal model approach	-	-	
	Total risk-weighted assets			217,336,186	217,336,186
	Capital adequacy ratio			13.08%	13.08%
Ratio of common stockholders' equity to risk-weighted assets			11.98%	11.98%	
Ratio of Tier 1 capital to risk-weighted assets			12.25%	12.25%	
Leverage ratio			7.24%	7.24%	

(In Thousands of New Taiwan Dollars or in %)

Items		Year	December 31, 2021		
			Own Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio	
Eligible capital	Common stocks equity		\$ 27,505,405	\$ 27,505,405	
	Other Tier 1 capital		235,115	235,115	
	Tier 2 capital		2,194,638	2,194,638	
	Eligible capital		29,935,158	29,935,158	
Risk-weighted assets	Credit risk	Standardized approach	184,900,099	184,900,099	
		Internal rating based approach	-	-	
		Asset securitization	-	-	
	Operational risk	Basic indicator approach	9,483,113	9,483,113	
		Standardized/alternative standardized approach	-	-	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	9,171,150	9,171,150	
		Internal model approach	-	-	
	Total risk-weighted assets			203,554,362	203,554,362
	Capital adequacy ratio			14.71%	14.71%
Ratio of common stockholders' equity to risk-weighted assets			13.51%	13.51%	
Ratio of Tier 1 capital to risk-weighted assets			13.63%	13.63%	
Leverage ratio			7.99%	7.99%	

(In Thousands of New Taiwan Dollars or in %)

Items		Year	June 30, 2021	
			Own Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio
Eligible capital	Common stocks equity		\$ 26,770,120	\$ 26,770,120
	Other Tier 1 capital		283,148	283,148
	Tier 2 capital		2,515,963	2,515,963
	Eligible capital		29,569,231	29,569,231
Risk-weighted assets	Credit risk	Standardized approach	185,642,675	185,642,675
		Internal rating based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	9,020,363	9,020,363
		Standardized/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	10,305,800	10,305,800
		Internal model approach	-	-
Total risk-weighted assets			204,968,838	204,968,838
Capital adequacy ratio			14.43%	14.43%
Ratio of common stockholders' equity to risk-weighted assets			13.06%	13.06%
Ratio of Tier 1 capital to risk-weighted assets			13.20%	13.20%
Leverage ratio			7.76%	7.76%

Note 1: Eligible capital, risk-weighted assets total exposure are calculated under the “Regulations Governing the Capital Adequacy Ratio of Banks” and “Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks.”

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common stocks equity Tier 1 + Other Tier 1 capital + Tier 2 capital.
- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of common stockholders' equity to risk-weighted assets = Common stocks equity Tier 1 ÷ Risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Common stocks equity Tier 1 + Other Tier 1 capital) ÷ Risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital ÷ Exposure amount.

According to the Banking Law and other related regulations, in order to improve the financial foundation of banks, the Bank's stand-alone and consolidated capital adequacy ratio shall not be lower than 10.5%. The ratio of Tier 1 capital shall not be lower than 8.5%. The ratio of common stockholders' equity shall not be lower than 7.0%. Should any actual ratios be lower than the requirements, the central competent authority has the right to constrain the earnings distribution.

(Unit: In Thousands of New Taiwan Dollars or in %)

Items	Year	June 30, 2022	June 30, 2021
Eligible capital	Tier 1 capital	\$ 21,500,838	\$ 23,857,859
	Tier 2 capital	283,965	166,458
	Tier 3 capital	43,066	616,722
	Eligible capital	21,827,869	24,641,039
Risk-weighted assets	Credit risk	111,832,010	124,635,972
	Operational risk	4,605,970	4,062,412
	Market risk	54,782,583	69,856,044
	Total risk-weighted assets	171,220,563	198,554,428
Capital adequacy ratio (Note)		12.75%	12.41%
Ratio of Tier 1 capital to risk-weighted assets (Note)		12.56%	12.02%
Ratio of Tier 2 capital to risk-weighted assets (Note)		0.17%	0.08%
Ratio of Tier 3 capital to risk-weighted assets (Note)		0.02%	0.31%
Ratio of common stockholders' equity to total assets (Note)		6.80%	6.30%

Note:

- 1) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 2) The amount of total assets used in the calculation refers to all assets in the balance sheets.
- 3) The capital adequacy ratios (CARs) should be computed at the end of June and December. In the reports of the first-quarter and the third-quarter the CARs disclosed are based on the data of the last preceding period, i.e., the end of December and the end of June, respectively.
- 4) Eligible capital and risk-weighted assets are calculated under the “Regulations Governing the Capital Adequacy Ratio of Bills Finance Companies” and “Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Bills Finance Companies.”

49. ASSET QUALITY OF LOANS, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND DISCLOSURE OF RELATED INFORMATION OF INDUSTRY REGULATIONS OF MATURITY ANALYSIS OF ASSETS AND LIABILITIES

O-Bank

a. Credit risk

- 1) Asset quality of loans: Refer to Table 5.

2) Concentration of credit extensions

June 30, 2022

(In Thousands of New Taiwan Dollars or in %)

Rank	Industry of Group Enterprise	Credit Extensions Balance	% of Net Asset Value
1	A Group (real estate development)	\$ 6,786,797	20.03
2	B Group (real estate development)	4,071,536	12.02
3	C Group (glass and glass made products manufacturing)	3,108,236	9.17
4	D Group (real estate lease industry)	3,082,750	9.10
5	E Group (unclassified other financial service)	3,059,349	9.03
6	F Group (unclassified other financial service)	2,952,000	8.71
7	G Group (chemical materials manufacturing)	2,614,393	7.72
8	H Group (real estate development)	2,233,212	6.59
9	I Group (non-hazardous waste treatment industry)	2,122,119	6.26
10	J Group (telephones and mobile phones manufacturing)	2,108,000	6.22

June 30, 2021

(In Thousands of New Taiwan Dollars or in %)

Rank	Industry of Group Enterprise	Credit Extensions Balance	% of Net Asset Value
1	A Group (real estate development)	\$ 5,942,269	16.62
2	D Group (real estate development)	3,659,000	10.24
3	B Group (real estate development)	3,274,716	9.16
4	K Group (real estate lease industry)	3,180,000	8.90
5	C Group (glass and glass made products manufacturing)	3,102,287	8.68
6	F Group (unclassified other financial service)	2,940,000	8.22
7	L Group (manufacture of ready-mix concrete)	2,577,182	7.21
8	I Group (non-hazardous waste treatment industry)	2,543,908	7.12
9	M Group (short-term accommodation activities)	2,316,780	6.48
10	N Group (real estate development)	2,148,909	6.01

Note 1: The list shows top 10 rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate - General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: Group enterprise refers to a group of corporate entities as defined by Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings"

Note 3: Total amount of credit, endorsement or other transactions is the sum of various loans (including import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans and overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances and guarantees.

b. Market risk

**Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
June 30, 2022**

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 168,994,959	\$ 14,086,663	\$ 18,393,879	\$ 28,010,772	\$ 229,486,273
Interest rate-sensitive liabilities	90,918,070	71,675,437	31,153,945	29,417,333	223,164,785
Interest rate-sensitive gap	78,076,889	(57,588,774)	(12,760,066)	(1,406,561)	6,321,488
Net worth					30,693,932
Ratio of interest rate-sensitive assets to liabilities					102.83%
Ratio of interest rate sensitivity gap to net worth					20.60%

June 30, 2021

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 164,528,259	\$ 10,186,345	\$ 26,397,624	\$ 13,048,797	\$ 214,161,025
Interest rate-sensitive liabilities	72,770,107	65,768,594	33,695,745	34,045,153	206,279,599
Interest rate-sensitive gap	91,758,152	(55,582,249)	(7,298,121)	(20,996,356)	7,881,426
Net worth					32,477,754
Ratio of interest rate-sensitive assets to liabilities					103.82%
Ratio of interest rate sensitivity gap to net worth					24.27%

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

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities 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 (in New Taiwan dollars).

**Interest Rate Sensitivity Balance Sheet (In U.S. Dollars)
June 30, 2022**

(In Thousands of U.S. Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,251,564	\$ 33,296	\$ 2,401	\$ 1,497,123	\$ 2,784,384
Interest rate-sensitive liabilities	1,649,158	824,110	155,886	3,000	2,632,154
Interest rate-sensitive gap	(397,594)	(790,814)	(153,485)	1,494,123	152,230
Net worth					107,494
Ratio of interest rate-sensitive assets to liabilities					105.78%
Ratio of interest rate sensitivity gap to net worth					141.62%

June 30, 2021

(In Thousands of U.S. Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,315,223	\$ 39,718	\$ 1	\$ 1,080,700	\$ 2,435,642
Interest rate-sensitive liabilities	927,549	1,127,343	201,303	-	2,256,195
Interest rate-sensitive gap	387,674	(1,087,625)	(201,302)	1,080,700	179,447
Net worth					129,532
Ratio of interest rate-sensitive assets to liabilities					107.95%
Ratio of interest rate sensitivity gap to net worth					138.53%

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

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities 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 (in U.S. dollars).

c. Liquidity risk

1) Profitability

(In %)

Items		For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Return on total assets	Before income tax	0.35	0.34
	After income tax	0.30	0.30
Return on equity	Before income tax	3.27	3.04
	After income tax	2.87	2.73
Net income ratio		35.63	35.29

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

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

Note 3: Net income ratio = Income after income tax ÷ Total net revenue.

Note 4: Income before (after) income tax represents income for the six months ended June 30, 2022 and 2021.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (In New Taiwan Dollars)
June 30, 2022

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 269,112,900	\$ 59,109,389	\$ 22,143,218	\$ 26,695,158	\$ 21,027,908	\$ 27,191,216	\$ 112,946,011
Main capital outflow on maturity	311,795,423	25,647,878	33,710,784	72,247,501	57,453,306	57,518,982	65,216,972
Gap	(42,682,523)	33,461,511	(11,567,566)	(45,552,343)	(36,425,398)	(30,327,766)	47,729,039

June 30, 2021

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 251,047,321	\$ 50,313,002	\$ 13,823,522	\$ 29,476,601	\$ 19,094,856	\$ 38,754,777	\$ 99,584,563
Main capital outflow on maturity	282,358,387	17,772,103	27,187,560	65,186,572	42,722,228	51,651,933	77,837,991
Gap	(31,311,066)	32,540,899	(13,364,038)	(35,709,971)	(23,627,372)	(12,897,156)	21,746,572

Note: The above amounts included only New Taiwan dollar amounts held by the Bank.

Maturity Analysis of Assets and Liabilities (In U.S. Dollars)
June 30, 2022

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 4,349,307	\$ 1,903,011	\$ 826,165	\$ 448,793	\$ 311,213	\$ 860,125
Main capital outflow on maturity	4,527,767	1,828,977	1,450,862	308,587	309,921	629,420
Gap	(178,460)	74,034	(624,697)	140,206	1,292	230,705

June 30, 2021

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,883,824	\$ 1,723,999	\$ 610,664	\$ 427,897	\$ 264,994	\$ 856,270
Main capital outflow on maturity	3,978,589	1,686,171	836,771	636,647	344,676	474,324
Gap	(94,765)	37,828	(226,107)	(208,750)	(79,682)	381,946

Note 1: The above amounts included only U.S. dollar amounts held by the Bank.

Note 2: If the overseas assets are at least 10% of the Bank's total assets, there should be additional disclosures.

Maturity Analysis of Overseas Branch's Assets and Liabilities (In U.S. Dollars)
June 30, 2022

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,512,138	\$ 1,083,559	\$ 188,297	\$ 17,799	\$ 69,278	\$ 153,205
Main capital outflow on maturity	1,534,390	567,468	450,819	91,205	120,434	304,464
Gap	(22,252)	516,091	(262,522)	(73,406)	(51,156)	(151,259)

June 30, 2021

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,598,517	\$ 1,126,003	\$ 91,148	\$ 49,266	\$ 63,425	\$ 268,675
Main capital outflow on maturity	1,561,107	622,245	313,528	303,412	108,287	213,635
Gap	37,410	503,758	(222,380)	(254,146)	(44,862)	55,040

China Bills Finance Corporation

a. Asset quality

Item	Period	
	June 30, 2022	June 30, 2021
Balance of guarantees and endorsement credits overdue within 3 months	\$ -	\$ -
Nonperforming debts (include overdue receivables)	-	-
Credits under observation	-	-
Overdue receivables	-	-
Ratio of non-performing debts	0.00%	0.00%
Ratio of non-performing debts and credits under observation	0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees	1,231,869	1,203,310
Actual provision for credit losses and reserve for losses on guarantees	1,382,077	1,375,077

b. The principal operation

Item	Period	
	June 30, 2022	June 30, 2021
Balance of guarantees and endorsement securities	\$ 99,349,300	\$ 109,856,600
Multiple of guarantees and endorsement securities to net worth	4.14	4.88
Short-term bills and bonds sold under repurchase agreement	\$ 156,490,431	\$ 169,632,315
Multiple of short-term bills and bonds sold under repurchase agreement to net worth	6.53	7.53

c. The provision policy and allowance for doubtful accounts, refer to Note 14.

d. Concentrations of credit extensions

(in %)

Item	Period		June 30, 2022		June 30, 2021	
Credit of the common interested party			\$ -		\$ -	
Ratio of credit extensions to common interest parties			-		-	
Ratio of credit extensions secured by pledged share			22.20		24.12	
Loan concentration by industry (ratio of top three industries to which credit line issued to credit extension balance)	Type of Industry		%		Type of Industry	
	Finance and insurance industry		32.88		Finance and insurance industry	
	Manufacturing industry		17.47		Manufacturing industry	
	Real estate industry		27.84		Real estate industry	

Note 1: Ratio of credit extensions to common interest related parties: Credit to common interest related party ÷ Total credit.

Note 2: Ratio of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit.

Note 3: Total credit included guarantees, endorsement notes and overdue credit (including overdue receivables, accounts receivable, and notes receivable).

e. Interest rate sensitivity information of the balance sheet

June 30, 2022

(In Millions of New Taiwan Dollars or in %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 96,272	\$ 6,168	\$ 7,640	\$ 84,058	\$ 194,138
Interest rate-sensitive liabilities	169,527	2,377	160	-	172,064
Interest rate-sensitive gap	(73,255)	3,791	7,480	84,058	22,074
Net worth					21,891
Ratio of interest rate-sensitive assets to liabilities (%)					112.83
Ratio of interest rate sensitivity gap to net worth (%)					100.84

June 30, 2021

(In Millions of New Taiwan Dollars or in %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 96,723	\$ 9,713	\$ 11,798	\$ 91,528	\$ 209,762
Interest rate-sensitive liabilities	180,779	3,433	116	-	184,328
Interest rate-sensitive gap	(84,056)	6,280	11,682	91,528	25,434
Net worth					25,165
Ratio of interest rate-sensitive assets to liabilities (%)					113.80
Ratio of interest rate sensitivity gap to net worth (%)					101.07

Note 1: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 2: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

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

f. The use of funding sources table

June 30, 2022

(In Millions of New Taiwan Dollars)

Items		Period				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	\$ 50,955	\$ 35,536	\$ 21	\$ 636	\$ -
	Bonds	888	3,639	6,147	7,004	84,058
	Due from banks	290	-	-	-	-
	Call loans	-	500	-	-	-
	Securities purchased under resell agreements	4,464	-	-	-	-
	Total	56,597	39,675	6,168	7,640	84,058
Cash provided by	Borrowing	15,168	500	-	-	-
	Securities sold under repurchase agreements	132,934	20,925	2,377	160	-
	Eligible capital	-	-	-	-	21,891
	Total	148,102	21,425	2,377	160	21,891
Net cash flows		(91,505)	18,250	3,791	7,480	62,167
Accumulated cash flows		(91,505)	(73,255)	(69,464)	(61,984)	183

June 30, 2021

(In Millions of New Taiwan Dollars)

Items		Period				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	\$ 49,394	\$ 38,281	\$ 5,398	\$ 1,379	\$ -
	Bonds	600	1,212	4,315	10,419	91,528
	Due from banks	301	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	6,235	700	-	-	-
	Total	56,530	40,193	9,713	11,798	91,528
Cash provided by	Borrowing	14,749	-	-	-	-
	Securities sold under repurchase agreements	136,837	29,193	3,433	116	-
	Eligible capital	-	-	-	-	25,165
	Total	151,586	29,193	3,433	116	25,165
Net cash flows		(95,056)	11,000	6,280	11,682	66,363
Accumulated cash flows		(95,056)	(84,056)	(77,776)	(66,094)	269

g. Matters requiring special notation

Causes	June 30, 2022	June 30, 2021
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None
Within the past year, a fine was levied on for violations of the Act Governing Bills Finance Business and the other laws	None	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures	None	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" which exceeded NT\$50 million dollars	None	None
Other	None	None

Note: The term "within the past year" means one year before the balance sheet date.

50. CASH FLOWS INFORMATION

a. None cash flow activities

The cash dividends allotted by the Bank as determined by the stockholders' meeting were not issued on June 30, 2022 and 2021, refer to Notes 25 and 32 d.

b. Changes in liabilities from financing activities

For the six months ended June 30, 2022

	January 1, 2022	Cash Outflow	Non-cash Changes		June 30, 2022
			New Leases	Other	
Bank debentures payable	\$ 15,000,000	\$ (1,500,000)	\$ -	\$ -	\$ 13,500,000
Lease liabilities	350,370	(76,699)	23,531	46,357	343,559
Other financial liabilities	20,580,832	(2,866,815)	-	140,753	17,854,770
Other liabilities	<u>2,719,579</u>	<u>(69,167)</u>	<u>-</u>	<u>-</u>	<u>2,650,412</u>
	<u>\$ 38,650,781</u>	<u>\$ (4,512,681)</u>	<u>\$ 23,531</u>	<u>\$ 187,110</u>	<u>\$ 34,348,741</u>

For the six months ended June 30, 2021

	January 1, 2021	Cash Inflow (Outflow)	Non-cash Changes		June 30, 2021
			New Leases	Other	
Bank debentures payable	\$ 16,400,000	\$ (1,300,000)	\$ -	\$ -	\$ 15,100,000
Lease liabilities	444,659	(87,010)	27,283	12,696	397,628
Other financial liabilities	18,102,763	1,657,487	-	(62,827)	19,697,423
Other liabilities	<u>2,249,555</u>	<u>208,407</u>	<u>-</u>	<u>118</u>	<u>2,458,080</u>
	<u>\$ 37,196,977</u>	<u>\$ 478,884</u>	<u>\$ 27,283</u>	<u>\$ (50,013)</u>	<u>\$ 37,653,131</u>

51. OTHERS

The Group has evaluated the economic impact of the COVID-19. Until the issue date of the consolidated financial statements, the Group found no significant impact on its financial condition and operations through its relevant risk management and control procedures.

52. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On July 21, 2022, the Bank's board of directors resolved that IBT Leasing Corporation (referred to as "IBT Leasing") transfer to the Bank its 100% holding of IBT VII Venture Capital Corporation Limited by way of capital reduction in kind.

Based on the total outstanding common shares as of the record date of the capital increase from IBT Leasing, the capital reduction ratio are 20.98%, the amount of the capital reduced are \$710,614 thousand, and the post-reduction paid-in capital held by IBT Leasing are \$2,677,290 thousand. The record date shall be decided after obtaining the approval of the capital reduction from the competent authority.

On July 21, 2022, the Bank's board of directors resolved to merge IBT Leasing with Jih Sun International Leasing & Finance Co., Ltd. (referred to as "Jih Sun Leasing"). In this merger, Jih Sun Leasing is the surviving company and is renamed Jih Sun IBT International Leasing Co., Ltd. The share exchange ratio is one IBT Leasing ordinary share for 0.5834 Jih Sun Leasing shares, with Jih Sun Leasing anticipating issuing 156,193 thousand shares to the Bank. After the merger, the Bank will hold 44.5% shares of the surviving company. The record date of the merger is expected to be December 1, 2022. The merger has yet been approved by the competent authority.

53. ADDITIONAL DISCLOSURES

a. Related information of significant transactions and investees and b. Names, locations, and other information of investees over which the Bank exercises significant influence.

- 1) Financing provided: The Group - not applicable; investees - Table 1 (attached)
- 2) Endorsement/guarantee provided: The Group - not applicable; investees - Table 2 (attached)
- 3) Marketable securities held: The Group - not applicable; investees - Table 3 (attached)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: None
- 6) Disposal of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: None
- 7) Allowance of service fees to related parties amounting to at least NT\$5 million: None
- 8) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Table 4 (attached)
- 9) Sale of nonperforming loans: None

- 10) Information of applying for authorization of securitized product type according to the “Regulations of Financial Assets Securitization or Regulations of Real Estate Securitization”: None
- 11) Other significant transactions which may affect the decisions of users of individual financial reports: None
- 12) Related information and total stockholding circumstances of “Name, locations and other information of investees on which the Group exercises significant influence.”: Table 6 (attached)
- 13) Derivative instrument transactions: Note 8
- c. Investment in mainland China: Table 7 (attached)
- d. Business relationships and significant transactions among the group: Table 8 (attached)
- e. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 9 (attached)

54. OPERATING SEGMENT FINANCIAL INFORMATION

The Group provides CODM to assess segment performance, focusing on the nature of business operations, assets and profit and loss. The accounting policies of each operating segment are described in Note 4. the same significant accounting policies. The Group shall be reported to the operating divisions are as follows:

- a. Bank: Business ruled by Banking Law Article 71.
- b. Overseas: Overseas banking business.
- c. Leasing: Leasing business.
- d. Bills: Bills-related business approved by the competent authority.
- e. Others: Other non-core businesses.

The following was an analysis of the Group’s revenue and results by reportable segment.

	Bank	Overseas	Leasing	Bills	Others	Eliminations	Consolidated
For the six months ended June 30, 2022							
Net interest							
From unaffiliated segment	\$ 1,326,034	\$ 396,073	\$ 483,961	\$ 255,564	\$ (20)	\$ 361	\$ 2,461,973
From other segment	(380)	-	24	-	2	354	-
	<u>\$ 1,325,654</u>	<u>\$ 396,073</u>	<u>\$ 483,985</u>	<u>\$ 255,564</u>	<u>\$ (18)</u>	<u>\$ 715</u>	<u>\$ 2,461,973</u>
Net revenue other than interest							
From unaffiliated segment	\$ 1,471,933	\$ 10,492	\$ 264,972	\$ 704,791	\$ (2,318)	\$ -	\$ 2,449,870
From other segment	28,241	-	(11,272)	(23,764)	7,355	(536,723)	(536,163)
	<u>\$ 1,500,174</u>	<u>\$ 10,492</u>	<u>\$ 253,700</u>	<u>\$ 681,027</u>	<u>\$ 5,037</u>	<u>\$ (536,723)</u>	<u>\$ 1,913,707</u>
Income from continuing operation	<u>\$ 1,006,964</u>	<u>\$ 132,169</u>	<u>\$ 211,652</u>	<u>\$ 601,507</u>	<u>\$ (7,452)</u>	<u>\$ (500,252)</u>	<u>\$ 1,444,588</u>
Identifiable assets	<u>\$ 329,349,842</u>	<u>\$ 27,628,114</u>	<u>\$ 20,589,288</u>	<u>\$ 197,570,501</u>	<u>\$ 262,438</u>	<u>\$ (432,998)</u>	<u>\$ 574,967,185</u>
Depreciation and amortization	<u>\$ 260,711</u>	<u>\$ 14,305</u>	<u>\$ 32,990</u>	<u>\$ 12,256</u>	<u>\$ 399</u>	<u>\$ (10,600)</u>	<u>\$ 310,061</u>
Capital expenditures	<u>\$ 39,683</u>	<u>\$ 2,694</u>	<u>\$ 19,854</u>	<u>\$ 2,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,764</u>

(Continued)

	Bank	Overseas	Leasing	Bills	Others	Eliminations	Consolidated
For the six months ended <u>June 30, 2021</u>							
Net interest							
From unaffiliated segment	\$ 1,059,770	\$ 434,220	\$ 395,125	\$ 390,513	\$ (159)	\$ 169	\$ 2,279,638
From other segment	<u>(244)</u>	<u>-</u>	<u>22</u>	<u>-</u>	<u>1</u>	<u>221</u>	<u>-</u>
	<u>\$ 1,059,526</u>	<u>\$ 434,220</u>	<u>\$ 395,147</u>	<u>\$ 390,513</u>	<u>\$ (158)</u>	<u>\$ 390</u>	<u>\$ 2,279,638</u>
Net revenue other than interest							
From unaffiliated segment	\$ 1,690,314	\$ 26,352	\$ 271,515	\$ 1,112,651	\$ 19,113	\$ -	\$ 3,119,945
From other segment	<u>7,108</u>	<u>-</u>	<u>(2,685)</u>	<u>(7,107)</u>	<u>3,043</u>	<u>(717,604)</u>	<u>(717,245)</u>
	<u>\$ 1,697,422</u>	<u>\$ 26,352</u>	<u>\$ 268,830</u>	<u>\$ 1,105,544</u>	<u>\$ 22,156</u>	<u>\$ (717,604)</u>	<u>\$ 2,402,700</u>
Income from continuing operation	<u>\$ 972,838</u>	<u>\$ 178,015</u>	<u>\$ 247,860</u>	<u>\$ 989,098</u>	<u>\$ 14,152</u>	<u>\$ (702,973)</u>	<u>\$ 1,698,990</u>
Identifiable assets	<u>\$ 301,054,492</u>	<u>\$ 28,818,213</u>	<u>\$ 17,162,419</u>	<u>\$ 213,184,681</u>	<u>\$ 247,537</u>	<u>\$ (365,266)</u>	<u>\$ 560,102,076</u>
Depreciation and amortization	<u>\$ 265,634</u>	<u>\$ 24,051</u>	<u>\$ 27,355</u>	<u>\$ 6,590</u>	<u>\$ 414</u>	<u>\$ (4,096)</u>	<u>\$ 319,948</u>
Capital expenditures	<u>\$ 26,401</u>	<u>\$ 370</u>	<u>\$ 15,852</u>	<u>\$ 774</u>	<u>\$ 81</u>	<u>\$ -</u>	<u>\$ 43,478</u>

(Concluded)

O-BANK AND SUBSIDIARIES

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

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limits (Note 4)	Note
													Item	Value			
1	IBT Leasing	Inhon Communication Co., Ltd.	Account receivable - short-term accommodations	No	\$ 38,021	\$ 25,701	\$ 25,701	2%-8%	2	\$ -	Working capital turnover	\$ 272	Margin	\$ 10,000	\$ 357,826	\$ 1,431,305	
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	37,887	24,946	24,946	2%-8%	2	-	Working capital turnover	328	Margin	6,000	357,826	1,431,305	
		Yuan Mao Construction Co., Ltd.	Account receivable - short-term accommodations	No	110,700	-	-	2%-8%	2	-	Working capital turnover	-	-	-	357,826	1,431,305	
		Priority International Finance	Account receivable - short-term accommodations	No	509	144	144	2%-8%	2	-	Working capital turnover	2	Deposit	1,200	357,826	1,431,305	
		Qiading Investment Co., Ltd.	Account receivable - short-term accommodations	No	84,000	78,000	78,000	2%-8%	2	-	Working capital turnover	1,349	Stock/real estate	51,830	357,826	1,431,305	
		Taiwan Star Telecom Corporation Limited	Account receivable - short-term accommodations	No	50,643	-	-	2%-8%	1	150,000	-	-	Equipment	33,152	357,826	3,578,263	
		Teamphon Energy Co., Ltd.	Account receivable - short-term accommodations	No	86,477	66,554	66,554	2%-8%	2	-	Working capital turnover	1,151	-	-	357,826	1,431,305	
		Home Credit Vietnam Finance Co. Ltd.	Account receivable - short-term accommodations	No	42,932	42,932	42,932	2%-8%	2	-	Working capital turnover	428	Account receivable	-	357,826	1,431,305	
		VPBank Finance Co. Ltd.	Account receivable - short-term accommodations	No	114,486	85,865	85,865	2%-8%	2	-	Working capital turnover	856	Account receivable/pledge receivable	-	357,826	1,431,305	
		Acon-Holding Inc.	Account receivable - short-term accommodations	No	40,000	36,443	36,443	2%-8%	2	-	Working capital turnover	492	Margin	8,000	357,826	1,431,305	
Hua Wei Construction Co., Ltd.	Account receivable - short-term accommodations	No	167,631	167,631	134,000	2%-8%	2	-	Working capital turnover	1,139	Real estate	285,866	357,826	1,431,305			

Note 1: Explanation:

- a. Issuing entity: 0.
- b. Invested companies were sequentially numbered from No. 1.

Note 2: Loan type: Business "1"; short-term financial intermediation "2".

Note 3: IBT Leasing and IBT International Leasing Corp. loaned to individual company were limited by 10% net assets.

Note 4: Each issuing entity's total amount of loans was limited to 40% of IBT Leasing Corp.'s and IBT International Leasing Corp.'s net assets. The loan mentioned formerly which belongs to business transactions is limited to 100% of the Corporation's net assets.

O-BANK AND SUBSIDIARIES

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

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
1	IBT Leasing	IBT International Leasing Corp. IBT VII Venture Capital Co., Ltd.	b b	\$ 28,626,101 28,626,101	\$ 8,405,164 80,000	\$ 6,669,242 80,000	\$ 4,946,617 -	\$ - -	186.38 2.24	\$ 42,939,151 42,939,151	No No	No No	Yes No

Note 1: Explanation:

- a. Issuing entity: 0.
- b. Invested companies were sequentially numbered from 1.

Note 2: Relationships between the endorsement/guarantee provider and the guaranteed party:

- a. Trading partner.
- b. Directly owns over 50% of the common stocks of the subsidiary.
- c. The Bank and subsidiary own over 50% ownership of the investee company.
- d. A parent company that own over 90% ownership of the company directly or through a subsidiary.
- e. Guaranteed by the Bank according to the construction contract.
- f. An investee company, for which the guarantees were provided based on the Bank's proportionate share in the investee company.
- g. The inter-industry is engaged in joint and several guarantees for the performance of the pre-sale house sales contract in accordance with the Consumer Protection Law.

Note 3: Based on the IBT International Leasing Corp.'s guidelines, the maximum amount of guarantee to its subsidiary. is up to eight times of the IBT International Leasing Corp.'s net value under direct and indirect holding voting right of stockholders; the maximum amount of guarantee to the IBT International Leasing Corp. is up to twelve times of the Bank's net value.

Note 4: The endorsement belongs to the grandson company from IBT International Leasing Corp.

O-BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(In Thousands of New Taiwan Dollars and U.S. Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2022				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
IBT Holdings	<u>Stocks</u> EverTrust Bank	Subsidiaries	Investments accounted for using the equity method	10,714	US\$ 193,090	91.78	US\$ 193,090	
IBT Management Corp.	<u>Closed type beneficiary certificate</u> O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	3,059	27,225	1.02	27,225	
	<u>Stocks</u> Thunder Tiger Biotechnology Co., Ltd.	-	Financial asset at FVTPL	1,773	38,833	7.37	38,833	Note 2
	TaiRx Co., Ltd.	-	Financial asset at FVTPL	433	13,864	0.48	13,864	Note 2
	Shihlian China Holdings Corp.	-	Financial asset at FVTPL	19,682	98,459	0.46	98,459	Notes 1 and 2
	Beauty essentials International Ltd. (Samoa)	-	Financial asset at FVTPL	25,974	22,804	2.41	22,804	Note 2
	Houdou Pinshan (Cayman) Co., Ltd.	-	Financial asset at FVTPL	500	15,645	2.17	15,645	Note 2
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	400	16,260	0.18	16,260	
	Polaris Group Corp.	-	Financial asset at FVTPL	110	12,705	0.02	12,705	
IBT Leasing Co., Ltd.	<u>Closed type beneficiary certificate</u> O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	12,260	109,114	4.09	109,114	
	<u>Stocks</u> IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	3,410,514	100.00	3,410,514	Note 3
	IBT VII Venture Capital Co., Ltd.	Subsidiaries	Investments accounted for using the equity method	65,000	724,501	100.00	724,501	Note 3
	Fubon Financial Holding Co., Ltd. preferred shares C	-	Financial asset at FVTOCI	533	31,607	0.16	31,607	
	Shihlian China Holdings Corp.	-	Financial asset at FVTOCI	32,500	162,580	0.75	162,580	Note 1
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	1,700	69,105	0.77	69,105	
IBT VII Venture Capital Co., Ltd.	<u>Closed type beneficiary certificate</u> O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	14,000	124,600	4.67	124,600	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2022				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	<u>Stocks</u>							
	TaiRx Co., Ltd.	-	Financial asset at FVTPL	3,435	\$ 110,029	3.81	\$ 110,029	Note 2
	Meridigen Corp.	-	Financial asset at FVTPL	500	10,654	0.55	10,654	
	Femcosteel Tech Co., Ltd.	-	Financial asset at FVTPL	1,298	35,734	3.09	35,734	
	Shihlien China Holdings Corp.	-	Financial asset at FVTPL	9,135	45,700	0.21	45,700	Notes 1 and 2
	New Applied Materials Co., Ltd.	-	Financial asset at FVTPL	634	103,182	0.79	103,182	Note 2
	BioResource International, Inc.	-	Financial asset at FVTPL	1,105	114,778	7.81	114,778	Note 2
	Chipwell tech Corporation	-	Financial asset at FVTPL	391	14,539	1.45	14,539	Note 2
	Biocontrol Gene Vaccine Co., Ltd.	-	Financial asset at FVTPL	1,008	408	0.98	408	Note 2
	Reber Genetics Co., Ltd.	-	Financial asset at FVTPL	461	5,001	1.16	5,001	Note 2
	Kaohsiung Rapid Transit Corporation All Rights Reserved.	-	Financial asset at FVTPL	3,845	46,072	1.38	46,072	
	Evergreen Steel Corp.	-	Financial asset at FVTPL	247	14,894	0.06	14,894	
	Ampak Technology, Inc.	-	Financial asset at FVTPL	42	4,893	0.06	4,893	
	Otobrite Electronics Inc.	-	Financial asset at FVTPL	20	800	0.06	800	
	Power Win Taiwan Co., Ltd.	-	Financial asset at FVTPL	150	11,093	1.26	11,093	
	Polaris Group Corp.	-	Financial asset at FVTPL	124	14,322	0.02	14,322	
	Apex Dynamics, Inc.	-	Financial asset at FVTPL	24	5,256	0.03	5,256	
	Visco Vision Inc.	-	Financial asset at FVTPL	4	820	0.01	820	
	Revivegen Environmental Technology Co., Ltd.	-	Financial asset at FVTPL	120	7,296	0.35	7,296	
	Energenesis Biomedical Co., Ltd.	-	Financial asset at FVTPL	1	37	0.00	37	
	Fositek Corp.	-	Financial asset at FVTPL	2	324	0.00	324	
	RAC Electric Vehicles Inc.	-	Financial asset at FVTPL	1	34	0.00	34	
	Evergreen Aviation Technology Corp.	-	Financial asset at FVTPL	650	46,378	0.18	46,378	
	Mesh Cooperative Ventures Fund LP	-	Financial asset at FVTOCI	18,000	17,809	2.46	17,809	
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	125	5,081	0.06	5,081	
IBT International Leasing Corp.	<u>Stocks</u>							
	Tianjin Bosteel No.13 Enterprise Management Partnership (Limited Partnership)	-	Financial asset at FVTPL	-	26,350	0.81	26,350	

Note 1: The holding company is registered in Hong Kong. The registered capital stock and number of stocks are in Hong Kong dollars and Hong Kong stocks.

Note 2: The securities are transferred within the group and are listed in the financial asset at FVTOCI when they are combined.

Note 3: On April 22, 2021, the board of directors of IBT Leasing Co., Ltd. approved the proposed transfer of 5% of the shares of IBT International Leasing Corp. from IBT VII Venture Capital Co., Ltd., and the acceptance was processed in April 2022.

(Concluded)

O-BANK AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL

JUNE 30, 2022

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
O-Bank Co., Ltd.	China Bills Finance Corp.	Subsidiary	\$ 342,883	-	\$ -	-	\$ 342,883	\$ -

Note: The dividend receivables.

O-BANK AND SUBSIDIARIES

NON-PERFORMING LOANS AND ACCOUNTS RECEIVABLE

JUNE 30, 2022 AND 2021

(In Thousands of New Taiwan Dollars or in %)

Period		June 30, 2022					June 30, 2021					
		Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	
Corporate banking	Secured	\$ 389,175	\$ 83,314,902	0.47%	\$ 1,155,024	296.79%	\$ 404,981	\$ 70,768,048	0.57%	\$ 934,104	230.65%	
	Unsecured	246,212	70,894,284	0.35%	991,610	402.75%	253,890	60,114,963	0.42%	908,980	358.02%	
Consumer banking	Housing mortgage (Note 4)		-	12,181,126	-	183,188	-	-	14,341,198	-	215,261	-
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		-	2,089,210	-	26,528	-	310	1,791,483	0.02%	25,682	8,284.52%
	Other (Note 6)	Secured	-	4,769,688	-	48,114	-	-	5,656,121	-	56,763	-
Unsecured		21,195	8,237,637	0.26%	136,902	645.92%	13,343	5,865,263	0.23%	115,365	864.61%	
Total		656,582	181,486,847	0.36%	2,541,366	387.06%	672,524	158,537,076	0.42%	2,256,155	335.48%	
		Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	
Credit cards		-	-	-	-	-	-	-	-	-	-	
Factored accounts receivable without recourse (Note 7)		-	1,562,641	-	17,012	-	-	1,271,695	-	14,695	-	
		Exempt from Reporting the Total Balance of Overdue Loans			Exempt from Reporting the Total Balance of Overdue Account Receivable			Exempt from Reporting the Total Balance of Overdue Loans			Exempt from Reporting the Total Balance of Overdue Account Receivable	
Exempt amount - due to debt negotiation and performance (Note 8)		-			-			-			-	
Debt settlement plan and rehabilitative program (Note 9)		107,448			-			92,241			-	
Total		107,448			-			92,241			-	

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans." Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of Nonperforming loans: Nonperforming loans ÷ Outstanding loan balance. Ratio of Nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans. Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Small-amount pure credit loans that must be governed by the Bank of China Ref. No. 09440010950 dated December 19, 2005 and are not credit cards or cash cards.

Note 6: "Others" in consumer finance refers to other secured or unsecured consumer loans that are not "residential property mortgage", "cash cards", "small amount pure credit loans", excluding credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), factored accounts receivable without recourse are reported as Nonperforming receivables within three months after the factoring or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 8: According to the letter of the Bank of China Ref. No. 09510001270 dated April 25, 2006, the letters of credit and the information disclosure requirements as required by the "Unsecured Debt Negotiation Mechanism for Consumer Financial Cases of the Republic of China Banking Association" should include supplemental disclosures of related matters.

Note 9: According to the letter of the Bank of China Ref. No. 09700318940 dated September 15, 2008 and the letter of the Bank of China Ref. No. 10500134790 date September 20, 2016 regarding the "Consumer Debt Clearance Regulations" for pre-negotiation, rehabilitation and liquidation cases, credit reporting and the information disclosure requirements should include supplemental disclosures of related matters.

O-BANK AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES OVER WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business	Percentage of Ownership (%)	Carrying Amount	Investment Gain (Loss)	Consolidated Investment				Note
						Stocks (Thousands)	Pro-forma Share of Ownership	Total		
								Stocks (Thousands)	Percentage of Ownership (%)	
<u>Financial institution</u>										
Investments accounted for using the equity method										
Beijing Sunshine Consumer Finance Co., Ltd.	Beijing City, China	Financing business	20.00	\$ 1,016,553	\$ 116,128	200,000	-	200,000	20.00	
China Bills Finance Corp.	Taipei City, Taiwan	Bonds underwriting, dealing and brokerage of securities	28.37	6,143,197	170,749	382,532	-	382,532	28.48	
IBT Holdings Corp.	California, America	Holding company	100.00	5,776,633	121,280	10,869	-	10,869	100.00	
IBT Leasing Co., Ltd.	Taipei City, Taiwan	Leasing company	100.00	3,578,811	232,890	288,087	-	288,087	100.00	
IBT Management Corp.	Taipei City, Taiwan	Investment consulting	100.00	247,522	3,541	13,400	-	13,400	100.00	
Financial assets at FVTOCI										
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Information software services industry	0.50	1,577	-	300	-	300	0.50	
<u>Non-financial institution</u>										
Investments accounted for using the equity method										
Chun Teng New Century Co., Ltd.	Taipei City, Taiwan	Securities investment consulting	99.75	164,101	4,296	318,281	-	318,281	99.75	
Financial assets at FVTOCI										
Dio Investment Ltd.	Cayman Island	Coffee retail	8.82	33,609	-	6,997	-	6,997	8.82	
Shengzhuang Holdings Limited	Cayman Island	Chemical material manufacturing	2.18	7,302	-	244	-	244	2.18	

O-BANK AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(In Thousands of New Taiwan Dollars, Renminbi and U.S. Dollars)

O-Bank

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of June 30, 2022 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of June 30, 2022 (Note 1)	Accumulated Inward Remittance of Earnings as of June 30, 2022
					Outflow	Inflow					
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	\$ 457,796 (US\$ 15,399)	Note 2 c.	\$ 59,458 (US\$ 2,000)	\$ -	\$ -	\$ 59,458 (US\$ 2,000)	2.60	\$ -	\$ 59,458 (US\$ 2,000)	\$ -
Ou Suomiluo Food Co., Ltd.	Coffee retailing	44,412 (RMB 10,000)	Note 2 c.	14,864 (US\$ 500)	-	-	14,864 (US\$ 500)	2.09	-	14,864 (US\$ 500)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	241,156 (RMB 54,300)	Note 2 c.	59,458 (US\$ 2,000)	-	-	59,458 (US\$ 2,000)	2.18	-	59,458 (US\$ 2,000)	-
Beijing Sunshine Consumer Finance Co., Ltd.	Financing business	4,441,170 (RMB 1,000,000)	Note 2 d.	888,234 (RMB 200,000)	-	-	888,234 (RMB 200,000)	20.00	116,128	1,016,553 (RMB 200,000)	-

Accumulated Investment in Mainland China as of June 30, 2022 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$133,780 (US\$4,500) \$888,234 (RMB200,000)	\$133,780 (US\$4,500) \$888,234 (RMB200,000)	Note 4

IBT Leasing Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of June 30, 2022 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of June 30, 2022 (Note 1)	Accumulated Inward Remittance of Earnings as of June 30, 2022
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,932,381 (US\$ 65,000)	Note 2 d.	\$ 1,569,688 (US\$ 52,800)	\$ 158,842 (US\$ 5,343)	\$ -	\$ 1,728,530 (US\$ 58,143)	100.00 (Note 6)	\$ 224,332 (Notes 3 and 7)	\$ 3,410,514 (Note 7)	\$ -
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	23,783,152 (US\$ 800,000)	Note 2 c.	132,502 (US\$ 4,457)	-	-	132,502 (US\$ 4,457)	0.75	-	132,502 (US\$ 4,457)	-
Shinlien Brine Huaian Co.	Production of glass materials	951,326 (US\$ 32,000)	Note 2 c.	11,267 (US\$ 379)	-	-	11,267 (US\$ 379)	0.75	-	11,267 (US\$ 379)	-

Accumulated Investment in Mainland China as of June 30, 2022 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$1,872,299 (US\$62,979)	\$1,872,299 (US\$62,979)	Note 5

(Continued)

IBT Management Corp.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (Notes 1 and 9)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of June 30, 2022 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of June 30, 2022 (Note 1)	Accumulated Inward Remittance of Earnings as of June 30, 2022
					Outflow	Inflow					
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	\$ 128,726 (US\$ 4,330)	Note 2 c.	\$ 2,140 (US\$ 72)	\$ -	\$ -	\$ 2,140 (US\$ 72)	2.17	\$ -	\$ 2,140 (US\$ 72)	\$ -
Topping Cuisine International Holding, Ltd.	Food retailing	224,581 (US\$ 7,554)	Note 2 c.	12,605 (US\$ 424)	-	-	12,605 (US\$ 424)	1.63	-	12,605 (US\$ 424)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	5,946 (US\$ 200)	Note 2 c.	208 (US\$ 7)	-	-	208 (US\$ 7)	2.17	-	208 (US\$ 7)	-
Beauty Essential International, Ltd.	Cosmetic retailing	89,187 (US\$ 3,000)	Note 2 c.	20,454 (US\$ 688)	-	-	20,454 (US\$ 688)	2.41	-	20,454 (US\$ 688)	-
Meike information technology	Cosmetic retailing information technology	80,268 (US\$ 2,700)	Note 2 c.	862 (US\$ 29)	-	-	862 (US\$ 29)	0.44	-	862 (US\$ 29)	-
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	23,783,152 (US\$ 800,000)	Note 2 c.	80,238 (US\$ 2,699)	-	-	80,238 (US\$ 2,699)	0.46	-	80,238 (US\$ 2,699)	-
Shinlien Brine Huaian Co.	Production of glass materials	951,326 (US\$ 32,000)	Note 2 c.	6,808 (US\$ 229)	-	-	6,808 (US\$ 229)	0.46	-	6,808 (US\$ 229)	-

Accumulated Investment in Mainland China as of June 30, 2022 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$123,315 (US\$4,148)	\$123,315 (US\$4,148)	\$148,512 (Note 8)

IBT VII Venture Capital Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of June 30, 2022 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of June 30, 2022 (Note 1)	Accumulated Inward Remittance of Earnings as of June 30, 2022
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,932,381 (US\$ 65,000)	Note 2 d.	\$ 362,693 (US\$ 12,200)	\$ -	\$ 362,693 (US\$ 12,200)	\$ -	-	\$ 5,489 (Notes 3 and 7)	\$ - (Note 7)	\$ -

Accumulated Investment in Mainland China as of June 30, 2022 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$-	\$-	\$426,368 (Note 8)

Note 1: The amount is after the exchange rate adjustment for the year ended June 30, 2022.

Note 2: There were five investment approaches stated as follows.

- Investment in mainland China by remittance via a third country.
- Indirect investment in mainland China via setting a company in a third country.
- Indirect investment in mainland China via investing in a current company in a third country. (Via investing Shilien China Holding Co., Limited, Dio Investment, Ltd., Shengzhuang Holding, Ltd., Topping Cuisine International Holding, Ltd., and Beauty Essential International, Ltd.)
- Direct investment in mainland China.
- Others.

(Continued)

Note 3: From financial statements audited by other CPA.

Note 4: The Bank got the recognition from the Industrial Development Bureau, Industry of Economic Affairs in April 2020, so the Bank is not under “the regulation of investing or technology-cooperation in China”.

Note 5: IBT Leasing Co., Ltd. obtained the documents issued by the Industrial Development Bureau of the Ministry of Economic Affairs in line with the operational headquarters in September 2018, so it is not under “the regulation of investing or technology-cooperation in China”.

Note 6: IBT Tianjin International Leasing Corp. was merged by IBT Leasing Co., Ltd. on January 1, 2019. IBT Leasing Co., Ltd. holds 95% stock of IBT International Leasing Corp. directly and 5% indirectly through IBT VII Venture Capital Co., Ltd. In April 2022, IBT Leasing acquired 5% of the IBT International Leasing Corp. share held by IBT VII Venture Capital Corporation Limited.

Note 7: Before the completion of the transfer, the accumulated investment amount and the investment profit and loss of IBT Tianjin International Leasing Corp., is 95% held directly by IBT Leasing Co., Ltd. and 5% indirectly through IBT VII Venture Capital Co., Ltd. After the completion of the transfer transaction, the accumulated investment amount is 100% held by IBT Leasing Co., Ltd. The book value of the investment at the end of the period is 100% owned by IBT Leasing Co., Ltd.

Note 8: The original investment is within the limit.

Note 9: IBT Management Corp. has obtained the verification letter of part of investment from the Investment Review Committee of the Ministry of Economic Affairs, and the remittance amount is mainly based on the verification letter.

Note 10: IBT Leasing acquired 5% of IBT International Leasing Corp. share held by IBT VII Venture Capital Corporation Limited, and the transfer amount was NT\$156,264 thousand (equivalent to US\$5,343 thousand).

(Concluded)

O-BANK AND SUBSIDIARIES

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

No. (Note 1)	Transaction Corporation	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
0	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing, IBTVC7 and IBTS	a	Deposits	\$ 216,092	Note 3	0.04
0	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing, IBTVC7 and IBTS	a	Interest expense	380	Note 3	0.01
0	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTS	a	Payables	156	Note 3	-
0	The Bank	CBF, IBTM and IBT Leasing	a	Other net revenue other than interest	28,241	Note 3	0.65
0	The Bank	CBF	a	Dividend receivable	342,883	Note 3	0.06
1	Chun Teng New Century	The Bank	b	Cash and cash equivalents	9,495	Note 3	-
1	Chun Teng New Century	The Bank	b	Discontinued operations - interest revenue	47	Note 3	-
1	Chun Teng New Century	The Bank	b	Accounts receivable	7	Note 3	-
1	Chun Teng New Century	IBT Leasing	c	Discontinued operations - other operating and administrative expenses	189	Note 3	-
2	IBTM	The Bank	b	Cash and cash equivalents	10,573	Note 3	-
2	IBTM	The Bank	b	Other operating and administrative expenses	387	Note 3	0.01
2	IBTM	The Bank	b	Lease interest expense	2	Note 3	-
2	IBTM	The Bank	b	Interest revenue	2	Note 3	-
2	IBTM	The Bank	b	Accounts receivable	1	Note 3	-
2	IBTM	IBTVC7	c	Consultancy service income	7,740	Note 3	0.18
3	CBF	The Bank	b	Other operating and administrative expenses	23,873	Note 3	0.55
3	CBF	The Bank	b	Dividend payable	342,883	Note 3	0.06

(Continued)

No. (Note 1)	Transaction Corporation	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
3	CBF	The Bank	b	Lease interest expense	\$ 244	Note 3	0.01
4	IBTS Financial (HK) Limited	The Bank	b	Cash and cash equivalents	51,808	Note 3	0.01
4	IBTS Financial (HK) Limited	The Bank	b	Discontinued operations - interest revenue	101	Note 3	-
4	IBTS Financial (HK) Limited	The Bank	b	Accounts receivable	44	Note 3	-
5	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	57,243	Note 3	0.01
5	IBTS Asia (HK) Limited	The Bank	b	Discontinued operations - interest revenue	126	Note 3	-
5	IBTS Asia (HK) Limited	The Bank	b	Accounts receivable	48	Note 3	-
6	IBTL	The Bank	b	Cash and cash equivalents	41,785	Note 3	0.01
6	IBTL	The Bank	b	Interest revenue	22	Note 3	-
6	IBTL	The Bank	b	Lease interest expense	115	Note 3	-
6	IBTL	The Bank	b	Other operating and administrative expenses	3,757	Note 3	0.09
6	IBTL	The Bank	b	Accounts receivable	3	Note 3	-
6	IBTL	Chun Teng New Century	c	Other net revenue other than interest	189	Note 3	-
7	IBTVC7	The Bank	b	Cash and cash equivalents	1,967	Note 3	-
7	IBTVC7	The Bank	b	Interest revenue	2	Note 3	-
7	IBTVC7	IBTM	c	Other operating and administrative expenses	7,740	Note 3	0.18
8	IBTS	The Bank	b	Cash and cash equivalents	43,221	Note 3	0.01
8	IBTS	The Bank	b	Accounts receivable	53	Note 3	-
8	IBTS	The Bank	b	Discontinued operations - interest revenue	80	Note 3	-

Note 1: Information about the business transactions between the Bank and its subsidiaries were classified as follows:

- a. 0 for the Bank.
- b. Subsidiaries are numbered sequentially starting from the number 1.

(Continued)

Note 2: The types of transactions with related parties were classified as follows:

- a. Parent company to subsidiaries.
- b. Subsidiaries to parent company.
- c. Subsidiaries to subsidiaries.

Note 3: The terms for the transactions between the Bank and related parties are similar to those with unrelated parties.

(Concluded)

O-BANK AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS
JUNE 30, 2022**

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Ming Shan Investment Co., Ltd.	386,271,554	12.74
Yi Chang Investment Co., Ltd.	289,007,997	9.53
Taixuan Investment Co., Ltd.	287,135,501	9.47

Note 1: The major shareholder's information on this table is on the last business day at the end of the quarter from the Taiwan Central Depository and Clearing Co., Ltd. The shareholding included shares that the company has completed the delivery of the common stock and preferred stock without physical registration (including treasury shares) of more than 5%. The share capital recorded in the Bank's financial report and the actual number of shares has been actually delivered without physical registration. Differences, if any, may be due to the basis of preparation and calculation.

Note 2: If shareholders transfer the shareholding to a trust, the trustee will open the trust account to separate the account. Shareholders' handling of insider shareholdings with more than 10% of their shares shall be in accordance with the Securities Exchange Act. However, their shareholdings include their own shares plus their delivery to the trust and the use of decision-making shares in the trust property. Information on insider equity declaration refers to the Public Information Observatory.

Note 3: The number of shares are the total number of common stocks and preferred stocks.

Note 4: Shareholding ratio (%) = The total number of shares held by the shareholder ÷ The total number of shares that have been delivered without physical registration. It is calculated to the second decimal place and rounded off after the third decimal place.