

O-Bank and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2022 and 2021 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
O-Bank

Introduction

We have reviewed the accompanying consolidated financial statements of O-Bank and its subsidiaries (collectively referred to as the "Group") as of March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as 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. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Notes 15 and 16 to the consolidated financial statements, the financial statements of some non-significant subsidiaries and investment accounted for using the equity method included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2022 and 2021, combined total assets of these non-significant subsidiaries were NT\$1,279,440 thousand and NT\$1,139,437 thousand, respectively, representing 0.22% and 0.20%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$268,600 thousand and NT\$299,491 thousand, respectively, representing 0.05% and 0.06%, respectively, of the consolidated total liabilities; for the three months ended March 31, 2022 and 2021, the amounts of combined total comprehensive income (loss) of these subsidiaries were NT\$46,915 thousand and NT\$36,174 thousand, respectively, representing (4.10%) and 5.14%, respectively, of the consolidated total comprehensive income (loss). As of March 31, 2022 and 2021, the amount of investment accounted for using the equity method was NT\$992,387 thousand and NT\$785,323 thousand, respectively, representing 0.17% and 0.14%, respectively, of the consolidated total assets; for the three months ended March 31, 2022 and 2021, the amount of share

of comprehensive income (loss) of associate accounted for using the equity method was NT\$111,508 thousand and NT\$(4,540) thousand, respectively, representing (9.73%) and (0.65%), respectively, of the consolidated total comprehensive income (loss).

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and the investment accounted for using the equity method described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three months ended 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.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 4, 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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors’ review 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’ review report and consolidated financial statements shall prevail.

O-BANK AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	March 31, 2022 (Reviewed)		December 31, 2021 (Audited)		March 31, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CASH AND CASH EQUIVALENTS (Note 6)	\$ 8,493,631	2	\$ 11,779,386	2	\$ 8,702,657	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	12,104,523	2	12,981,310	2	19,777,779	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 42)	149,466,133	26	151,899,447	27	150,247,912	27
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 42 and 46)	185,663,075	33	191,156,680	33	176,817,433	31
BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS (Note 10)	4,214,167	1	5,364,108	1	5,984,029	1
RECEIVABLES, NET (Notes 11 and 13)	20,084,459	4	20,076,514	4	15,419,104	3
CURRENT TAX ASSETS	272,463	-	324,529	-	347,218	-
DISCOUNTS AND LOANS, NET (Notes 12, 13, 41 and 42)	182,030,373	32	172,727,589	30	177,431,625	31
INVESTMENT ACCOUNTED FOR USING EQUITY METHOD, NET (Note 16)	992,387	-	880,879	-	785,323	-
OTHER FINANCIAL ASSETS (Notes 17 and 42)	344,241	-	875,733	-	910,524	-
PROPERTY AND EQUIPMENT, NET (Notes 18 and 43)	2,536,968	-	2,545,050	1	2,634,581	1
RIGHT-OF-USE ASSETS, NET (Note 19)	307,201	-	332,938	-	391,304	-
INTANGIBLE ASSETS, NET (Note 20)	1,918,278	-	1,946,051	-	2,139,728	-
DEFERRED TAX ASSETS	1,050,492	-	900,743	-	872,075	-
OTHER ASSETS (Notes 19 and 21)	<u>1,430,283</u>	<u>-</u>	<u>1,289,712</u>	<u>-</u>	<u>1,452,187</u>	<u>-</u>
TOTAL	<u>\$ 570,908,674</u>	<u>100</u>	<u>\$ 575,080,669</u>	<u>100</u>	<u>\$ 563,913,479</u>	<u>100</u>
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits From the Central Bank and other banks (Note 22)	\$ 28,805,508	5	\$ 27,876,301	5	\$ 24,164,498	4
Financial liabilities at fair value through profit or loss (Note 8)	662,588	-	441,337	-	440,044	-
Bills and bonds sold under repurchase agreements (Note 23)	178,014,092	31	187,952,616	33	178,306,779	32
Payables (Note 24)	2,312,106	-	2,467,406	-	3,560,001	1
Current tax liabilities	324,847	-	238,572	-	296,737	-
Deposits and remittances (Notes 25 and 41)	265,793,248	47	259,379,425	45	263,057,413	47
Bank debentures payable (Note 26)	15,000,000	3	15,000,000	3	15,100,000	3
Other financial liabilities (Note 27)	19,855,675	4	20,580,832	4	18,388,194	3
Provisions (Notes 13, 28 and 29)	2,065,373	-	2,076,334	-	2,135,747	-
Lease liabilities (Note 19)	324,311	-	350,370	-	408,683	-
Deferred tax liabilities	833,309	-	830,510	-	719,507	-
Other liabilities (Note 30)	<u>2,866,956</u>	<u>1</u>	<u>2,719,579</u>	<u>-</u>	<u>2,377,538</u>	<u>-</u>
Total liabilities	<u>516,858,013</u>	<u>91</u>	<u>519,913,282</u>	<u>90</u>	<u>508,955,141</u>	<u>90</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK						
Capital						
Common stock	27,333,603	5	27,330,063	5	27,330,063	5
Preferred stock	2,996,460	-	3,000,000	1	3,000,000	1
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	13,032	-	6,734	-	6,749	-
Retained earnings						
Legal reserve	3,729,690	1	3,729,690	1	3,697,811	1
Special reserve	797,783	-	797,783	-	1,396,353	-
Unappropriated earnings	2,630,945	-	2,040,419	-	644,965	-
Total retained earnings	<u>7,158,418</u>	<u>1</u>	<u>6,567,892</u>	<u>1</u>	<u>5,739,129</u>	<u>1</u>
Other equity	(1,488,428)	-	(485,479)	-	52,650	-
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	35,996,248	6	36,380,906	7	36,090,287	7
NON-CONTROLLING INTERESTS	<u>18,054,413</u>	<u>3</u>	<u>18,786,481</u>	<u>3</u>	<u>18,868,051</u>	<u>3</u>
Total equity (Note 31)	<u>54,050,661</u>	<u>9</u>	<u>55,167,387</u>	<u>10</u>	<u>54,958,338</u>	<u>10</u>
TOTAL	<u>\$ 570,908,674</u>	<u>100</u>	<u>\$ 575,080,669</u>	<u>100</u>	<u>\$ 563,913,479</u>	<u>100</u>

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

(With Deloitte & Touche auditors' review report dated May 4, 2022)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2022		2021	
	Amount	%	Amount	%
INTEREST REVENUE (Notes 32 and 41)	\$ 1,754,684	76	\$ 1,711,653	74
INTEREST EXPENSE (Notes 32 and 41)	<u>(554,266)</u>	<u>(24)</u>	<u>(577,761)</u>	<u>(25)</u>
NET INTEREST	<u>1,200,418</u>	<u>52</u>	<u>1,133,892</u>	<u>49</u>
NET REVENUE OTHER THAN INTEREST REVENUE				
Service fee income, net (Notes 33 and 41)	721,283	32	669,369	29
Gains on financial assets or liabilities measured at fair value through profit or loss (Note 34)	834,444	36	199,854	9
Realized gains on financial assets at fair value through other comprehensive income (Note 35)	19,083	1	110,233	5
Foreign exchange gain (loss), net	(597,362)	(26)	125,767	5
Reversal of impairment loss (impairment loss) on assets	461	-	(1,215)	-
Share of profit (loss) of associates accounted for using equity method (Note 16)	75,676	3	(2,089)	-
Other net revenue other than interest	<u>43,041</u>	<u>2</u>	<u>69,318</u>	<u>3</u>
Total net revenue other than interest revenue	<u>1,096,626</u>	<u>48</u>	<u>1,171,237</u>	<u>51</u>
NET REVENUE	<u>2,297,044</u>	<u>100</u>	<u>2,305,129</u>	<u>100</u>
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Note 13)	<u>(43,812)</u>	<u>(2)</u>	<u>(26,561)</u>	<u>(1)</u>
OPERATING EXPENSES				
Employee benefits expenses (Notes 29, 36 and 41)	694,247	30	693,353	30
Depreciation and amortization expenses (Note 37)	159,275	7	161,337	7
Other general and administrative expenses (Notes 38 and 41)	<u>281,190</u>	<u>12</u>	<u>272,077</u>	<u>12</u>
Total operating expenses	<u>1,134,712</u>	<u>49</u>	<u>1,126,767</u>	<u>49</u>

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2022		2021	
	Amount	%	Amount	%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	\$ 1,118,520	49	\$ 1,151,801	50
INCOME TAX EXPENSE (Note 39)	<u>233,590</u>	<u>10</u>	<u>309,748</u>	<u>13</u>
INCOME FROM CONTINUING OPERATIONS	884,930	39	842,053	37
INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 14)	<u>7,471</u>	<u>-</u>	<u>(593)</u>	<u>-</u>
NET PROFIT FOR THE PERIOD	<u>892,401</u>	<u>39</u>	<u>841,460</u>	<u>37</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:				
Gains (losses) on remeasurements of defined benefit plans	-	-	(149)	-
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	(93,982)	(4)	648,998	28
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 39)	<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>(93,982)</u>	<u>(4)</u>	<u>648,879</u>	<u>28</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	485,408	21	(3,604)	-
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(2,592,311)	(113)	(898,078)	(39)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 39)	<u>162,906</u>	<u>7</u>	<u>115,093</u>	<u>5</u>
Components of other comprehensive income (loss) that will be reclassified to profit or loss, net of tax	<u>(1,943,997)</u>	<u>(85)</u>	<u>(786,589)</u>	<u>(34)</u>
Other comprehensive income (loss) for the period, net of income tax	<u>(2,037,979)</u>	<u>(89)</u>	<u>(137,710)</u>	<u>(6)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ (1,145,578)</u>	<u>(50)</u>	<u>\$ 703,750</u>	<u>31</u>

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2022		2021	
	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Bank	\$ 581,783	25	\$ 453,803	20
Non-controlling interests	<u>310,618</u>	<u>14</u>	<u>387,657</u>	<u>17</u>
	<u>\$ 892,401</u>	<u>39</u>	<u>\$ 841,460</u>	<u>37</u>
TOTAL COMPREHENSIVE INCOME (LOSS)				
ATTRIBUTABLE TO:				
Owners of the Bank	\$ (412,423)	(18)	\$ 533,609	23
Non-controlling interests	<u>(733,155)</u>	<u>(32)</u>	<u>170,141</u>	<u>8</u>
	<u>\$ (1,145,578)</u>	<u>(50)</u>	<u>\$ 703,750</u>	<u>31</u>
EARNINGS PER SHARE (Note 40)				
From continuing and discontinued operations				
Basic	<u>\$0.21</u>		<u>\$0.17</u>	
Diluted	<u>\$0.19</u>		<u>\$0.15</u>	
From continuing operations				
Basic	<u>\$0.21</u>		<u>\$0.17</u>	
Diluted	<u>\$0.19</u>		<u>\$0.15</u>	

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

(With Deloitte & Touche auditors' review report dated May 4, 2022)

(Concluded)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

Equity Attributable to Owners of the Bank (Notes 9 and 31)

	Equity Attributable to Owners of the Bank (Notes 9 and 31)								Other Equity		Treasury Stock	Owners of the Bank	Non-controlling Interests (Note 31)	Total Equity
	Capital Stock			Capital Surplus	Retained Earning				Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income				
	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
Unclaimed dividends	-	-	-	371	-	-	-	-	-	-	-	371	1,040	1,411
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	412	-	-	-	-	-	-	-	412	-	412
Net profit for the three months ended March 31, 2021	-	-	-	-	-	-	453,803	453,803	-	-	-	453,803	387,657	841,460
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	(33)	(33)	(2,753)	82,592	-	79,806	(217,516)	(137,710)
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	-	-	453,770	453,770	(2,753)	82,592	-	533,609	170,141	703,750
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	84,933	84,933	-	(84,933)	-	-	-	-
BALANCE AT MARCH 31, 2021	\$ 27,330,063	\$ 3,000,000	\$ 30,330,063	\$ 6,749	\$ 3,697,811	\$ 1,396,353	\$ 644,965	\$ 5,739,129	\$ (700,307)	\$ 752,957	\$ (38,304)	\$ 36,090,287	\$ 18,868,051	\$ 54,958,338
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
Unclaimed dividends	-	-	-	-	-	-	-	-	-	-	-	-	1,087	1,087
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	430	-	-	-	-	-	-	-	430	-	430
Net profit for the three months ended March 31, 2022	-	-	-	-	-	-	581,783	581,783	-	-	-	581,783	310,618	892,401
Other comprehensive income (loss) for the three months ended March 31, 2022, net of income tax	-	-	-	-	-	-	-	-	401,903	(1,396,109)	-	(994,206)	(1,043,773)	(2,037,979)
Total comprehensive income (loss) for the three months ended March 31, 2022	-	-	-	-	-	-	581,783	581,783	401,903	(1,396,109)	-	(412,423)	(733,155)	(1,145,578)
Convertible preferred stock converted to ordinary shares	3,540	(3,540)	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	8,743	8,743	-	(8,743)	-	-	-	-
BALANCE AT MARCH 31, 2022	\$ 27,333,603	\$ 2,996,460	\$ 30,330,063	\$ 13,032	\$ 3,729,690	\$ 797,783	\$ 2,630,945	\$ 7,158,418	\$ (544,164)	\$ (944,264)	\$ (16,837)	\$ 35,996,248	\$ 18,054,413	\$ 54,050,661

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

(With Deloitte & Touche auditors' review report dated May 4, 2022)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	\$ 1,118,520	\$ 1,151,801
Profit (loss) from discontinued operations before tax	7,471	(593)
Adjustments for:		
Depreciation expense	90,808	89,181
Amortization expense	69,154	72,314
Expected credit loss/recognition of provisions	43,351	27,776
Net gain on financial assets or liabilities at fair value through profit or loss	(820,537)	(203,461)
Interest expense	554,266	577,761
Interest revenue	(1,754,684)	(1,711,586)
Dividends income	(83,720)	(5,463)
Share-based payment arrangements	8,423	-
Share of loss (profit) of associates accounted for using the equity method	(75,676)	2,089
Loss on disposal of property and equipment	123	199
Loss (gain) on disposal of investments	64,637	(104,770)
Changes in operating assets and liabilities:		
Due from the Central Bank and call loans to banks	1,210,918	622,676
Financial assets at fair value through profit or loss	2,837,806	12,079,318
Financial assets at fair value through other comprehensive income	3,383,393	(3,963,517)
Bills and bonds purchased under resell agreements	1,149,941	(1,251,147)
Receivables	27,842	(509,572)
Discounts and loans	(9,372,261)	6,274,667
Deposits from the Central Bank and other banks	929,207	(4,315,257)
Financial liabilities at fair value through profit or loss	221,251	(350,254)
Bills and bonds sold under repurchase agreements	(9,938,524)	(2,859,047)
Payables	(434,289)	837,029
Deposits and remittances	6,413,823	(4,662,259)
Provisions	<u>30,858</u>	<u>4,553</u>
Cash generated from (used in) operations	(4,317,899)	1,802,438
Interest received	1,710,871	1,757,637
Dividends received	81,556	4,578
Interest paid	(477,184)	(591,247)
Income tax paid	<u>(37,576)</u>	<u>(220,265)</u>
Net cash flows generated from (used in) operating activities	<u>(3,040,232)</u>	<u>2,753,141</u>

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	\$ (40,106)	\$ (14,045)
Proceeds from disposal of property and equipment	-	156
Increase in refundable deposits	(103,562)	(362,773)
Acquisition of intangible assets	(3,857)	(2,876)
Increase in other financial assets	(22,302)	-
Decrease in other financial assets	-	518,579
Increase in other assets	<u>(37,009)</u>	<u>(39,216)</u>
Net cash flows generated from (used in) investing activities	<u>(206,836)</u>	<u>99,825</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	134,722	180,150
Increase in commercial papers	-	118,000
Decrease in commercial papers	(100,058)	-
Repayments of bank debentures	-	(1,300,000)
Proceeds from long-term borrowings	851,805	492,501
Repayments of long-term borrowings	(1,766,336)	(425,417)
Repayment of the principal portion of lease liabilities	(41,390)	(44,072)
Increase in other financial liabilities	-	65,252
Decrease in other financial liabilities	(90,453)	-
Increase in other liabilities	147,377	127,865
Transfer of treasury stock to employees	<u>18,912</u>	<u>-</u>
Net cash flows used in financing activities	<u>(845,421)</u>	<u>(785,721)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>587,071</u>	<u>(140,250)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(3,505,418)	1,926,995
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		
	<u>15,198,196</u>	<u>16,905,644</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
	<u>\$ 11,692,778</u>	<u>\$ 18,832,639</u>

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

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

	<u>March 31</u>	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents reported in the consolidated balance sheets	\$ 8,493,631	\$ 8,702,657
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	3,199,147	9,559,341
Other items qualifying for cash and cash equivalents under the definition of IAS 7	-	570,641
Cash and cash equivalents at the end of the period	<u>\$ 11,692,778</u>	<u>\$ 18,832,639</u>

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

(With Deloitte & Touche auditors' review report dated May 4, 2022)

(Concluded)

O-BANK AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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 credit 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 March 31, 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 March 31, 2022, December 31, 2021 and March 31, 2021, the Bank and its subsidiaries (the "Group") had 1,583, 1,545 and 1,449 employees, respectively.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on May 4, 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. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: 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 4: 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by 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 46 for the maturity analysis of assets and 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 15 and Table 5 for the list of main business activities and ownership percentages of subsidiaries.

Other Significant Accounting 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.

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

	March 31, 2022	December 31, 2021	March 31, 2021
Cash on hand and petty cash	\$ 82,870	\$ 83,873	\$ 78,862
Checking for clearing	139,433	75,133	1,317,196
Due from banks	<u>8,271,328</u>	<u>11,620,380</u>	<u>7,306,599</u>
	<u>\$ 8,493,631</u>	<u>\$ 11,779,386</u>	<u>\$ 8,702,657</u>

The cash and cash equivalents of the consolidated cash flows and the related adjustments of the consolidated balance sheets on December 31, 2021 are as follows. The adjustments as March 31, 2022 and 2021, refer to the consolidated 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
Others 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 BANKS

	March 31, 2022	December 31, 2021	March 31, 2021
Reserves for deposits - Type A	\$ 3,026,716	\$ 2,921,318	\$ 4,005,010
Reserves for deposits - Type B	5,042,181	5,166,200	5,384,141
Due from Central Bank - Financial	804,995	2,001,086	800,754
Call loans to banks	3,199,147	2,865,016	9,559,341
Others	<u>31,484</u>	<u>27,690</u>	<u>28,533</u>
	<u>\$ 12,104,523</u>	<u>\$ 12,981,310</u>	<u>\$ 19,777,779</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

	March 31, 2022	December 31, 2021	March 31, 2021
Financial assets mandatorily classified as at <u>FVTPL</u>			
Hybrid financial assets			
Convertible bond - domestic (include assets swap contracts)	\$ 10,891,608	\$ 11,103,311	\$ 8,647,752
Structured debt	<u>570,313</u>	<u>557,116</u>	<u>576,348</u>
	<u>11,461,921</u>	<u>11,660,427</u>	<u>9,224,100</u>
Derivative financial instruments			
Currency swap contracts	767,285	211,885	365,450
Forward contracts	63,235	40,823	27,967
Interest rate swap contracts	473	5,528	6,794
Currency option contracts - call	43,213	4,630	14,979
Promised purchase contracts	26,481	-	-
Future exchange margins	<u>23,845</u>	<u>-</u>	<u>-</u>
	<u>924,532</u>	<u>262,866</u>	<u>415,190</u>
Non-derivative financial assets			
Bills	92,246,302	95,940,011	95,181,495
Negotiable certificate of deposit	43,623,200	42,434,758	43,565,906
Stocks and beneficiary certificates	1,210,147	1,601,385	1,861,221
When-issued government bonds	<u>31</u>	<u>-</u>	<u>-</u>
	<u>137,079,680</u>	<u>139,976,154</u>	<u>140,608,622</u>
	<u>\$ 149,466,133</u>	<u>\$ 151,899,447</u>	<u>\$ 150,247,912</u>

(Continued)

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Held-for-trading financial liabilities</u>			
Financial liabilities held for trading			
Derivative financial instruments			
Currency swap contracts	\$ 490,347	\$ 273,190	\$ 327,330
Forward contracts	64,346	62,885	43,125
Interest rate swap contracts	3,364	9,311	14,500
Currency option contracts - put	43,636	4,289	15,087
Others	<u>10,388</u>	<u>40,404</u>	<u>39,722</u>
	<u>612,081</u>	<u>390,079</u>	<u>439,764</u>
Non-derivative financial liabilities			
When-issued government bonds	-	49,567	-
Commercial paper contracts	<u>50,507</u>	<u>1,691</u>	<u>280</u>
	<u>50,507</u>	<u>51,258</u>	<u>280</u>
	<u>\$ 662,588</u>	<u>\$ 441,337</u>	<u>\$ 440,044</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 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 highly 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 March 31, 2022, December 31, 2021 and March 31, 2021 were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Interest rate swap contracts	\$ 12,709,549	\$ 14,010,914	\$ 12,040,003
Currency swap contracts	84,401,139	99,978,371	63,466,495
Forward contracts	11,322,696	10,506,426	8,497,613
Currency option contracts			
Buy	2,166,074	388,971	1,181,764
Sell	2,141,573	307,351	1,017,191
Promised purchase contracts	13,100,000	12,900,000	12,800,000

As of March 31, 2022, December 31, 2021 and March 31, 2021, financial assets at fair value through profit and loss under agreement to repurchase were in the amounts of \$72,886,700 thousand, \$78,572,100 thousand and \$72,117,000 thousand, respectively.

Refer to Note 42 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

	March 31, 2022	December 31, 2021	March 31, 2021
Investments in equity instruments at FVTOCI	\$ 7,850,867	\$ 7,600,894	\$ 7,156,811
Investments in debt instruments at FVTOCI			
Government bonds	21,903,086	21,349,542	19,245,391
Bank debentures	32,171,179	34,596,305	36,334,105
Corporate bonds	84,697,763	86,613,703	71,425,460
Overseas government bonds	2,503,566	2,721,421	2,599,067
Mortgage backed securities	2,629,647	2,467,423	2,319,466
Commercial papers	6,897,764	6,384,497	9,065,496
Negotiable certificates of deposit	<u>27,009,203</u>	<u>29,422,895</u>	<u>28,671,637</u>
	<u>\$ 185,663,075</u>	<u>\$ 191,156,680</u>	<u>\$ 176,817,433</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 of stocks classified as at FVTOCI for invested management purpose for the three months ended March 31, 2022 and 2021. The fair values of stocks classified as at FVTOCI which had to be disposed of were \$131,046 thousand and \$534,603 thousand and the accumulated gain related to the sold assets of \$8,743 thousand and \$84,933 thousand, respectively, were transferred from other equity-unrealized valuation gain or loss on financial assets at FVTOCI to retained earnings.

Dividends income from FVTOCI of \$83,720 thousand and \$5,463 thousand were recognized in profit or loss for the three months ended March 31, 2022 and 2021. The dividends related to investments held at the end of the reporting period were \$83,720 thousand and \$5,463 thousand, respectively.

b. Investments in debt instruments at FVTOCI

- 1) Refer to Note 42 for information relating to investments in debt instruments at FVTOCI pledged as security.
- 2) Refer to Note 46 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.
- 3) The Group has sold investments in debt instruments at FVTOCI on the condition of buying them back. The amounts were \$97,017,875 thousand, \$99,219,428 thousand and \$95,361,613 thousand, on March 31, 2022, December 31, 2021 and March 31, 2021, respectively.

10. BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS

As of March 31, 2022, December 31, 2021 and March 31, 2021, bonds and bills in the amounts of \$4,214,167 thousand, \$5,364,108 thousand, and \$5,984,029 thousand, respectively, had been purchased under resell agreements would subsequently be sold for \$4,215,171 thousand, \$5,365,201 thousand and \$5,985,064 thousand before April 2022, February 2022 and May 2021, respectively. As of March 31, 2022, December 31, 2021 and March 31, 2021, bonds and bills purchased under resell agreements were sold under repurchase agreements in the face amount of \$3,707,400 thousand, \$5,330,000 thousand and \$5,980,000 thousand, respectively.

11. RECEIVABLES, NET

	March 31, 2022	December 31, 2021	March 31, 2021
Lease payment receivable	\$ 16,881,241	\$ 17,072,141	\$ 13,141,998
Factored receivables	1,403,142	1,568,952	977,289
Interest receivable	1,029,924	980,147	1,052,021
Account receivable	1,430,593	1,557,850	972,418
Investment settlements receivable	440,258	88,899	93,142
Acceptances receivable	36,308	84,266	110,937
Settlements accounts receivable - trusteeship	62,620	60,580	75,325
Others	<u>227,286</u>	<u>145,595</u>	<u>116,347</u>
	21,511,372	21,558,430	16,539,477
Less: Unrealized interest revenue	916,039	976,710	703,181
Allowance for credit losses	<u>510,874</u>	<u>505,206</u>	<u>417,192</u>
Receivables, net	<u>\$ 20,084,459</u>	<u>\$ 20,076,514</u>	<u>\$ 15,419,104</u>

The changes in gross carrying amount on receivables (less unrealized interest revenue) for the three months ended March 31, 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	19,324	(19,324)	-	-
To lifetime ECLs	(105,199)	105,199	-	-
To credit-impaired financial assets	(231)	(67,008)	67,239	-
New financial assets purchased or originated	5,513,491	9,112	40	5,522,643
Derecognition of financial assets in the reporting period	(5,933,902)	(40,852)	(4,119)	(5,978,873)
Write-offs	-	-	(25,068)	(25,068)
Exchange rate or other changes	<u>486,611</u>	<u>655</u>	<u>7,645</u>	<u>494,911</u>
Balance at March 31, 2022	<u>\$ 20,174,167</u>	<u>\$ 123,611</u>	<u>\$ 297,555</u>	<u>\$ 20,595,333</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	2,920	(2,918)	(2)	-
To lifetime ECLs	(14,580)	14,580	-	-
To credit-impaired financial assets	(25,841)	(9,949)	35,790	-
New financial assets purchased or originated	4,830,703	7,069	267	4,838,039
Derecognition of financial assets in the reporting period	(4,308,877)	(13,794)	(15,929)	(4,338,600)
Write-offs	-	-	(12,047)	(12,047)
Exchange rate or other changes	(34,543)	(133)	(484)	(35,160)
Balance at March 31, 2021	<u>\$ 15,520,628</u>	<u>\$ 81,793</u>	<u>\$ 233,875</u>	<u>\$ 15,836,296</u> (Concluded)

Rental equipment is held as collateral for the lease payment 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 13 for the details and changes in the allowance for doubtful debts of receivables.

Refer to Note 46 for the impairment loss analysis of receivables.

12. DISCOUNTS AND LOANS, NET

	March 31, 2022	December 31, 2021	March 31, 2021
Short-term	\$ 68,081,207	\$ 61,988,195	\$ 57,694,730
Medium-term	89,744,762	87,064,663	94,037,906
Long-term	26,191,321	25,363,949	27,205,399
Export bill negotiated	2,649	91,416	1,223
Guaranteed overdraft	131,538	138,453	150,912
Overdue loans	538,745	649,859	694,977
Accounts receivables financing	-	-	110,056
	<u>184,690,222</u>	<u>175,296,535</u>	<u>179,895,203</u>
Less: Allowance for credit losses	<u>2,659,849</u>	<u>2,568,946</u>	<u>2,463,578</u>
	<u>\$ 182,030,373</u>	<u>\$ 172,727,589</u>	<u>\$ 177,431,625</u>

The changes in gross carrying amount on discount and loans for the three months ended March 31, 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	350,068	(350,068)	-	-
To lifetime ECLs	(129,286)	129,286	-	-
To credit-impaired financial assets	(39,609)	(83,064)	122,673	-
New financial assets purchased or originated	56,445,099	4,308,144	23,623	60,776,866
Derecognition of financial assets in the reporting period	(46,696,015)	(5,981,705)	(149,172)	(52,826,892)
Write-offs	-	-	(15,691)	(15,691)
Exchange rate or other changes	<u>1,351,255</u>	<u>111,630</u>	<u>(3,481)</u>	<u>1,459,404</u>
Balance at March 31, 2022	<u>\$ 172,566,370</u>	<u>\$ 10,909,764</u>	<u>\$ 1,214,088</u>	<u>\$ 184,690,222</u>
Balance at January 1, 2021	\$ 167,034,025	\$ 17,442,689	\$ 1,696,982	\$ 186,173,696
Transfers				
To 12-month ECLs	1,258,633	(1,255,199)	(3,434)	-
To lifetime ECLs	(23,039)	23,039	-	-
To credit-impaired financial assets	(22,011)	(18,071)	40,082	-
New financial assets purchased or originated	38,352,340	5,380,922	209,303	43,942,565
Derecognition of financial assets in the reporting period	(42,830,485)	(6,994,784)	(322,583)	(50,147,852)
Write-offs	-	-	(11,027)	(11,027)
Exchange rate or other changes	<u>(67,434)</u>	<u>5,556</u>	<u>(301)</u>	<u>(62,179)</u>
Balance at March 31, 2021	<u>\$ 163,702,029</u>	<u>\$ 14,584,152</u>	<u>\$ 1,609,022</u>	<u>\$ 179,895,203</u>

The balance of the overdue loans of the Group as of March 31, 2022, December 31, 2021 and March 31, 2021 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to \$3,043 thousand and \$5,973 thousand for the three months ended March 31, 2022 and 2021, respectively. For the three months ended March 31, 2022 and 2021, the Group wrote off credits only upon completing the required legal procedures.

Refer to Note 42 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 13 for the details and changes in the allowance for doubtful debts of discounts and loans.

Refer to Note 46 for the impairment loss analysis of discounts and loans.

13. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The changes in allowance for credit losses and provisions for the three months ended March 31, 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	(2,022)	2,022	-	-	-	-
To credit-impaired financial assets	(91)	(22,650)	22,741	-	-	-
New financial assets purchased or originated	2,793	4,355	3,660	10,808	-	10,808
Derecognition of financial assets in the reporting period	(25,515)	(72)	(1,978)	(27,565)	-	(27,565)
Change in model or risk parameters	128	14,114	18,284	32,526	-	32,526
Difference between IFRS 9 and local requirements	-	-	-	-	385	385
Write-offs	-	-	(25,068)	(25,068)	-	(25,068)
Withdrawal after write-offs	-	-	916	916	-	916
Exchange rate or other changes	6,942	747	5,946	13,635	31	13,666
Balance at March 31, 2022	<u>\$ 254,207</u>	<u>\$ 25,576</u>	<u>\$ 214,995</u>	<u>\$ 494,778</u>	<u>\$ 16,096</u>	<u>\$ 510,874</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	(2,887)	2,887	-	-	-	-
To credit-impaired financial assets	(9,739)	(4,322)	14,061	-	-	-
New financial assets purchased or originated	53,526	3,310	20,425	77,261	-	77,261
Derecognition of financial assets in the reporting period	(101,622)	(15,559)	(29,354)	(146,535)	-	(146,535)
Change in model or risk parameters	(87,073)	(16,317)	4,932	(98,458)	-	(98,458)
Difference between IFRS 9 and local requirements	-	-	-	-	237,209	237,209
Write-offs	-	-	(15,691)	(15,691)	-	(15,691)
Withdrawal after write-offs	-	-	10,524	10,524	-	10,524
Exchange rate or other changes	3,292	1,908	139	5,339	21,254	26,593
Balance at March 31, 2022	<u>\$ 250,115</u>	<u>\$ 67,686</u>	<u>\$ 243,399</u>	<u>\$ 561,200</u>	<u>\$ 2,098,649</u>	<u>\$ 2,659,849</u>

Reserve for Losses on Guarantees Contracts and Financing Commitments	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 lifetime ECLs	-	-	-	-	-	-
New financial assets purchased or originated	27,749	2,033	-	29,782	-	29,782
Derecognition of financial assets in the reporting period	(48,928)	(8,018)	-	(56,946)	-	(56,946)
Change in model or risk parameters	(29,540)	(2,214)	-	(31,754)	-	(31,754)
Difference between IFRS 9 and local requirements	-	-	-	-	17,099	17,099
Withdrawal after write-offs	-	-	-	-	19,562	19,562
Exchange rate or other changes	487	101	-	588	(80)	508
Balance at March 31, 2022	<u>\$ 71,379</u>	<u>\$ 7,363</u>	<u>\$ -</u>	<u>\$ 78,742</u>	<u>\$ 1,742,016</u>	<u>\$ 1,820,758</u>

The changes in allowance for credit losses and provisions for the three months ended March 31, 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	4	(4)	-	-	-	-
To lifetime ECLs	(10,007)	10,007	-	-	-	-
To credit-impaired financial assets	(13,355)	(5,544)	18,899	-	-	-
New financial assets purchased or originated	7,283	7	159	7,449	-	7,449
Derecognition of financial assets in the reporting period	(2,080)	(4,522)	(10,729)	(17,331)	-	(17,331)
Change in model or risk parameters	140	-	56	196	-	196
Difference between IFRS 9 and local requirements	-	-	-	-	2,385	2,385
Write-offs	-	-	(12,047)	(12,047)	-	(12,047)
Withdrawal after write-offs	-	-	6,230	6,230	-	6,230
Exchange rate or other changes	(362)	(68)	(463)	(893)	(2)	(895)
Balance at March 31, 2021	<u>\$ 202,357</u>	<u>\$ 25,661</u>	<u>\$ 177,796</u>	<u>\$ 405,814</u>	<u>\$ 11,378</u>	<u>\$ 417,192</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	3,608	(3,605)	(3)	-	-	-
To lifetime ECLs	(6,948)	6,948	-	-	-	-
To credit-impaired financial assets	(12,057)	(9,684)	21,741	-	-	-
New financial assets purchased or originated	80,955	30,243	147,316	258,514	-	258,514
Derecognition of financial assets in the reporting period	(115,454)	(33,580)	(155,189)	(304,223)	-	(304,223)
Change in model or risk parameters	(3,161)	(23,195)	71,760	45,404	-	45,404
Difference between IFRS 9 and local requirements	-	-	-	-	4,985	4,985
Write-offs	-	-	(11,027)	(11,027)	-	(11,027)
Withdrawal after write-offs	-	-	7,458	7,458	-	7,458
Exchange rate or other changes	(49)	198	21	170	(426)	(256)
Balance at March 31, 2021	<u>\$ 477,869</u>	<u>\$ 162,292</u>	<u>\$ 434,964</u>	<u>\$ 1,075,125</u>	<u>\$ 1,388,453</u>	<u>\$ 2,463,578</u>

Reserve for Losses on Guarantees Contracts and Financing Commitments	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 lifetime ECLs	(569)	569	-	-	-	-
New financial assets purchased or originated	78,060	14,743	-	92,803	-	92,803
Derecognition of financial assets in the reporting period	(67,457)	(3,319)	-	(70,776)	-	(70,776)
Change in model or risk parameters	(16,308)	48	-	(16,260)	-	(16,260)
Difference between IFRS 9 and local requirements	-	-	-	-	23,415	23,415
Withdrawal after write-offs	-	-	-	-	5,654	5,654
Exchange rate or other changes	(15)	6	-	(9)	(35)	(44)
Balance at March 31, 2021	<u>\$ 125,659</u>	<u>\$ 33,073</u>	<u>\$ -</u>	<u>\$ 158,732</u>	<u>\$ 1,715,337</u>	<u>\$ 1,874,069</u>

14. DISCONTINUED OPERATIONS

Chun Teng New Century Co., Ltd. (formerly IBTS) decided to transfer operating rights and property of brokerage of securities to SinoPac Securities Corp. Ltd. approved by the temporary stockholders in their meeting on May 25, 2016. The total transfer price was \$390,000 thousand, and the business transfer date was set for 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 business of the operating department of subsidiary had ended and conformed to the discontinued operations definition of IFRS 5. Hence, the consolidated financial reports 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 March 31	
	2022	2021
Interest revenue	\$ 78	\$ 46
Interest expense	<u>-</u>	<u>-</u>
Net interest	<u>78</u>	<u>46</u>
Net revenues other than interest		
Gain (loss) on financial assets and liabilities at fair value through profit or loss	(13,907)	3,607
Other net revenue other than interest	<u>25,434</u>	<u>111</u>
Total net revenues other than interest	<u>11,527</u>	<u>3,718</u>
Net revenue	<u>11,605</u>	<u>3,764</u>
Operating expenses		
Employee benefits expenses	2,235	2,420
Depreciation and amortization expense	687	158
Other general and administrative expenses	<u>1,195</u>	<u>1,838</u>
Total operating expenses	<u>4,117</u>	<u>4,416</u>
Income tax expense	<u>-</u>	<u>-</u>
Income (loss) from discontinued operations before elimination	7,488	(652)
Elimination transactions with related parties	<u>(17)</u>	<u>59</u>
Income (loss) from discontinued operations	<u>\$ 7,471</u>	<u>\$ (593)</u>
Income (loss) of discontinued operations attributable to:		
Owners of the Bank	\$ 7,452	\$ (591)
Non-controlling interests	<u>19</u>	<u>(2)</u>
	<u>\$ 7,471</u>	<u>\$ (593)</u>
Cash flows:		
Net cash flows generated from (used in) operating activities	\$ 40,562	\$ (1,354)
Net cash flows generated from (used in) investing activities	(46)	3
Net cash flows used in financing activities	(694)	-
Effects of exchange rate changes on cash and cash equivalents	<u>(5,246)</u>	<u>238</u>
Net cash inflow (outflow)	<u>\$ 34,576</u>	<u>\$ (1,113)</u>

15. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership			Remark	Reviewed by CPA
			March 31, 2022	December 31, 2021	March 31, 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	Leasing	100.00	100.00	100.00	Founded in 2011	Yes
	IBTM	Investment consulting	100.00	100.00	100.00	Founded in 2000	No
	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 equity method)	No
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	100.00	Founded in 2011 in mainland China (commonly held with IBT VII)	Yes
	IBT VII Venture Capital Co., Ltd.	Venture capital	100.00	100.00	100.00	Founded in 2014	No
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	No
IBTSH	IBTS Finnical (HK) Limited	Investment	100.00	100.00	100.00	Founded in 2003 in Hong Kong	No
	IBTS Asia (HK) Limited	Securities and investment	100.00	100.00	100.00	Founded in 2004 in Hong Kong	No
IBTH	EverTrust Bank	Banking	91.78	91.78	91.78	Founded in 1994 in California	Yes

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		
		March 31, 2022	December 31, 2021	March 31, 2021
CBF	Taipei	71.63%	71.63%	71.63%

The summarized financial information below represents amounts before intragroup eliminations:

	March 31, 2022	December 31, 2021	March 31, 2021
<u>CBF</u>			
Equity attributable to:			
Owners of the Bank	\$ 6,955,242	\$ 7,250,266	\$ 7,285,138
Non-controlling interests of CBF	<u>17,561,982</u>	<u>18,306,919</u>	<u>18,394,971</u>
	<u>\$ 24,517,224</u>	<u>\$ 25,557,185</u>	<u>\$ 25,680,109</u>

	For the Three Months Ended March 31	
	2022	2021
Net revenue	<u>\$ 602,712</u>	<u>\$ 791,658</u>
Net profit from continuing operations	\$ 426,942	\$ 530,980
Other comprehensive loss for the period	<u>(1,468,419)</u>	<u>(301,765)</u>
Total comprehensive income (loss) for the period	<u>\$ (1,041,477)</u>	<u>\$ 229,215</u>

(Continued)

	For the Three Months Ended March 31	
	2022	2021
Profit attributable to:		
Owners of CBF	\$ 121,118	\$ 150,633
Non-controlling interests of CBF	<u>305,824</u>	<u>380,347</u>
	<u>\$ 426,942</u>	<u>\$ 530,980</u>
Total comprehensive income attributable to:		
Owners of CBF	\$ (295,454)	\$ 65,026
Non-controlling interests of CBF	<u>(746,023)</u>	<u>164,189</u>
	<u>\$ (1,041,477)</u>	<u>\$ 229,215</u>
Net cash inflow (outflow) from:		
Operating activities	\$ (2,846,609)	\$ 1,652,170
Investing activities	(6,046)	(4,017)
Financing activities	<u>3,088,742</u>	<u>(1,641,151)</u>
Net cash inflow	<u>\$ 236,087</u>	<u>\$ 7,002</u>
Dividends paid to non-controlling interests of CBF	<u>\$ -</u>	<u>\$ -</u>
		(Concluded)

16. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD, NET

Investment in Associate

	March 31, 2022	December 31, 2021	March 31, 2021
Associate - Beijing Sunshine Consumer Finance Co., Ltd.,	<u>\$ 992,387</u>	<u>\$ 880,879</u>	<u>\$ 785,323</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 5 "Name, locations and other information of investees on which the Group exercises significant influence" for the nature of activities, principal place of business and country of incorporation of the associate.

Investment was accounted for using the equity method, and the share of profit or loss and other comprehensive income of this investment was calculated based on financial statements which have not been reviewed. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of Beijing Sunshine Consumer Finance Co., Ltd., which have not been reviewed.

17. OTHER FINANCIAL ASSETS

	March 31, 2022	December 31, 2021	March 31, 2021
Time deposits with original maturities more than 3 months	\$ 9,731	\$ 9,414	\$ 51,044
Pledged time deposits	240,174	232,100	217,464
Compensation account for payment	30,546	36,310	15,500
Call loans to securities corporation limited	-	553,794	570,641
Others	<u>63,790</u>	<u>44,115</u>	<u>55,875</u>
	<u>\$ 344,241</u>	<u>\$ 875,733</u>	<u>\$ 910,524</u>

18. PROPERTY AND EQUIPMENT, NET

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Carrying amount of each class of</u>			
Land	\$ 781,970	\$ 781,970	\$ 781,970
Buildings	1,227,715	1,239,222	1,273,801
Machinery and computer equipment	290,112	304,007	309,621
Transportation equipment	34,112	24,886	31,941
Office and other equipment	47,697	49,632	61,071
Lease improvement	126,057	125,143	148,407
Construction in progress and prepayments for equipment	<u>29,305</u>	<u>20,190</u>	<u>27,770</u>
	<u>\$ 2,536,968</u>	<u>\$ 2,545,050</u>	<u>\$ 2,634,581</u>

The changes in property and equipment for the three months ended March 31, 2022 and 2021 are summarized as follows:

	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	3,571	11,206	3,376	11,943	9,920	40,106
Disposals and scrapped	-	-	(10,811)	-	(98)	(4,766)	-	(15,675)
Reclassification	-	-	-	50	-	-	(806)	(756)
Effect of foreign currency exchange differences	-	-	2,394	366	1,831	5,720	1	10,312
Balance at March 31, 2022	<u>\$ 781,970</u>	<u>\$ 1,906,263</u>	<u>\$ 851,388</u>	<u>\$ 88,620</u>	<u>\$ 288,691</u>	<u>\$ 420,088</u>	<u>\$ 29,305</u>	<u>\$ 4,366,325</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	-	-	(10,710)	-	(88)	(4,766)	-	(15,564)
Depreciation expense	-	11,597	18,143	2,191	5,660	13,153	-	50,744
Effect of foreign currency exchange differences	-	-	1,616	205	1,472	3,596	-	6,889
Balance at March 31, 2022	<u>\$ -</u>	<u>\$ 678,548</u>	<u>\$ 561,276</u>	<u>\$ 54,508</u>	<u>\$ 240,994</u>	<u>\$ 294,031</u>	<u>\$ -</u>	<u>\$ 1,829,357</u>
<u>Carrying amount</u>								
Balance at March 31, 2022	<u>\$ 781,970</u>	<u>\$ 1,227,715</u>	<u>\$ 290,112</u>	<u>\$ 34,112</u>	<u>\$ 47,697</u>	<u>\$ 126,057</u>	<u>\$ 29,305</u>	<u>\$ 2,536,968</u>

(Continued)

	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, 2021	\$ 781,970	\$ 1,905,429	\$ 842,003	\$ 80,683	\$ 282,030	\$ 393,822	\$ 21,209	\$ 4,307,146
Additions	-	536	356	3,244	1,619	-	8,290	14,045
Disposals and scrapped	-	-	(9,119)	(663)	(2,049)	-	-	(11,831)
Reclassification	-	-	530	50	-	-	(1,720)	(1,140)
Effect of foreign currency exchange differences	-	-	(134)	(35)	15	(17)	(9)	(180)
Balance at March 31, 2021	<u>\$ 781,970</u>	<u>\$ 1,905,965</u>	<u>\$ 833,636</u>	<u>\$ 83,279</u>	<u>\$ 281,615</u>	<u>\$ 393,805</u>	<u>\$ 27,770</u>	<u>\$ 4,308,040</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	-	-	(8,866)	(663)	(1,947)	-	-	(11,476)
Depreciation expense	-	11,593	16,975	2,907	5,674	13,304	-	50,453
Effect of foreign currency exchange differences	-	-	(87)	(15)	21	(16)	-	(97)
Balance at March 31, 2021	<u>\$ -</u>	<u>\$ 632,164</u>	<u>\$ 524,015</u>	<u>\$ 51,338</u>	<u>\$ 220,544</u>	<u>\$ 245,398</u>	<u>\$ -</u>	<u>\$ 1,673,459</u>
<u>Carrying amount</u>								
Balance at March 31, 2021	<u>\$ 781,970</u>	<u>\$ 1,273,801</u>	<u>\$ 309,621</u>	<u>\$ 31,941</u>	<u>\$ 61,071</u>	<u>\$ 148,407</u>	<u>\$ 27,770</u>	<u>\$ 2,634,581</u>

(Concluded)

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

19. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Carrying amount</u>			
Buildings	\$ 289,229	\$ 314,304	\$ 382,583
Machinery and computer equipment	809	-	-
Transportation equipment	15,787	16,967	6,428
Office equipment	<u>1,376</u>	<u>1,667</u>	<u>2,293</u>
	<u>\$ 307,201</u>	<u>\$ 332,938</u>	<u>\$ 391,304</u>

	For the Three Months Ended March 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 11,256</u>	<u>\$ 570</u>
Depreciation charges for right-of-use assets		
Buildings	\$ 36,590	\$ 36,324
Machinery and computer equipment	73	-
Transportation equipment	3,078	2,079
Office equipment	<u>323</u>	<u>325</u>
	<u>\$ 40,064</u>	<u>\$ 38,728</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 three months ended March 31, 2022 and 2021.

b. Lease liabilities

	March 31, 2022	December 31, 2021	March 31, 2021
Carrying amount	<u>\$ 324,311</u>	<u>\$ 350,370</u>	<u>\$ 408,683</u>

Range of discount rates for lease liabilities was as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Buildings	0.44%-5.70%	0.44%-5.70%	0.44%-5.70%
Machinery and computer equipment	1.359%	-	-
Transportation equipment	2.04%-6.00%	2.04%-6.00%	2.04%-6.00%
Office equipment	0.65%-2.76%	0.65%-2.76%	1.71%-2.76%

c. Material lease-in activities

Due to rental of buildings, the Group have been entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of October 2028. As of March 31, 2022, December 31, 2021 and March 31, 2021, refundable deposits paid under operating lease amounted to \$36,321 thousand, \$35,026 thousand and \$37,694 thousand.

d. Other lease information

	For the Three Months Ended March 31	
	2022	2021
Expenses relating to short-term leases	<u>\$ 3,181</u>	<u>\$ 5,235</u>
Expenses relating to low-value asset leases	<u>\$ 565</u>	<u>\$ 701</u>
Total cash outflow for leases	<u>\$ (45,136)</u>	<u>\$ (50,008)</u>

20. INTANGIBLE ASSETS, NET

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Carrying amounts of each class of</u>			
Computer software	\$ 831,454	\$ 894,295	\$ 1,056,271
Goodwill	<u>1,086,824</u>	<u>1,051,756</u>	<u>1,083,457</u>
	<u>\$ 1,918,278</u>	<u>\$ 1,946,051</u>	<u>\$ 2,139,728</u>

The changes in intangible assets for the three months ended March 31, 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	3,857	-	-	3,857
Disposals	(8,137)	-	-	(8,137)
Reclassification	756	-	-	756
Effect of foreign currency exchange differences	<u>4,205</u>	<u>35,068</u>	<u>228</u>	<u>39,501</u>
Balance at March 31, 2022	<u>\$ 2,427,753</u>	<u>\$ 1,086,824</u>	<u>\$ 6,988</u>	<u>\$ 3,521,565</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2022	\$ 1,532,777	\$ -	\$ 6,760	\$ 1,539,537
Amortization	69,154	-	-	69,154
Disposals	(8,087)	-	-	(8,087)
Reclassification	-	-	-	-
Effect of foreign currency exchange differences	<u>2,455</u>	<u>-</u>	<u>228</u>	<u>2,683</u>
Balance at March 31, 2022	<u>\$ 1,596,299</u>	<u>\$ -</u>	<u>\$ 6,988</u>	<u>\$ 1,603,287</u>
<u>Carrying amount</u>				
Balance at March 31, 2022	<u>\$ 831,454</u>	<u>\$ 1,086,824</u>	<u>\$ -</u>	<u>\$ 1,918,278</u> (Continued)

	Computer Software	Goodwill	Others	Total
<u>Cost</u>				
Balance at January 1, 2021	\$ 2,376,821	\$ 1,082,563	\$ 6,960	\$ 3,466,344
Additions	2,876	-	-	2,876
Reclassification	1,794	-	-	1,794
Effect of foreign currency exchange differences	<u>(218)</u>	<u>894</u>	<u>6</u>	<u>682</u>
Balance at March 31, 2021	<u>\$ 2,381,273</u>	<u>\$ 1,083,457</u>	<u>\$ 6,966</u>	<u>\$ 3,471,696</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2021	\$ 1,252,140	\$ -	\$ 6,960	\$ 1,259,100
Amortization	72,314	-	-	72,314
Reclassification	654	-	-	654
Effect of foreign currency exchange differences	<u>(106)</u>	<u>-</u>	<u>6</u>	<u>(100)</u>
Balance at March 31, 2021	<u>\$ 1,325,002</u>	<u>\$ -</u>	<u>\$ 6,966</u>	<u>\$ 1,331,968</u>
<u>Carrying amount</u>				
Balance at March 31, 2021	<u>\$ 1,056,271</u>	<u>\$ 1,083,457</u>	<u>\$ -</u>	<u>\$ 2,139,728</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 executed 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.

21. OTHER ASSETS

	March 31, 2022	December 31, 2021	March 31, 2021
Refundable deposits	\$ 763,234	\$ 659,672	\$ 825,062
Life insurance cash surrender value	330,210	319,399	328,449
Prepayments	142,580	109,618	123,764
Others	<u>194,259</u>	<u>201,023</u>	<u>174,912</u>
	<u>\$ 1,430,283</u>	<u>\$ 1,289,712</u>	<u>\$ 1,452,187</u>

22. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	March 31, 2022	December 31, 2021	March 31, 2021
Call loans from banks	\$ 25,943,354	\$ 25,107,334	\$ 14,311,292
Deposits from Chunghwa Post Co., Ltd.	-	-	7,000,000
Call loans from the Central Bank	<u>2,862,154</u>	<u>2,768,967</u>	<u>2,853,206</u>
	<u>\$ 28,805,508</u>	<u>\$ 27,876,301</u>	<u>\$ 24,164,498</u>

23. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENTS

	March 31, 2022	December 31, 2021	March 31, 2021
Bills	\$ 72,334,129	\$ 78,017,892	\$ 71,993,521
Government bonds	22,535,592	21,680,879	25,381,102
Corporate bonds	62,691,160	66,112,201	60,507,815
Bank debentures	19,953,211	21,607,056	20,424,341
Beneficiary Securities	<u>500,000</u>	<u>534,588</u>	<u>-</u>
	<u>\$ 178,014,092</u>	<u>\$ 187,952,616</u>	<u>\$ 178,306,779</u>
Date of agreement to repurchase	Before March 2023	Before August 2022	Before March 2022
Amount of agreement to repurchase	\$ 178,083,210	\$ 188,018,898	\$ 178,366,381

24. PAYABLES

	March 31, 2022	December 31, 2021	March 31, 2021
Investment settlements payable	\$ 104,297	\$ 150,764	\$ 235,196
Settlement accounts payable - trusteeship	62,598	60,579	75,300
Acceptances	36,308	84,266	110,937
Accrued interest	428,934	353,405	529,899
Accrued expenses	842,374	1,296,025	708,564
Collections payable	76,658	81,188	85,224
Factored payables	303,184	114,189	249,324
Checks for clearing	139,433	75,133	1,317,196
Others	<u>318,320</u>	<u>251,857</u>	<u>248,361</u>
	<u>\$ 2,312,106</u>	<u>\$ 2,467,406</u>	<u>\$ 3,560,001</u>

25. DEPOSITS AND REMITTANCES

	March 31, 2022	December 31, 2021	March 31, 2021
Deposits			
Checking	\$ 7,279,065	\$ 7,578,807	\$ 6,126,850
Demand	54,924,654	69,422,918	56,537,584
Time	186,780,420	163,221,744	182,777,346
Savings deposits	16,776,911	19,016,234	17,609,846
Export remittance	<u>32,198</u>	<u>139,722</u>	<u>5,787</u>
	<u>\$ 265,793,248</u>	<u>\$ 259,379,425</u>	<u>\$ 263,057,413</u>

26. BANK DEBENTURES PAYABLE

	March 31, 2022	December 31, 2021	March 31, 2021
Subordinate bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repayment of principal at maturity	\$ -	\$ -	1,000,000
Subordinate bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repayment of 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 principal at maturity	1,500,000	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 principal at maturity	1,000,000	1,000,000	1,000,000
Subordinate bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repayment of principal at maturity	1,500,000	1,500,000	1,500,000
Subordinate bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repayment of 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 principal at maturity	2,000,000	2,000,000	2,000,000
Subordinate bonds A second issued in 2017; fixed 4.00% interest rate; no maturity, interest paid annually	750,000	750,000	750,000
Subordinate bonds B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repayment of principal at maturity	1,000,000	1,000,000	1,000,000

(Continued)

	March 31, 2022	December 31, 2021	March 31, 2021
Subordinate bonds A first issued in 2018; fixed 4.00% interest rate; no maturity, interest paid annually	\$ 700,000	\$ 700,000	\$ 700,000
Subordinate bonds B first issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repayment of 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 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 repay the principal at maturity	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>\$ 15,000,000</u>	<u>\$ 15,000,000</u>	<u>\$ 15,100,000</u> (Concluded)

27. OTHER FINANCIAL LIABILITIES

	March 31, 2022	December 31, 2021	March 31, 2021
Bank borrowings	\$ 12,034,720	\$ 12,569,012	\$ 10,095,574
Commercial papers payable	5,596,798	5,697,210	5,379,360
Principal of structured products	30,226	44,900	95,339
Funds obtained from the government - intended for specific types of loans	<u>2,193,931</u>	<u>2,269,710</u>	<u>2,817,921</u>
	<u>\$ 19,855,675</u>	<u>\$ 20,580,832</u>	<u>\$ 18,388,194</u>

a. Bank borrowings

	March 31, 2022	December 31, 2021	March 31, 2021
Short-term borrowings	\$ 5,652,353	\$ 5,517,631	\$ 5,151,674
Long-term borrowings	<u>6,382,367</u>	<u>7,051,381</u>	<u>4,943,900</u>
	<u>\$ 12,034,720</u>	<u>\$ 12,569,012</u>	<u>\$ 10,095,574</u>
Interest rate interval			
New Taiwan dollars	1.00%-1.47%	1.00%-1.30%	1.00%-1.35%
U.S. dollars	1.71%-2.45%	1.51%-1.80%	0.95%-1.70%
Renminbi	4.05%-4.80%	4.05%-4.85%	4.60%-5.50%

b. Commercial papers payable

	March 31, 2022	December 31, 2021	March 31, 2021
Commercial papers payable	\$ 5,600,000	\$ 5,700,000	\$ 5,380,000
Less: Unamortized discount	<u>(3,202)</u>	<u>(2,790)</u>	<u>(640)</u>
	<u>\$ 5,596,798</u>	<u>\$ 5,697,210</u>	<u>\$ 5,379,360</u>
Interest rate interval	0.33%-1.35%	0.30%-1.14%	0.23%-1.14%

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

	March 31, 2022	December 31, 2021	March 31, 2021
Funds obtained from the government - intended for specific types of loans	<u>\$ 2,193,931</u>	<u>\$ 2,269,710</u>	<u>\$ 2,817,921</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 Mega Bank, 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.

28. PROVISIONS

	March 31, 2022	December 31, 2021	March 31, 2021
Provisions for employee benefits	\$ 244,615	\$ 233,827	\$ 261,678
Provisions for losses on guarantees contracts	1,729,037	1,750,786	1,782,348
Provisions for losses financing commitments	<u>91,721</u>	<u>91,721</u>	<u>91,721</u>
	<u>\$ 2,065,373</u>	<u>\$ 2,076,334</u>	<u>\$ 2,135,747</u>

Refer to Note 13 for the details and changes in the provision for losses on guarantee contracts and financing commitments.

29. 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 EverTrust 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 March 31, 2022 and 2021 was recognized in the consolidated statements of comprehensive income in the total amounts of \$17,217 thousand and \$17,522 thousand, respectively.

Defined Benefit Plan

The retirement benefit expenses recognized under defined benefit plans which amounted to \$4,121 thousand and \$2,754 thousand for the three months ended March 31, 2022 and 2021 were calculated using the actuarially determined discount rates as of December 31, 2021 and 2020, respectively.

30. OTHER LIABILITIES

	March 31, 2022	December 31, 2021	March 31, 2021
Guarantee deposits received	\$ 2,127,752	\$ 2,242,552	\$ 1,945,350
Advance revenue	60,537	59,158	49,864
Payable for custody	26,611	33,048	20,809
Others	<u>652,056</u>	<u>384,821</u>	<u>361,515</u>
	<u>\$ 2,866,956</u>	<u>\$ 2,719,579</u>	<u>\$ 2,377,538</u>

31. EQUITY

a. Capital stock

	March 31, 2022	December 31, 2021	March 31, 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>2,733,360</u>	<u>2,733,006</u>	<u>2,733,006</u>
Preferred stock	<u>299,646</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 stocks, which have a par value of \$10, carry one vote per stock and carry a right to dividends.

On June 27, 2018, the Bank's board of directors resolved to issue 300,000 thousand Series A preferred stock, with a par value of \$10. The subscription date was November 29, 2018, and finished the registration 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 March 31, 2022, 354 thousand of preferred Series A shares has been converted into common stock.

b. Capital surplus

	March 31, 2022	December 31, 2021	March 31, 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	1,341	1,341	1,349
May not be used for any purpose			
Share of changes in capital surplus of subsidiaries associates or joint ventures	<u>2,630</u>	<u>2,200</u>	<u>2,207</u>
	<u>\$ 13,032</u>	<u>\$ 6,734</u>	<u>\$ 6,749</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

	March 31, 2022	December 31, 2021	March 31, 2021
Trading loss and default loss reserve	\$ 133,955	\$ 133,955	\$ 133,955
Employee transfer or placement expenditure related to financial technology development	15,902	15,902	17,181
Other equity deductions special reserves	-	-	67,477
According to the Bank's policy	<u>647,926</u>	<u>647,926</u>	<u>1,177,740</u>
	<u>\$ 797,783</u>	<u>\$ 797,783</u>	<u>\$ 1,396,353</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

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 36.

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 March 16, 2022 and July 20, 2021, respectively. The appropriations and dividends per share were as follows:

	<u>2021</u>	<u>2020</u>
	Appropriation of Earnings	Appropriation of Earnings
Legal reserve	\$ 612,126	\$ 31,879
Special reserve appropriated (reversed)	(163,173)	(598,570)
Cash dividends - common stock	819,145	545,454
Preferred stock dividends	127,500	127,500

The appropriation of earnings for 2021 are subject to the resolution of the shareholders' meeting to be held on June 17, 2022.

e. Other equity items

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

	For the Three Months Ended March 31	
	2022	2021
Balance at January 1	\$ (946,067)	\$ (697,554)
Exchange differences arising on translating the financial statements of foreign operations	445,668	(2,289)
Income tax related to gains arising on translating the financial statements of foreign operations	<u>(43,765)</u>	<u>(464)</u>
Balance at March 31	<u>\$ (544,164)</u>	<u>\$ (700,307)</u>

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

	For the Three Months Ended March 31	
	2022	2021
Balance at January 1	\$ 460,588	\$ 755,298
Recognized during the period		
Unrealized gain (loss) - debt instruments	(1,334,832)	(455,609)
Unrealized gain (loss) - equity instruments	(61,824)	535,243
Loss allowance of debt instruments	<u>547</u>	<u>2,958</u>
Other comprehensive income (loss) recognized in the period	<u>(1,396,109)</u>	<u>82,592</u>
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>(8,743)</u>	<u>(84,933)</u>
Balance at March 31	<u>\$ (944,264)</u>	<u>\$ 752,957</u>

f. Non-controlling interests

	For the Three Months Ended March 31	
	2022	2021
Balance at January 1	\$ 18,786,481	\$ 18,696,870
Attributed to non-controlling interests		
Share of profit for the year	310,618	387,657
Capital surplus	1,087	1,040
Other comprehensive income		
Exchange differences arising on translation of foreign entities	16,235	425
Unrealized valuation gain or loss on FVTOCI	(1,060,008)	(217,855)
Actuarial profit and loss of defined benefit plans	<u>-</u>	<u>(86)</u>
Balance at March 31	<u>\$ 18,054,413</u>	<u>\$ 18,868,051</u>

g. Treasury stocks

	Unit: In Thousands of Shares	
	For the Three Months Ended March 31	
	2022	2021
Number of shares at January 1	5,737	5,737
Increase during the period	-	-
Decrease during the period	3,215	-
Number of shares at March 31	2,522	5,737

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 shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

32. NET INTEREST

	For the Three Months Ended March 31	
	2022	2021
<u>Interest revenue</u>		
Discounts and loans	\$ 969,562	\$ 1,009,294
Investments in securities	417,864	418,698
Installment sales and leases	322,170	249,427
Due from the Central Bank and call loans to banks	10,513	12,651
Others	34,575	21,583
	1,754,684	1,711,653
<u>Interest expense</u>		
Deposits	234,286	300,169
Deposits from the Central Bank and banks	22,127	14,448
Bank debenture	70,946	81,275
Bills and bonds sold under repurchase agreements	121,574	110,303
Others	105,333	71,566
	554,266	577,761
	\$ 1,200,418	\$ 1,133,892

33. SERVICE FEE INCOME, NET

	For the Three Months Ended March 31	
	2022	2021
Service fee income		
Guarantee business	\$ 269,493	\$ 288,185
Loan business	158,783	102,960
Underwrite business	133,912	153,549
Trust business	20,386	15,141
Lease business	60,341	60,746
Credit examining business	56,457	40,096
Import and export business	3,589	3,517
Factoring business	6,623	5,186
Insurance agent business	9,650	8,255
Others	<u>29,572</u>	<u>16,687</u>
	748,806	694,322
Service charge		
Others	<u>27,523</u>	<u>24,953</u>
	<u>\$ 721,283</u>	<u>\$ 669,369</u>

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

	For the Three Months Ended March 31	
	2022	2021
Realized gains or losses		
Bills	\$ 12,436	\$ 43,147
Stocks and beneficiary certificates	(4,813)	53,025
Bonds	23,428	6,535
Derivatives	<u>364,469</u>	<u>(532,760)</u>
	<u>395,520</u>	<u>(430,053)</u>
Gains (losses) on valuation		
Bills	(109,474)	(3,385)
Stocks and beneficiary certificates	(11,243)	3,940
Bonds	(19,724)	6,278
Derivatives	<u>412,700</u>	<u>462,190</u>
	272,259	469,023
Interest revenue	<u>166,665</u>	<u>160,884</u>
	<u>\$ 834,444</u>	<u>\$ 199,854</u>

35. REALIZED GAINS REVENUE ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Three Months Ended March 31	
	2022	2021
Realized gains (losses)-debt instruments	\$ (64,637)	\$ 104,770
Dividend revenue	<u>83,720</u>	<u>5,463</u>
	<u>\$ 19,083</u>	<u>\$ 110,233</u>

36. EMPLOYEE BENEFITS EXPENSES

	For the Three Months Ended March 31	
	2022	2021
Short-term employee benefits		
Salaries and wages	\$ 565,984	\$ 566,287
Directors' remuneration and traffic allowance	32,648	31,721
Labor insurance and national health insurance	41,197	37,420
Others	33,070	37,649
Post-employment benefits		
Pension expenses	21,338	20,276
Pension benefits	<u>10</u>	<u>-</u>
	<u>\$ 694,247</u>	<u>\$ 693,353</u>

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

The amounts and accrual rates of employees' compensation and remuneration of directors for the three months ended March 31, 2022 and 2021 were as follows:

Accrual rate

	For the Three Months Ended March 31	
	2022	2021
Employees' compensation	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

	For the Three Months Ended March 31	
	2022	2021
Employees' compensation	<u>\$ 8,525</u>	<u>\$ 6,900</u>
Remuneration of directors	<u>\$ 17,050</u>	<u>\$ 13,800</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 directors on March 16, 2022 and March 22, 2021 respectively, were as follows:

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

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

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

37. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended March 31	
	2022	2021
Property and equipment	\$ 50,727	\$ 50,295
Right-of-use assets	39,394	38,728
Intangible assets	<u>69,154</u>	<u>72,314</u>
	<u>\$ 159,275</u>	<u>\$ 161,337</u>

38. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Three Months Ended March 31	
	2022	2021
Taxation	\$ 59,622	\$ 60,555
Rental fees	3,702	6,793
Management fees	10,944	10,778
Computer operating and consulting fees	80,562	73,875
Entertainment fees	7,265	9,275
Professional services fees	22,680	19,800
Advertisement fees	7,766	11,074
Others fees	<u>88,649</u>	<u>79,927</u>
	<u>\$ 281,190</u>	<u>\$ 272,077</u>

39. 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 March 31	
	2022	2021
Current tax		
In respect of the current period	\$ 239,063	\$ 243,520
Adjustment of prior period	<u>436</u>	<u>-</u>
	239,499	243,520
Deferred tax		
In respect of the current period	<u>(5,909)</u>	<u>66,228</u>
Income tax expense recognized in profit or loss	<u>\$ 233,590</u>	<u>\$ 309,748</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2022	2021
<u>Deferred tax</u>		
Translation of foreign operations	\$ 67,269	\$ (1,277)
Losses on remeasurements of defined benefit plans	-	(30)
Unrealized losses on financial assets at FVTOCI	<u>(230,175)</u>	<u>(113,816)</u>
Income tax benefit recognized in other comprehensive income	<u>\$ (162,906)</u>	<u>\$ (115,123)</u>

c. Assessment of the income tax returns

The income tax returns of the Bank through 2018 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.

40. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended March 31	
	2022	2021
Basic earnings per share		
From continuing operations	\$ 0.21	\$ 0.17
From discontinued operations	<u>-</u>	<u>-</u>
Total basic earnings per share	<u>\$ 0.21</u>	<u>\$ 0.17</u>

(Continued)

	For the Three Months Ended March 31	
	2022	2021
Diluted earnings per share		
From continuing operations	\$ 0.19	\$ 0.15
From discontinued operations	<u>-</u>	<u>-</u>
Total diluted earnings per share	<u>\$ 0.19</u>	<u>\$ 0.15</u> (Concluded)

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 March 31	
	2022	2021
Profit for the period attributable to owners of the Bank	\$ 581,783	\$ 453,803
Less: Profit (loss) for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations	<u>7,452</u>	<u>(591)</u>
Earnings used in the computation of basic and diluted earnings per share from continuing operations	<u>\$ 574,331</u>	<u>\$ 454,394</u>

Stock (In Thousands of Shares)

	For the Three Months Ended March 31	
	2022	2021
Weighted average number of common stocks in computation of basic earnings per share	<u>2,728,887</u>	<u>2,727,269</u>
Effect of potentially dilutive common stocks:		
Compensation of employees	3,225	3,057
Convertible preferred stock	<u>299,990</u>	<u>300,000</u>
	<u>303,215</u>	<u>303,057</u>
Weighted average number of common stocks in the computation of diluted earnings per share	<u>3,032,102</u>	<u>3,030,326</u>

If the Bank offered to settle compensation paid to employees in cash or stocks, then the Bank will assume the entire amount of the compensation 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.

41. 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 related parties

- 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 (%)
For the three months ended <u>March 31, 2022</u>			
Associates	\$ 261	\$ -	0.08
Others	<u>10,646,325</u>	<u>11,566</u>	0.00-6.55
	<u>\$ 10,646,586</u>	<u>\$ 11,566</u>	
For the three months ended <u>March 31, 2021</u>			
Associates	\$ 261	\$ -	0.03-0.04
Others	<u>4,657,149</u>	<u>11,089</u>	0.00-6.315
	<u>\$ 4,657,410</u>	<u>\$ 11,089</u>	

2) Loan

	Maximum Balance	Ending Balance	Interest Revenue	Rate (%)
For the three months ended <u>March 31, 2022</u>				
Others	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 1,278</u>	1.4429
For the three months ended <u>March 31, 2021</u>				
Others	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 1,250</u>	1.1786

March 31, 2022							
Category	Name	Maximum Balance (Note)	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

December 31, 2021							
Category	Name	Maximum Balance (Note)	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

March 31, 2021							
Category	Name	Maximum Balance (Note)	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: The maximum balance of daily totals for each category of loan.

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

	For the Three Months Ended March 31	
	2022	2021
Others	<u>\$ 1</u>	<u>\$ 2</u>

Service fee income 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 March 31	
	2022	2021
Others	<u>\$ 5,600</u>	<u>\$ 5,650</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 ended March 31, 2022 and 2021 were as follows:

	For the Three Months Ended March 31	
	2022	2021
Short-term employee benefits	\$ 60,396	\$ 64,168
Post-employment benefits	<u>1,634</u>	<u>6,299</u>
	<u>\$ 62,030</u>	<u>\$ 70,467</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.

42. PLEDGED ASSETS

	March 31, 2022	December 31, 2021	March 31, 2021
Financial assets at FVTPL	\$ 3,900,860	\$ 3,900,978	\$ 8,898,394
Financial assets at FVTOCI	16,246,061	15,076,563	13,569,319
Receivables	715,163	629,434	-
Discounts and loans	6,628,356	7,780,357	6,517,176
Pledged time deposits	240,174	232,100	217,464
Compensation account for payment	<u>30,546</u>	<u>36,310</u>	<u>15,500</u>
	<u>\$ 27,761,160</u>	<u>\$ 27,655,742</u>	<u>\$ 29,217,853</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 and financial assets at FVTOCI) 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.

43. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

	March 31, 2022	December 31, 2021	March 31, 2021
Office decorating and contracts of computer software			
Amount of contracts	\$ 48,389	\$ 41,599	\$ 46,462
Payments for construction in progress and prepayments for equipment	29,305	20,190	27,770

44. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	March 31, 2022	December 31, 2021	March 31, 2021
Trust assets			
Petty cash	\$ 100	\$ 100	\$ 100
Bank deposits	2,857,289	1,820,544	2,024,106
Financial assets	4,607,643	4,236,190	3,564,332
Receivables	32	27	16
Prepayments	1,031	1,222	1,112
Real estate	6,422,787	6,121,444	6,301,622
Structured products	90,463	45,854	-
Other assets	<u>59</u>	<u>42</u>	<u>23</u>
Total trust assets	<u>\$ 13,979,404</u>	<u>\$ 12,225,423</u>	<u>\$ 11,891,311</u>

(Continued)

	March 31, 2022	December 31, 2021	March 31, 2021
Trust liabilities and capital			
Payables	\$ 43,772	\$ 1,787	\$ 43,523
Unearned receipts	1,133	1,180	1,336
Taxes payable	7,725	4,203	7,804
Guarantee deposits received	35,861	39,020	48,308
Other liabilities	503	981	504
Trust capital	13,754,589	12,024,438	11,632,899
Provisions and accumulated profit and loss	<u>135,821</u>	<u>153,814</u>	<u>156,937</u>
Trust liabilities and capital	<u>\$ 13,979,404</u>	<u>\$ 12,225,423</u>	<u>\$ 11,891,311</u> (Concluded)

Income Statements of Trust Accounts

	For the Three Months Ended March 31	
	2022	2021
Trust revenue		
Interest revenue	\$ 265	\$ 277
Rent revenue	29,230	28,391
Other revenue	<u>463</u>	<u>930</u>
	<u>29,958</u>	<u>29,598</u>
Trust expenses		
Management fees	(733)	(909)
Service charge	(5,580)	(2,772)
Tax	(3,522)	(3,548)
Other expenses	(3,101)	(3,103)
Income tax expense	<u>(9)</u>	<u>-</u>
	<u>(12,945)</u>	<u>(10,332)</u>
	<u>\$ 17,013</u>	<u>\$ 19,266</u>

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

Trust Property List

	March 31, 2022	December 31, 2021	March 31, 2021
Petty cash	\$ 100	\$ 100	\$ 100
Bank deposits	2,857,289	1,820,544	2,024,106
Stocks	237,753	228,378	228,378
Funds	3,632,013	3,468,761	3,056,842
Bonds	737,877	539,051	279,112
Land	5,603,064	5,302,344	5,460,927
Buildings	819,723	819,100	840,695
Receivables	32	27	16
Prepayments	1,031	1,222	1,112
Structured products	90,463	45,854	-
Other	<u>59</u>	<u>42</u>	<u>23</u>
	<u>\$ 13,979,404</u>	<u>\$ 12,225,423</u>	<u>\$ 11,891,311</u>

45. 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 considers that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values.

	<u>March 31, 2022</u>		<u>December 31, 2021</u>		<u>March 31, 2021</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>						
Bank debentures payable	\$ 15,000,000	\$ 15,141,306	\$ 15,000,000	\$ 15,150,259	\$ 15,100,000	\$ 15,264,835

2) The fair value hierarchy

Financial Instrument Items at Fair Value	<u>March 31, 2022</u>			
	Total	Level 1	Level 2	Level 3

Financial liabilities

Bank debentures payable	\$ 15,141,306	\$ -	\$ 15,141,306	\$ -
-------------------------	---------------	------	---------------	------

Financial Instrument Items at Fair Value	<u>December 31, 2021</u>			
	Total	Level 1	Level 2	Level 3

Financial liabilities

Bank debentures payable	\$ 15,150,259	\$ -	\$ 15,150,259	\$ -
-------------------------	---------------	------	---------------	------

Financial Instrument Items at Fair Value	<u>March 31, 2021</u>			
	Total	Level 1	Level 2	Level 3

Financial liabilities

Bank debentures payable	\$ 15,264,835	\$ -	\$ 15,264,835	\$ -
-------------------------	---------------	------	---------------	------

Refer to quoted market prices for fair value if there are public quotations on bank debentures payable 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 measured at fair value on a recurring basis

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

Item	March 31, 2022			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 1,210,147	\$ 572,407	\$ 526,935	\$ 110,805
Bills	92,246,302	-	92,246,302	-
Bonds	31	-	31	-
Hybrid financial assets	11,461,921	403,428	1,373,618	9,684,875
Negotiable certificates of deposit	43,623,200	-	43,623,200	-
Financial assets at FVTOCI				
Equity instruments	7,850,867	6,916,173	120,022	814,672
Bills	6,897,764	-	6,897,764	-
Debt instruments	143,905,241	18,698,539	125,206,702	-
Negotiable certificates of deposit	27,009,203	-	27,009,203	-
Liabilities				
Financial liabilities at FVTPL	50,507	-	50,507	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	924,532	23,845	900,687	-
Liabilities				
Financial liabilities at FVTPL	612,081	-	612,081	-
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	March 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 1,861,221	\$ 1,213,862	\$ 503,141	\$ 144,218
Bills	95,181,495	-	95,181,495	-
Hybrid financial assets	9,224,100	197,405	904,355	8,122,340
Negotiable certificates of deposit	43,565,906	-	43,565,906	-
Financial assets at FVTOCI				
Equity instruments	7,156,811	6,201,877	118,240	836,694
Bills	9,065,496	-	9,065,496	-
Debt instruments	131,923,489	29,936,160	101,987,329	-
Negotiable certificates of deposit	28,671,637	-	28,671,637	-
Liabilities				
Financial liabilities at FVTPL	280	-	280	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	415,190	-	415,190	-
Liabilities				
Financial liabilities at FVTPL	439,764	-	439,764	-

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 the financial instruments classified in Level 3

For the three months ended March 31, 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 gains (losses) financial assets or liabilities measured at fair value through profit or loss	(2,472)	44,825	-	42,353
Recognition in other comprehensive income - unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	-	(21,231)	(21,231)
Purchases	2,315,100	12,522	-	2,327,622
Disposals	(2,607,100)	-	-	(2,607,100)
Other	-	(140,209)	-	(140,209)
Ending balance	<u>\$ 9,684,875</u>	<u>\$ 110,805</u>	<u>\$ 814,672</u>	<u>\$ 10,610,352</u>

For the three months ended March 31, 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 gains (losses) financial assets or liabilities measured at fair value through profit or loss	16,190	11,735	-	27,925
Recognition in other comprehensive income - unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	-	12,170	12,170
Purchases	3,218,500	-	-	3,218,500
Disposals	(4,209,000)	-	-	(4,209,000)
Other	-	25	-	25
Ending balance	\$ 8,122,340	\$ 144,218	\$ 836,694	\$ 9,103,252

The assets held at the balance sheet date, which were included in the profit and loss and the unrealized gains and losses for the three months ended March 31, 2022 and 2021, consisted of \$13,488 thousand in loss and \$72,913 thousand in profit, respectively.

The Group had no significant transfers Level 3 for the three months period ended March 31, 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 March 31, 2022. For the three months period ended March 31, 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 three months ended March 31, 2022 and 2021 periods would be as follows:

For the three months ended March 31, 2022

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	\$ 1,754	\$ (1,754)	\$ -	\$ -
Equity instruments	10%	11,081	(11,081)	88,907	(88,907)

For the three months ended March 31, 2021

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	\$ 1,272	\$ (1,272)	\$ -	\$ -
Equity instruments	10%	14,422	(14,422)	92,706	(92,706)

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.

March 31, 2022

Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities
Financial assets at fair value through gain or loss		
Bills sold under repurchase agreements	\$ 72,289,568	\$ 72,334,129
Bonds sold under repurchase agreements	500,331	500,000
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	97,049,440	101,328,858
Securities purchase under resell agreements		
Bonds sold under repurchase agreements	3,711,403	3,851,105

December 31, 2021

Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities
Financial assets at fair value through gain or loss		
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

March 31, 2021

Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities
Financial assets at fair value through gain or loss		
Bills sold under repurchase agreements	\$ 71,955,410	\$ 71,993,521
Bonds sold under repurchase agreements	80,144	80,255
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	97,493,068	99,973,672
Securities purchase under resell agreements		
Bonds sold under repurchase agreements	5,984,029	6,259,331

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.

March 31, 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		
				Financial Instruments (Note)	Cash Collateral Pledged	Net Amount
Derivatives	<u>\$ 898,051</u>	<u>\$ -</u>	<u>\$ 898,051</u>	<u>\$ (209,291)</u>	<u>\$ (130,579)</u>	<u>\$ 558,181</u>

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	\$ 601,693	\$ -	\$ 601,693	\$ (209,291)	\$ (64,303)	\$ 328,099
Repurchase agreements	<u>178,014,092</u>	<u>-</u>	<u>178,014,092</u>	<u>(173,442,096)</u>	<u>-</u>	<u>4,571,996</u>
	<u>\$ 178,615,785</u>	<u>\$ -</u>	<u>\$ 178,615,785</u>	<u>\$ (173,651,387)</u>	<u>\$ (64,303)</u>	<u>\$ 4,900,095</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	<u>\$ 262,866</u>	<u>\$ -</u>	<u>\$ 262,866</u>	<u>\$ (56,086)</u>	<u>\$ (71,922)</u>	<u>\$ 134,858</u>

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	<u>187,952,616</u>	<u>-</u>	<u>187,952,616</u>	<u>(184,711,607)</u>	<u>-</u>	<u>3,241,009</u>
	<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>

March 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	<u>\$ 415,190</u>	<u>\$ -</u>	<u>\$ 415,190</u>	<u>\$ (90,044)</u>	<u>\$ (8,377)</u>	<u>\$ 316,769</u>

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	\$ 400,042	\$ -	\$ 400,042	\$ (90,044)	\$ (25,429)	\$ 284,569
Repurchase agreements	<u>178,306,779</u>	<u>-</u>	<u>178,306,779</u>	<u>(175,469,860)</u>	<u>-</u>	<u>2,836,919</u>
	<u>\$ 178,706,821</u>	<u>\$ -</u>	<u>\$ 178,706,821</u>	<u>\$ (175,559,904)</u>	<u>\$ (25,429)</u>	<u>\$ 3,121,488</u>

Note: Included non-cash financial collaterals.

46. 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 Basel III international requirements 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 scheme.

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		
	March 31, 2022	December 31, 2021	March 31, 2021
Financial guarantees and irrevocable documentary letter of credit			
Contract amounts	\$ 143,095,483	\$ 149,267,289	\$ 149,485,618
Maximum exposure amounts	143,095,483	149,267,289	149,485,618
Loan commitments	53,952,646	47,740,121	45,046,655

7) Concentration of credit risk exposure

Concentrations 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 March 31, 2022, December 31, 2021 and March 31, 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	March 31, 2022		December 31, 2021		March 31, 2021	
	Amount	%	Amount	%	Amount	%
Financial and insurance	\$ 81,519,908	28	\$ 78,675,612	27	\$ 77,957,107	27
Manufacturing	60,045,675	20	58,775,129	20	58,589,884	20
Real estate	57,548,467	20	57,361,927	20	55,827,352	19

b) By counterparty

Credit Risk Profile by Counterparty Sector	March 31, 2022		December 31, 2021		March 31, 2021	
	Amount	%	Amount	%	Amount	%
Private sector	\$ 148,025,469	80	\$ 139,529,652	80	\$ 143,831,994	80
Natural person	36,664,753	20	35,766,883	20	36,063,210	20

c) By geographical area

Credit Risk Profile by Geographical Sector	March 31, 2022		December 31, 2021		March 31, 2021	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 118,925,381	64	\$ 116,051,668	66	\$ 117,421,706	65
Other Asia area	33,023,374	18	27,972,835	16	25,161,648	14
America	29,067,675	16	27,471,135	16	31,900,620	18

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.

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	12-month 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	March 31, 2022	December 31, 2021	March 31, 2021
Performing	\$ 179,080,762	\$ 182,232,250	\$ 167,780,698
Doubtful	1,000,006	1,000,010	1,000,021
In default	-	-	-

The allowance for impairment loss of investments in debt instruments at FVTOCI grouped by credit rating, is reconciled as follows:

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	Total
Balance at January 1, 2022	\$ 42,456	\$ 5,218	\$ 47,674
New financial assets purchased or originated	3,456	-	3,456
Derecognition of financial assets	(3,741)	-	(3,741)
Change in model or risk parameters	(629)	10	(619)
Exchange rate or others	<u>623</u>	<u>-</u>	<u>623</u>
Balance at March 31, 2022	<u>\$ 42,165</u>	<u>\$ 5,228</u>	<u>\$ 47,393</u>

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	Total
Balance at January 1, 2021	\$ 42,548	\$ 8,821	\$ 51,369
New financial assets purchased or originated	12,953	-	12,953
Derecognition of financial assets	(4,316)	-	(4,316)
Change in model or risk parameters	(1,601)	11	(1,590)
Exchange rate or others	<u>(5,836)</u>	<u>-</u>	<u>(5,836)</u>
Balance at March 31, 2021	<u>\$ 43,748</u>	<u>\$ 8,832</u>	<u>\$ 52,580</u>

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

a) Credit analysis for receivables and discounts and loans

March 31, 2022

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Receivables	\$ 20,174,167	\$ 123,611	\$ 297,555	\$ -	\$ 20,595,333
Allowance for credit losses	(254,207)	(25,576)	(214,995)	-	(494,778)
Difference of impairment loss under regulations	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,096)</u>	<u>(16,096)</u>
Net total	<u>\$ 19,919,960</u>	<u>\$ 98,035</u>	<u>\$ 82,560</u>	<u>\$ (16,096)</u>	<u>\$ 20,084,459</u>

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Discounts and loans	\$ 172,566,370	\$ 10,909,764	\$ 1,214,088	\$ -	\$ 184,690,222
Allowance for credit losses	(250,115)	(67,686)	(243,399)	-	(561,200)
Difference of impairment loss under regulations	-	-	-	(2,098,649)	(2,098,649)
Net total	<u>\$ 172,316,255</u>	<u>\$ 10,842,078</u>	<u>\$ 970,689</u>	<u>\$ (2,098,649)</u>	<u>\$ 182,030,373</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>

March 31, 2021

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Receivables	\$ 15,520,628	\$ 81,793	\$ 233,875	\$ -	\$ 15,836,296
Allowance for credit losses	(202,357)	(25,661)	(177,796)	-	(405,814)
Difference of impairment loss under regulations	-	-	-	(11,378)	(11,378)
Net total	<u>\$ 15,318,271</u>	<u>\$ 56,132</u>	<u>\$ 56,079</u>	<u>\$ (11,378)</u>	<u>\$ 15,419,104</u>

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Discounts and loans	\$ 163,702,029	\$ 14,584,152	\$ 1,609,022	\$ -	\$ 179,895,203
Allowance for credit losses	(477,869)	(162,292)	(434,964)	-	(1,075,125)
Difference of impairment loss under regulations	-	-	-	(1,388,453)	(1,388,453)
Net total	<u>\$ 163,224,160</u>	<u>\$ 14,421,860</u>	<u>\$ 1,174,058</u>	<u>\$ (1,388,453)</u>	<u>\$ 177,431,625</u>

b) Credit analysis for marketable securities

March 31, 2022

	At FVTOCI - Debt Instruments
Gross carrying amount	\$ 180,080,768
Allowance for impairment loss	<u>(47,393)</u>
Amortized cost	180,033,375
Fair value adjustment	<u>(2,221,167)</u>
	<u>\$ 177,812,208</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>

March 31, 2021

	At FVTOCI - Debt Instruments
Gross carrying amount	\$ 168,780,719
Allowance for impairment loss	<u>(52,580)</u>
Amortized cost	168,728,139
Fair value adjustment	<u>932,483</u>
	<u>\$ 169,660,622</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 March 31, 2022, December 31, 2021 and March 31, 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 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's 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 March 31, 2022, December 31, 2021 and March 31, 2021, the liquidity reserve ratio was 45.55%, 46.81% and 46.49%, 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:

March 31, 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	\$ 27,074,353	\$ 1,731,155	\$ -	\$ -	\$ -	\$ 28,805,508
Financial liabilities at fair value through profit or loss	1	-	-	860	49,646	50,507
Bill and bonds sold under repurchase agreements	142,190,924	33,346,864	2,269,379	276,043	-	178,083,210
Payables	951,815	112,131	522,633	632,563	59,379	2,278,521
Deposits and remittances	31,894,027	80,867,102	53,549,290	53,888,515	45,594,314	265,793,248
Bank debentures payable	-	1,500,000	-	1,000,000	12,500,000	15,000,000
Other financial liabilities	4,143,411	7,398,264	1,579,276	2,704,898	4,029,826	19,855,675
Lease liabilities	12,686	32,014	32,929	50,425	211,956	340,010
	<u>\$ 206,267,217</u>	<u>\$ 124,987,530</u>	<u>\$ 57,953,507</u>	<u>\$ 58,553,304</u>	<u>\$ 62,445,121</u>	<u>\$ 510,206,679</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
Bill 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>

March 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	\$ 16,613,958	\$ 550,540	\$ -	\$ -	\$ 7,000,000	\$ 24,164,498
Financial liabilities at fair value through profit or loss	-	-	-	-	280	280
Bill and bonds sold under repurchase agreements	135,125,377	38,415,751	4,615,540	209,713	-	178,366,381
Payables	2,202,877	49,137	584,530	503,017	189,062	3,528,623
Deposits and remittances	35,817,956	75,498,736	53,601,968	54,908,079	43,230,674	263,057,413
Bank debentures payable	-	1,000,000	600,000	-	13,500,000	15,100,000
Other financial liabilities	6,992,807	4,807,704	1,096,180	771,076	4,720,427	18,388,194
Lease liabilities	12,916	26,979	38,206	75,032	278,699	431,832
	<u>\$ 196,765,891</u>	<u>\$ 120,348,847</u>	<u>\$ 60,536,424</u>	<u>\$ 56,466,917</u>	<u>\$ 68,919,142</u>	<u>\$ 503,037,221</u>

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

March 31, 2022	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	\$ 24,720	\$ 14,491	\$ 13,513	\$ 11,622	\$ -	\$ 64,346
Currency swap contracts	132,213	210,086	126,003	22,045	-	490,347
Others	8,061	2,273	19,301	14,001	10,388	54,024
	164,994	226,850	158,817	47,668	10,388	608,717
Non-deliverable						
Interest rate swap contracts	239	37	-	3,088	-	3,364
	<u>\$ 165,233</u>	<u>\$ 226,887</u>	<u>\$ 158,817</u>	<u>\$ 50,756</u>	<u>\$ 10,388</u>	<u>\$ 612,081</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
Deliverable						
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
	121,532	79,215	87,410	53,473	39,138	380,768
Non-deliverable						
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>

March 31, 2021	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	\$ 17,230	\$ 16,077	\$ 4,766	\$ 5,052	\$ -	\$ 43,125
Currency swap contracts	110,401	95,608	117,577	3,744	-	327,330
Others	4,290	6,875	2,665	1,647	39,332	54,809
	131,921	118,560	125,008	10,443	39,332	425,264
Non-deliverable						
Interest rate swap contracts	-	1,523	-	744	12,233	14,500
	<u>\$ 131,921</u>	<u>\$ 120,083</u>	<u>\$ 125,008</u>	<u>\$ 11,187</u>	<u>\$ 51,565</u>	<u>\$ 439,764</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 sent 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.

March 31, 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	\$ 464,208	\$ 434,153	\$ 161,064	\$ -	\$ -	\$ 1,059,425
Other guarantees	43,620,872	83,192,300	13,481,592	1,522,653	218,641	142,036,058
Loan commitments	<u>4,560,078</u>	<u>9,120,155</u>	<u>13,680,233</u>	<u>26,592,180</u>	<u>-</u>	<u>53,952,646</u>
	<u>\$ 48,645,158</u>	<u>\$ 92,746,608</u>	<u>\$ 27,322,889</u>	<u>\$ 28,114,833</u>	<u>\$ 218,641</u>	<u>\$ 197,048,129</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>

March 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	\$ 466,042	\$ 1,273,197	\$ 140,988	\$ -	\$ -	\$ 1,880,227
Other guarantees	51,625,555	82,838,077	10,439,586	2,677,423	24,750	147,605,391
Loan commitments	<u>3,807,343</u>	<u>7,614,687</u>	<u>11,422,030</u>	<u>22,202,595</u>	<u>-</u>	<u>45,046,655</u>
	<u>\$ 55,898,940</u>	<u>\$ 91,725,961</u>	<u>\$ 22,002,604</u>	<u>\$ 24,880,018</u>	<u>\$ 24,750</u>	<u>\$ 194,532,273</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 etc.) 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 loss quotas and product parts quotas to avoid setting up 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.

O-Bank

	March 31, 2022			December 31, 2021			March 31, 2021		
	Average	High	Low	Average	High	Low	Average	High	Low
Currency exchange rate risk	\$ 1,370	\$ 12,790	\$ 284	\$ 1,684	\$ 5,086	\$ 365	\$ 1,985	\$ 3,579	\$ 631
Fair value risk resulting from interest rate	1,744	5,146	772	2,490	4,162	1,056	3,057	4,162	2,364
Fair value resulting from stock price	9,768	18,889	5,039	14,991	31,270	4,874	21,105	25,435	15,503

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 March 31, 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 March 31, 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	\$ 2,769,710	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 completed in the first half of 2023.
Discounts and loans	<u>1,758,897</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>4,528,607</u>	
<u>HKD HIBOR financial asset</u>		
Discounts and loans	<u>171,763</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>\$ 4,700,370</u>	

7) Foreign currency rate risk information

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

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

	March 31, 2022		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 2,858,080	28.6215	\$ 81,802,647
JPY	4,230,717	0.2349	993,737
HKD	7,485,586	3.6558	27,365,656
EUR	25,531	31.8698	813,663
AUD	214,403	21.3980	4,587,800
RMB	3,302,138	4.5138/4.5074	14,884,288
Investments accounted for using equity method			
RMB	219,857	4.5138	992,387
<u>Financial liabilities</u>			
Monetary item			
USD	3,841,020	28.6215	109,935,896
JPY	4,137,470	0.2349	971,834
HKD	3,746,025	3.6558	13,694,643
EUR	15,745	31.8698	501,789
AUD	46,983	21.3980	1,005,343
RMB	2,838,429	4.5138/4.5074	12,794,132
	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

(Continued)

	December 31, 2021		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<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
			(Concluded)

	March 31, 2021		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 3,297,155	28.5321	\$ 94,074,616
JPY	2,022,362	0.2579	521,567
HKD	5,876,230	3.6703	21,567,528
EUR	19,919	33.5108	667,497
AUD	172,696	21.7341	3,753,399
RMB	2,909,193	4.3529/4.3493	12,653,522
Investments accounted for using equity method			
RMB	180,414	4.3529	785,323

<u>Financial liabilities</u>			
Monetary item			
USD	2,959,642	28.5321	84,444,678
JPY	2,804,593	0.2579	723,304
HKD	5,109,722	3.6703	18,754,213
EUR	17,468	33.5108	585,366
AUD	7,135	21.7341	155,073
RMB	2,004,245	4.3493	8,717,004

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 Assets and Liabilities 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:

O-Bank

	For the Three Months Ended March 31			
	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)	\$ 866,814	1.08	\$ 859,934	1.13
Call loans to other banks	7,311,045	0.19	11,667,300	0.22
Due from the Central Bank	5,111,795	0.38	5,552,848	0.39
Financial assets at FVTPL	36,055,065	0.37	47,564,205	0.31
Bills and bonds purchased under resell agreements	-	-	41,507	0.09
Discounts and loans	160,324,202	1.95	160,825,718	1.89
Financial assets at FVTOCI	78,210,782	0.59	68,433,911	0.63
Receivables	1,256,805	1.67	934,397	1.14

Interest-bearing liabilities

Deposits from the Central Bank and other banks	19,852,679	0.26	23,247,633	0.42
Demand deposits	65,523,928	0.19	62,534,523	0.21
Time deposits	172,832,361	0.43	179,321,400	0.49
Bills and bonds sold under repurchase agreements	3,572,077	0.25	1,461,712	0.25
Bank debentures payable	15,000,000	1.89	16,356,667	1.99

China Bills Finance Corporation (CBF)

	For the Three Months Ended March 31			
	2022		2021	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents (including certificate of deposits)	\$ 295,058	0.003	\$ 396,747	0.02
Call loans to banks	99,444	0.33	36,778	0.10
Financial assets at fair value through profit or loss - bonds and bills	98,256,278	0.41	99,002,467	0.38
FVTOCI - debt instruments	102,578,202	1.16	100,773,339	1.23
Financial instruments at fair value through profit or loss - hybrid financial assets	9,882,467	1.45	8,585,699	1.59
Securities purchased under resell agreements	5,751,929	0.20	5,964,252	0.18

(Continued)

	For the Three Months Ended March 31			
	2022		2021	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-bearing liabilities</u>				
Call loans from other banks	\$ 11,057,453	0.34	\$ 7,408,149	0.22
Bank overdraft	589	1.50	642	1.50
Securities sold under repurchase agreements	176,826,156	0.27	179,196,999	0.25
Commercial paper payable	4,500,000	0.47	4,500,000	0.32
				(Concluded)

47. 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 the 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.

48. ASSET QUALITY, CONCENTRATION OF LOANS 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 4.

2) Concentration of credit extensions

March 31, 2022

(In Thousands of New Taiwan Dollars, %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (real estate development)	\$ 6,237,498	17.33
2	B Company (real estate development)	4,088,036	11.36
3	C Company (unclassified other financial service)	3,334,089	9.26
4	D Company (real estate lease industry)	3,160,000	8.78
5	E Company (glass and glass made products manufacturing)	3,128,613	8.69
6	F Company (unclassified other financial service)	2,940,000	8.17
7	G Company (real estate development)	2,782,750	7.73
8	H Company (real estate development)	2,240,354	6.22
9	I Company (non-hazardous waste treatment industry)	2,190,598	6.09
10	J Company (manufacture of integrated circuits)	2,184,500	6.07

March 31, 2021

(In Thousands of New Taiwan Dollars, %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (real estate development)	\$ 6,040,463	16.74
2	F Company (unclassified other financial service)	4,812,000	13.33
3	G Company (real estate development)	4,081,000	11.31
4	B Company (real estate development)	3,735,876	10.35
5	D Company (real estate lease industry)	3,200,000	8.87
6	E Company (glass and glass made products manufacturing)	2,931,659	8.12
7	I Company (non-hazardous waste treatment industry)	2,676,265	7.42
8	K Company (retail sale of other food, beverages and tobacco in specialized stores)	2,389,696	6.62
9	L Company (accommodation industry)	2,325,830	6.44
10	M Company (real estate development)	2,178,447	6.04

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)
March 31, 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	\$ 167,112,218	\$ 13,691,614	\$ 11,838,336	\$ 27,767,725	\$ 220,409,893
Interest rate-sensitive liabilities	57,488,498	71,921,347	49,753,458	34,881,453	214,044,756
Interest rate-sensitive gap	109,623,720	(58,229,733)	(37,915,122)	(7,113,728)	6,365,137
Net worth					32,760,131
Ratio of interest rate-sensitive assets to liabilities					102.97%
Ratio of interest rate sensitivity gap to net worth					19.43%

March 31, 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	\$ 175,339,995	\$ 19,376,917	\$ 13,065,588	\$ 7,626,263	\$ 215,408,763
Interest rate-sensitive liabilities	57,734,449	70,619,601	47,978,856	32,292,894	208,625,800
Interest rate-sensitive gap	117,605,546	(51,242,684)	(34,913,268)	(24,666,631)	6,782,963
Net worth					32,286,614
Ratio of interest rate-sensitive assets to liabilities					103.25%
Ratio of interest rate sensitivity gap to net worth					21.01%

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 (U.S. Dollars)
March 31, 2022**

(In Thousands of U.S. Dollars, %)

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	\$ 1,006,162	\$ 65,509	\$ 9,405	\$ 1,457,841	\$ 2,538,917
Interest rate-sensitive liabilities	1,396,530	850,016	172,534	-	2,419,080
Interest rate-sensitive gap	(390,368)	(784,507)	(163,129)	1,457,841	119,837
Net worth					114,336
Ratio of interest rate-sensitive assets to liabilities					104.95%
Ratio of interest rate sensitivity gap to net worth					104.81%

March 31, 2021

(In Thousands of U.S. Dollars, %)

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	\$ 1,433,637	\$ 19,937	\$ 14,793	\$ 857,197	\$ 2,325,564
Interest rate-sensitive liabilities	968,819	999,488	221,344	-	2,189,651
Interest rate-sensitive gap	464,818	(979,551)	(206,551)	857,197	135,913
Net worth					126,936
Ratio of interest rate-sensitive assets to liabilities					106.21%
Ratio of interest rate sensitivity gap to net worth					107.07%

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 Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Return on total assets	Before income tax	0.20
	After income tax	0.18
Return on equity	Before income tax	1.81
	After income tax	1.61
Net income ratio	39.81	34.01

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 revenues.

Note 4: Income before (after) income tax represents income for the three months ended March 31, 2022 and 2021.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
March 31, 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	\$ 260,421,566	\$ 52,324,090	\$ 16,698,734	\$ 36,707,822	\$ 21,486,434	\$ 19,368,941	\$ 113,835,545
Main capital outflow on maturity	301,703,216	13,162,271	23,451,883	65,251,957	55,920,164	74,750,391	69,166,550
Gap	(41,281,650)	39,161,819	(6,753,149)	(28,544,135)	(34,433,730)	(55,381,450)	44,668,995

March 31, 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	\$ 253,340,457	\$ 54,528,627	\$ 19,771,941	\$ 32,765,260	\$ 30,143,142	\$ 23,517,024	\$ 92,614,463
Main capital outflow on maturity	289,355,973	13,751,399	16,782,106	62,971,441	48,039,688	68,760,159	79,051,180
Gap	(36,015,516)	40,777,228	2,989,835	(30,206,181)	(17,896,546)	(45,243,135)	13,563,283

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

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
March 31, 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	\$ 4,113,247	\$ 1,601,522	\$ 900,312	\$ 493,939	\$ 274,639	\$ 842,835
Main capital outflow on maturity	4,302,631	1,611,453	1,267,305	582,236	332,183	509,454
Gap	(189,384)	(9,931)	(366,993)	(88,297)	(57,544)	333,381

March 31, 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	\$ 3,618,964	\$ 1,386,966	\$ 741,870	\$ 329,068	\$ 332,256	\$ 828,804
Main capital outflow on maturity	3,688,655	1,384,773	958,106	563,868	312,308	469,600
Gap	(69,691)	2,193	(216,236)	(234,800)	19,948	359,204

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 total assets, there should be additional disclosures.

Maturity Analysis of Overseas Assets and Liabilities (U.S. Dollars)
March 31, 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	\$ 1,407,882	\$ 806,678	\$ 290,387	\$ 84,822	\$ 20,538	\$ 205,457
Main capital outflow on maturity	1,429,313	455,127	497,897	84,825	149,168	242,296
Gap	(21,431)	351,551	(207,510)	(3)	(128,630)	(36,839)

March 31, 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	\$ 1,397,310	\$ 849,471	\$ 186,918	\$ 49,194	\$ 41,145	\$ 270,582
Main capital outflow on maturity	1,362,266	483,563	344,070	176,486	147,796	210,351
Gap	35,044	365,908	(157,152)	(127,292)	(106,651)	60,231

China Bills Finance Corporation

a. Asset quality

Item	Period	
	March 31, 2022	March 31, 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	1,328,669	1,190,227
Actual provision for credit losses and reserve for losses on guarantees	1,382,077	1,375,077

b. The principal operation

Item	Period	
	March 31, 2022	March 31, 2021
Balance of guarantees and endorsement securities	\$ 108,629,700	\$ 108,533,600
Multiple of guarantees and endorsement securities to net worth	4.54	4.82
Short-term bills and bonds sold under repurchase agreement	\$ 172,268,937	\$ 176,375,596
Multiple of short-term bills and bonds sold under repurchase agreement to net worth	7.21	7.83

c. The provision policy and allowance for doubtful accounts, refer to Note 13.

d. Concentrations of credit extensions

(In %)

Item	Period		March 31, 2022		March 31, 2021	
Credit of the common interested party			\$ -		\$ -	
Ratio of credit extensions to common interest parties			-		-	
Ratio of credit extensions secured by pledged share			20.05		23.09	
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		31.44		Finance and insurance industry	
	Real estate industry		26.17		Real estate industry	
	Manufacturing industry		20.63		Manufacturing 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

March 31, 2022

(In Millions of New Taiwan Dollars, %)

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	\$ 103,139	\$ 9,348	\$ 10,598	\$ 89,588	\$ 212,673
Interest rate-sensitive liabilities	186,349	2,265	274	-	188,888
Interest rate-sensitive gap	(83,210)	7,083	10,324	89,588	23,785
Net worth					24,517
Ratio of interest rate-sensitive assets to liabilities (%)					112.59
Ratio of interest rate sensitivity gap to net worth (%)					97.01

March 31, 2021

(In Millions of New Taiwan Dollars, %)

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	\$ 99,842	\$ 7,756	\$ 9,352	\$ 93,077	\$ 210,027
Interest rate-sensitive liabilities	180,497	4,611	208	-	185,316
Interest rate-sensitive gap	(80,655)	3,145	9,144	93,077	24,711
Net worth					25,680
Ratio of interest rate-sensitive assets to liabilities (%)					113.33
Ratio of interest rate sensitivity gap to net worth (%)					96.23

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

March 31, 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	\$ 52,050	\$ 41,541	\$ 3,960	\$ 262	\$ -
	Bonds	2,026	2,517	5,388	10,336	89,588
	Due from banks	291	-	-	-	-
	Call loans	500	-	-	-	-
	Securities purchased under resell agreements	4,214	-	-	-	-
	Total	59,081	44,058	9,348	10,598	89,588
Cash provided by	Borrowing	14,188	2,499	-	-	-
	Securities sold under repurchase agreements	136,860	32,802	2,265	274	-
	Eligible capital	-	-	-	-	24,517
	Total	151,048	35,301	2,265	274	24,517
Net cash flows		(91,967)	8,757	7,083	10,324	65,071
Accumulated cash flows		(91,967)	(83,210)	(76,127)	(65,803)	(732)

March 31, 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	\$ 42,558	\$ 46,811	\$ 5,930	\$ 184	\$ -
	Bonds	1,609	2,608	1,826	9,168	93,077
	Due from banks	272	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	5,755	229	-	-	-
	Total	50,194	49,648	7,756	9,352	93,077
Cash provided by	Borrowing	8,999	-	-	-	-
	Securities sold under repurchase agreements	133,507	37,991	4,611	208	-
	Eligible capital	-	-	-	-	25,680
	Total	142,506	37,991	4,611	208	25,680
Net cash flows		(92,312)	11,657	3,145	9,144	67,397
Accumulated cash flows		(92,312)	(80,655)	(77,510)	(68,366)	(969)

g. Matters requiring special notation

Causes	March 31, 2022	March 31, 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	None	None
Other	None	None

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

49. CASH FLOWS INFORMATION

Changes in Liabilities from Financing Activities

For the three months ended March 31, 2022

	January 1, 2022	Cash Inflow (Outflow)	Non-Cash Changes		March 31, 2022
			Add Leasing	Other	
Bank debentures payable	\$ 15,000,000	\$ -	\$ -	\$ -	\$ 15,000,000
Lease liabilities	350,370	(41,390)	11,256	4,075	324,311
Other financial liabilities	20,580,832	(970,320)	-	245,163	19,855,675
Other liabilities	<u>2,719,579</u>	<u>147,377</u>	<u>-</u>	<u>-</u>	<u>2,866,956</u>
	<u>\$ 38,650,781</u>	<u>\$ (864,333)</u>	<u>\$ 11,256</u>	<u>\$ 249,238</u>	<u>\$ 38,046,942</u>

For the three months ended March 31, 2021

	January 1, 2021	Cash Inflow (Outflow)	Non-Cash Changes		March 31, 2021
			Add Leasing	Other	
Bank debentures payable	\$ 16,400,000	\$ (1,300,000)	\$ -	\$ -	\$ 15,100,000
Lease liabilities	444,659	(44,072)	570	7,526	408,683
Other financial liabilities	18,102,763	430,486	-	(145,055)	18,388,194
Other liabilities	<u>2,249,555</u>	<u>127,865</u>	<u>-</u>	<u>118</u>	<u>2,377,538</u>
	<u>\$ 37,196,977</u>	<u>\$ (785,721)</u>	<u>\$ 570</u>	<u>\$ (137,411)</u>	<u>\$ 36,274,415</u>

50. 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.

51. 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: None
 - 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.” Uncovering
 - 13) Derivative instrument transactions: Note 8
- c. Investment in mainland China: Table 5 (attached)
- d. Business relationships and significant transactions among the group: Table 6 (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 7 (attached)

52. 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 in Low of Bank 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
<u>For the three months ended March 31, 2022</u>							
Net interest							
From unaffiliated segment	\$ 606,876	\$ 184,176	\$ 245,252	\$ 163,926	\$ (1)	\$ 189	\$ 1,200,418
From other segment	(119)	-	7	-	-	112	-
	<u>\$ 606,757</u>	<u>\$ 184,176</u>	<u>\$ 245,259</u>	<u>\$ 163,926</u>	<u>\$ (1)</u>	<u>\$ 301</u>	<u>\$ 1,200,418</u>
Net revenue other than interest							
From unaffiliated segment	\$ 848,955	\$ 4,271	\$ 109,059	\$ 442,133	\$ 3,463	\$ -	\$ 1,407,881
From other segment	5,591	-	(1,917)	(3,348)	(188)	(311,393)	(311,255)
	<u>\$ 854,546</u>	<u>\$ 4,271</u>	<u>\$ 107,142</u>	<u>\$ 438,785</u>	<u>\$ 3,275</u>	<u>\$ (311,393)</u>	<u>\$ 1,096,626</u>
Income from continuing operation	<u>\$ 581,783</u>	<u>\$ 57,945</u>	<u>\$ 125,375</u>	<u>\$ 426,942</u>	<u>\$ (3,015)</u>	<u>\$ (304,100)</u>	<u>\$ 884,930</u>
Identifiable assets	<u>\$ 308,010,510</u>	<u>\$ 27,151,173</u>	<u>\$ 19,419,174</u>	<u>\$ 216,142,118</u>	<u>\$ 256,147</u>	<u>\$ (70,448)</u>	<u>\$ 570,908,674</u>
Depreciation and amortization	<u>\$ 129,552</u>	<u>\$ 11,968</u>	<u>\$ 16,697</u>	<u>\$ 6,158</u>	<u>\$ 199</u>	<u>\$ (5,299)</u>	<u>\$ 159,275</u>
Capital expenditure	<u>\$ 22,049</u>	<u>\$ 151</u>	<u>\$ 15,964</u>	<u>\$ 1,942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,106</u>
<u>For the three months ended March 31, 2021</u>							
Net interest							
From unaffiliated segment	\$ 525,135	\$ 219,173	\$ 196,307	\$ 193,323	\$ (129)	\$ 88	\$ 1,133,897
From other segment	(119)	-	1	-	-	113	(5)
	<u>\$ 525,016</u>	<u>\$ 219,173</u>	<u>\$ 196,308</u>	<u>\$ 193,323</u>	<u>\$ (129)</u>	<u>\$ 201</u>	<u>\$ 1,133,892</u>
Net revenue other than interest							
From unaffiliated segment	\$ 803,471	\$ 6,956	\$ 111,798	\$ 601,879	\$ 21,620	\$ -	\$ 1,545,724
From other segment	5,642	-	(1,900)	(3,544)	(194)	(374,491)	(374,487)
	<u>\$ 809,113</u>	<u>\$ 6,956</u>	<u>\$ 109,898</u>	<u>\$ 598,335</u>	<u>\$ 21,426</u>	<u>\$ (374,491)</u>	<u>\$ 1,171,237</u>
Income from continuing operation	<u>\$ 453,803</u>	<u>\$ 88,779</u>	<u>\$ 118,325</u>	<u>\$ 530,980</u>	<u>\$ 17,331</u>	<u>\$ (367,165)</u>	<u>\$ 842,053</u>
Identifiable assets	<u>\$ 305,254,572</u>	<u>\$ 29,388,243</u>	<u>\$ 15,387,294</u>	<u>\$ 213,580,028</u>	<u>\$ 286,878</u>	<u>\$ 16,464</u>	<u>\$ 563,913,479</u>
Depreciation and amortization	<u>\$ 134,197</u>	<u>\$ 12,152</u>	<u>\$ 13,470</u>	<u>\$ 3,356</u>	<u>\$ 210</u>	<u>\$ (2,048)</u>	<u>\$ 161,337</u>
Capital expenditure	<u>\$ 11,318</u>	<u>\$ 214</u>	<u>\$ 2,326</u>	<u>\$ 125</u>	<u>\$ 62</u>	<u>\$ -</u>	<u>\$ 14,045</u>

O-BANK AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 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	\$ 31,904	\$ 31,904	2-8	2	\$ -	Working capital turnover	\$ 379	Margin	\$ 10,000	\$ 353,786	\$ 1,415,144	
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	37,887	31,474	31,474	2-8	2	-	Working capital turnover	441	Margin	6,000	353,786	1,415,144	
		Yuan Mao Construction Co., Ltd.	Account receivable - short-term accommodations	No	110,700	-	-	2-8	2	-	Working capital turnover	-	-	-	353,786	1,415,144	
		Priority International Finance	Account receivable - short-term accommodations	No	509	273	273	2-8	2	-	Working capital turnover	5	Deposit	1,200	353,786	1,415,144	
		Qiaoding Investment Co., Ltd.	Account receivable - short-term accommodations	No	84,000	81,000	81,000	2-8	2	-	Working capital turnover	1,401	Stock/real estate	51,830	353,786	1,415,144	
		Taiwan Star Telecom Corporation Limited	Account receivable - short-term accommodations	No	50,643	25,403	25,403	2-8	1	150,000	-	262	Equipment	33,152	353,786	3,537,860	
		Teamphon Energy Co., Ltd	Account receivable - short-term accommodations	No	86,477	81,295	81,295	2-8	2	-	Working capital turnover	1,406	-	-	353,786	1,415,144	
		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	-	353,786	1,415,144	
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	-	353,786	1,415,144			

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 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 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 THREE MONTHS ENDED MARCH 31, 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	\$ 28,302,878 28,302,878	\$ 8,405,164 80,000	\$ 7,483,212 80,000	\$ 5,508,208 -	\$ - -	211.52 2.26	\$ 42,454,317 42,454,317	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. Companies that directly and indirectly hold more than 50% of the voting rights of the company.
- d. The company directly or indirectly holds more than 90% of the voting shares.
- 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

MARCH 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 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\$ 192,770	91.78	US\$ 192,770	
IBT Management Corp.	<u>Closed type beneficiary certificate</u> O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	3,059	27,500	1.02	27,500	
	<u>Stocks</u> Thunder Tiger Biotechnology Co., Ltd.	-	Financial asset at FVTPL	1,773	40,642	7.38	40,642	Note 2
	TaiRx Co., Ltd.	-	Financial asset at FVTPL	433	16,764	0.49	16,764	Note 2
	Beauty essentials International Ltd. (Samoa)	-	Financial asset at FVTPL	25,974	30,617	2.41	30,617	Note 2
	Houdou Pinshan (Cayman) Co., Ltd.	-	Financial asset at FVTPL	500	14,745	2.17	14,745	Note 2
	Shihlian China Holdings Corp.	-	Financial asset at FVTPL	19,682	95,024	0.46	95,024	Notes 1 and 2
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	400	17,120	0.18	17,120	
IBT Leasing Co., Ltd.	<u>Closed type beneficiary certificate</u> O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	12,260	110,217	4.09	110,217	
	<u>Stocks</u> IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	3,190,836	95.00	3,190,836	Note 3
	IBT VII Venture Capital Co., Ltd.	Subsidiaries	Investments accounted for using the equity method	65,000	742,978	100.00	742,978	Note 3
	Shihlian China Holdings Corp.	-	Financial asset at FVTOCI	32,500	156,909	0.75	156,909	Note 1
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	1,700	72,760	0.77	72,760	
	Fubon Financial Holding Co., Ltd. preferred shares C	-	Financial asset at FVTOCI	533	32,033	0.16	32,033	
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	125,860	4.67	125,860	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2022				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	<u>Stocks</u>							
	IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	\$ 167,939	5.00	\$ 167,939	Note 3
	TaiRx Co., Ltd.	-	Financial asset at FVTPL	3,435	133,045	3.81	133,045	Note 2
	Meridigen Corp.	-	Financial asset at FVTPL	500	10,433	0.55	10,433	
	Femcosteel Tech Co., Ltd.	-	Financial asset at FVTPL	1,298	37,811	3.10	37,811	
	Shihlien China Holdings Corp.	-	Financial asset at FVTPL	9,135	44,106	0.21	44,106	Notes 1 and 2
	New Applied Materials Co., Ltd.	-	Financial asset at FVTPL	634	90,873	0.80	90,873	Note 2
	BioResource International, Inc.	-	Financial asset at FVTPL	1,105	103,513	5.84	103,513	Note 2
	Chipwell tech Corporation	-	Financial asset at FVTPL	391	14,540	2.61	14,540	Note 2
	Biocontrol Gene Vaccine Co., Ltd.	-	Financial asset at FVTPL	1,008	415	0.98	415	Note 2
	Reber Genetics Co., Ltd.	-	Financial asset at FVTPL	461	5,654	1.49	5,654	Note 2
	Kaohsiung Rapid Transit Corporation All Rights Reserved.	-	Financial asset at FVTPL	3,845	57,076	1.38	57,076	
	Evergreen Steel Corp.	-	Financial asset at FVTPL	247	15,240	0.06	15,240	
	Ampak Technology, Inc.	-	Financial asset at FVTPL	66	9,266	-	9,266	
	Otobrite Electronics Inc.	-	Financial asset at FVTPL	20	1,179	-	1,179	
	Evergreen Aviation Technologies Corp.	-	Financial asset at FVTPL	650	49,335	0.18	49,335	
	Power Win Taiwan Co., Ltd.	-	Financial asset at FVTPL	150	12,000	0.02	12,000	
	Polaris Group Corp.	-	Financial asset at FVTPL	14	1,656	-	1,656	
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	125	5,350	0.06	5,350	
	Mesh Cooperative Ventures Fund LP	-	Financial asset at FVTOCI	-	11,873	2.46	11,873	
IBT International Leasing Corp.	<u>Stocks</u>							
	Tianjin Bosteel No.13 Enterprise Management Partnership (Limited Partnership)	-	Financial asset at FVTPL	-	26,781	0.81	26,781	

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

NON-PERFORMING LOANS AND ACCOUNTS RECEIVABLE

MARCH 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, %)

Period		March 31, 2022					March 31, 2021				
Items		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	\$ 386,000	\$ 75,511,312	0.51%	\$ 1,069,127	276.98%	\$ 418,383	\$ 73,343,670	0.57%	\$ 920,961	220.12%
	Unsecured	139,902	64,687,153	0.22%	902,408	645.03%	256,309	58,764,920	0.44%	849,263	331.34%
Consumer banking	Housing mortgage (Note 4)	-	12,927,503	-	194,395	-	7,544	14,821,354	0.05%	222,513	2,949.54%
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)	-	1,985,277	-	28,150	-	310	1,649,713	0.02%	22,885	7,382.26%
	Other (Note 6)	Secured	-	4,975,800	-	50,086	-	999	5,790,725	0.02%	58,095
Unsecured		12,843	7,252,528	0.18%	135,281	1,053.34%	11,741	5,318,681	0.22%	110,336	939.75%
Total		538,745	167,339,573	0.32%	2,379,447	441.66%	695,286	159,689,063	0.44%	2,184,053	314.12%
		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)		-	1,403,142	-	15,495	-	-	977,289	-	11,368	-
		Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	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 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 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)		-	106,433	-	-	-	-	82,622	-	-	-
Total		-	106,433	-	-	-	-	82,622	-	-	-

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. 0945000494), 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 dated 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

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 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 March 31, 2022 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of March 31, 2022 (Note 1)	Accumulated Inward Remittance of Earnings as of March 31, 2022
					Outflow	Inflow					
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	\$ 440,743 (US\$ 15,399)	Note 2 c.	\$ 57,243 (US\$ 2,000)	\$ -	\$ -	\$ 57,243 (US\$ 2,000)	2.60	\$ -	\$ 57,243 (US\$ 2,000)	\$ -
Ou Suomiluo Food Co., Ltd.	Coffee retailing	45,138 (RMB 10,000)	Note 2 c.	14,311 (US\$ 500)	-	-	14,311 (US\$ 500)	2.09	-	14,311 (US\$ 500)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	245,098 (RMB 54,300)	Note 2 c.	57,243 (US\$ 2,000)	-	-	57,243 (US\$ 2,000)	2.18	-	57,243 (US\$ 2,000)	-
Beijing Sunshine Consumer Finance Co., Ltd.	Financing business	4,513,780 (RMB 1,000,000)	Note 2 d.	902,756 (RMB 200,000)	-	-	902,756 (RMB 200,000)	20.00	75,676	992,387 (RMB 200,000)	-

Accumulated Investment in Mainland China as of March 31, 2022 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$128,797 (US\$4,500) \$902,756 (RMB200,000)	\$128,797 (US\$4,500) \$902,756 (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 March 31, 2022 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of March 31, 2022 (Note 1)	Accumulated Inward Remittance of Earnings as of March 31, 2022
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,860,400 (US\$ 65,000)	Note 2 d.	\$ 1,511,217 (US\$ 52,800)	\$ -	\$ -	\$ 1,511,217 (US\$ 52,800)	100.00 (Note 6)	\$ 104,290 (Notes 3 and 7)	\$ 3,190,836 (Note 7)	\$ -
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	22,897,232 (US\$ 800,000)	Note 2 c.	127,566 (US\$ 4,457)	-	-	127,566 (US\$ 4,457)	0.75	-	127,566 (US\$ 4,457)	-
Shinlien Brine Huaian Co.	Production of glass materials	915,889 (US\$ 32,000)	Note 2 c.	10,848 (US\$ 379)	-	-	10,848 (US\$ 379)	0.75	-	10,848 (US\$ 379)	-

Accumulated Investment in Mainland China as of March 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$1,649,631 (US\$57,636)	\$1,649,631 (US\$57,636)	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 March 31, 2022 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of March 31, 2022 (Note 1)	Accumulated Inward Remittance of Earnings as of March 31, 2022
					Outflow	Inflow					
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	\$ 123,931 (US\$ 4,330)	Note 2 c.	\$ 2,061 (US\$ 72)	\$ -	\$ -	\$ 2,061 (US\$ 72)	2.17	\$ -	\$ 2,061 (US\$ 72)	\$ -
Topping Cuisine International Holding, Ltd.	Food retailing	216,207 (US\$ 7,554)	Note 2 c.	12,136 (US\$ 424)	-	-	12,136 (US\$ 424)	1.63	-	12,136 (US\$ 424)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	5,724 (US\$ 200)	Note 2 c.	200 (US\$ 7)	-	-	200 (US\$ 7)	2.17	-	200 (US\$ 7)	-
Beauty Essential International, Ltd.	Cosmetic retailing	85,865 (US\$ 3,000)	Note 2 c.	19,692 (US\$ 688)	-	-	19,692 (US\$ 688)	2.41	-	19,692 (US\$ 688)	-
Meike information technology	Cosmetic retailing information technology	77,278 (US\$ 2,700)	Note 2 c.	830 (US\$ 29)	-	-	830 (US\$ 29)	0.44	-	830 (US\$ 29)	-
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	22,897,232 (US\$ 800,000)	Note 2 c.	77,250 (US\$ 2,699)	-	-	77,250 (US\$ 2,699)	0.46	-	77,250 (US\$ 2,699)	-
Shinlien Brine Huaian Co.	Production of glass materials	915,889 (US\$ 32,000)	Note 2 c.	6,554 (US\$ 229)	-	-	6,554 (US\$ 229)	0.46	-	6,554 (US\$ 229)	-

Accumulated Investment in Mainland China as of March 31, 2022 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$118,723 (US\$4,148)	\$118,723 (US\$4,148)	\$151,855 (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		Accumulated Outflow of Investment from Taiwan as of March 31, 2022 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of March 31, 2022 (Note 1)	Accumulated Inward Remittance of Earnings as of March 31, 2022
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,860,400 (US\$ 65,000)	Note 2 d.	\$ 349,183 (US\$ 12,200)	\$ -	\$ -	\$ 349,183 (US\$ 12,200)	5.00	\$ 5,489 (Notes 3 and 7)	\$ 167,939 (Note 7)	\$ -

Accumulated Investment in Mainland China as of March 31, 2022 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$349,183 (US\$12,200)	\$349,183 (US\$12,200)	\$445,787 (Note 8)

Note 1: The amount is after the exchange rate adjustment for the year ended March 31, 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 reviewed 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 2021, 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.

Note 7: The accumulated investment amount of IBT Tianjin International Leasing Corp., which included the investment profit and loss and the book value of the investment at the end of the period, is composed of 95% directly held by IBT Leasing Co., Ltd. and 5% indirectly through IBT VII Venture Capital 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.

(Concluded)

O-BANK AND SUBSIDIARIES

**BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 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	\$ 343,077	Note 3	0.06
0	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing, IBTVC7 and IBTS	a	Interest expense	119	Note 3	0.01
0	The Bank	Chun Teng New Century, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTS	a	Payables	77	Note 3	-
0	The Bank	CBF, IBTM and IBT Leasing	a	Other net revenue other than interest	5,591	Note 3	0.24
1	Chun Teng New Century	The Bank	b	Cash and cash equivalents	60,680	Note 3	0.01
1	Chun Teng New Century	The Bank	b	Discontinued operations - interest revenue	22	Note 3	-
1	Chun Teng New Century	The Bank	b	Accounts receivable	20	Note 3	-
1	Chun Teng New Century	IBT Leasing	c	Discontinued operations -other operating and administrative expenses	94	Note 3	-
2	IBTM	The Bank	b	Cash and cash equivalents	1,732	Note 3	-
2	IBTM	The Bank	b	Other operating and administrative expenses	194	Note 3	0.01
2	IBTM	The Bank	b	Lease interest expense	1	Note 3	-
2	IBTM	IBTVC7	c	Consultancy service income	1,514	Note 3	0.07
3	CBF	The Bank	b	Other operating and administrative expenses	3,408	Note 3	0.15
3	CBF	The Bank	b	Lease interest expense	128	Note 3	0.01
4	IBTS Financial (HK) Limited	The Bank	b	Cash and cash equivalents	73,154	Note 3	0.01
4	IBTS Financial (HK) Limited	The Bank	b	Discontinued operations - interest revenue	35	Note 3	-
4	IBTS Financial (HK) Limited	The Bank	b	Accounts receivable	38	Note 3	-

(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
5	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	\$ 55,048	Note 3	0.01
5	IBTS Asia (HK) Limited	The Bank	b	Discontinued operations - interest revenue	20	Note 3	-
5	IBTS Asia (HK) Limited	The Bank	b	Accounts receivable	9	Note 3	-
6	IBTL	The Bank	b	Cash and cash equivalents	40,099	Note 3	0.01
6	IBTL	The Bank	b	Interest revenue	7	Note 3	-
6	IBTL	The Bank	b	Lease interest expense	60	Note 3	-
6	IBTL	The Bank	b	Other operating and administrative expenses	1,877	Note 3	0.08
6	IBTL	The Bank	b	Accounts receivable	1	Note 3	-
6	IBTL	Chun Teng New Century	c	Other net revenue other than interest	94	Note 3	-
7	IBTVC7	The Bank	b	Cash and cash equivalents	1,390	Note 3	-
7	IBTVC7	IBTM	c	Other operating and administrative expenses	1,514	Note 3	0.07
8	IBTS	The Bank	b	Cash and cash equivalents	110,974	Note 3	0.02
8	IBTS	The Bank	b	Accounts receivable	9	Note 3	-
8	IBTS	The Bank	b	Discontinued operations - interest revenue	35	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.

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
MARCH 31, 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 consolidated 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.