

**Far Eastern International Bank Ltd. and
Subsidiaries**

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

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and the Shareholders
Far Eastern International Bank Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Far Eastern International Bank Ltd. and its subsidiaries as of June 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, the consolidated statements of changes in equity and cash flows for the six months then 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, 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

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.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Far Eastern International Bank Ltd. and its subsidiaries as of June 30, 2022 and 2021, its consolidated financial performance for the three months ended June 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

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

The engagement partners on the reviews resulting in this independent auditors' review report are Chun-Hung Chen and Yin-Chou Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 12, 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.

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	June 30, 2022 (Reviewed)		December 31, 2021 (Audited)		June 30, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
ASSETS						
Cash and cash equivalents (Note 6)	\$ 6,518,128	1	\$ 5,017,087	1	\$ 7,007,881	1
Due from the Central Bank and other banks (Notes 7, 38 and 39)	62,543,692	8	45,873,426	6	32,055,145	5
Financial assets at fair value through profit or loss (Notes 8, 38 and 42)	44,974,556	6	37,662,767	5	28,007,635	4
Financial assets at fair value through other comprehensive income (Notes 9, 11, 21, 28, 39, 42 and 43)	92,033,798	12	113,429,715	16	175,131,389	25
Investment in debt instruments at amortized cost, net (Notes 10, 11, 39 and 42)	77,076,813	10	71,374,127	10	497,896	-
Securities purchased under resale agreements, net (Note 12)	2,049,469	-	5,888,595	1	7,778,401	1
Receivables, net (Notes 13 and 43)	20,467,533	3	24,331,835	3	20,962,581	3
Discounts and loans, net (Notes 14, 38 and 43)	438,518,383	58	407,441,765	56	415,859,730	60
Investment accounted for using equity method (Notes 15 and 28)	1,796,758	-	1,970,175	-	1,935,893	-
Other financial assets, net (Notes 16 and 39)	6,714,071	1	3,971,314	1	4,182,639	1
Property and equipment, net (Notes 17 and 38)	3,007,599	1	2,984,077	1	2,978,750	-
Right-of-use assets, net (Notes 18 and 38)	1,136,184	-	1,018,720	-	1,119,361	-
Intangible assets, net (Note 19)	1,610,412	-	1,623,153	-	1,635,895	-
Deferred tax assets (Notes 4 and 36)	188,862	-	209,623	-	184,801	-
Other assets	222,539	-	258,134	-	243,422	-
TOTAL	\$ 758,858,797	100	\$ 723,054,513	100	\$ 699,581,419	100
LIABILITIES AND EQUITY						
LIABILITIES						
Due to the Central Bank and other banks (Notes 20 and 43)	\$ 3,755,846	-	\$ 1,791,820	-	\$ 296,172	-
Funds borrowed from the Central Bank and other banks (Notes 43 and 45)	-	-	77,240	-	40,540	-
Financial liabilities at fair value through profit or loss (Notes 8, 38, 42 and 43)	11,383,678	2	3,002,289	1	3,013,418	-
Securities sold under repurchase agreements (Notes 9, 21, 43 and 45)	-	-	4,959	-	5,102	-
Payables (Notes 22 and 43)	11,970,875	2	5,564,647	1	12,485,321	2
Current tax liabilities (Note 4)	213,205	-	175,662	-	111,765	-
Deposits and remittances (Notes 23, 38 and 43)	627,077,365	83	612,106,685	85	583,843,941	84
Bank debentures (Notes 24, 42, 43 and 45)	23,901,900	3	23,901,900	3	25,001,900	4
Principal received on structured products (Note 43)	28,758,964	4	23,050,606	3	22,395,321	3
Other financial liabilities (Notes 25, 43 and 45)	928,274	-	979,213	-	852,651	-
Provisions (Notes 26 and 38)	925,987	-	1,056,482	-	989,959	-
Lease liabilities (Notes 18, 38, 43 and 45)	1,138,616	-	1,026,881	-	1,125,279	-
Other liabilities	525,883	-	614,178	-	638,090	-
Total liabilities	710,580,593	94	673,352,562	93	650,799,459	93
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Notes 9, 15 and 28)						
Share capital						
Ordinary shares	35,139,632	4	35,139,632	5	34,481,044	5
Reserve for capitalization	555,206	-	-	-	658,588	-
Total share capital	35,694,838	4	35,139,632	5	35,139,632	5
Capital surplus	456,426	-	456,426	-	456,426	-
Retained earnings						
Legal reserve	11,206,638	2	10,294,866	1	10,294,866	2
Special reserve	5,922	-	5,922	-	5,922	-
Unappropriated earnings	2,457,684	-	3,786,263	1	2,418,368	-
Total retained earnings	13,670,244	2	14,087,051	2	12,719,156	2
Other equity	(1,543,304)	-	18,842	-	466,746	-
Total equity	48,278,204	6	49,701,951	7	48,781,960	7
TOTAL	\$ 758,858,797	100	\$ 723,054,513	100	\$ 699,581,419	100

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

FAR EASTERN INTERNATIONAL BANK LTD. 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 June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUES (Notes 29 and 38)	\$ 2,764,113	94	\$ 2,330,417	85	\$ 5,117,043	93	\$ 4,672,618	84
INTEREST EXPENSES (Notes 18, 29 and 38)	<u>965,909</u>	<u>33</u>	<u>731,873</u>	<u>27</u>	<u>1,695,813</u>	<u>31</u>	<u>1,514,821</u>	<u>27</u>
NET INTERESTS	<u>1,798,204</u>	<u>61</u>	<u>1,598,544</u>	<u>58</u>	<u>3,421,230</u>	<u>62</u>	<u>3,157,797</u>	<u>57</u>
NET REVENUES AND GAINS OTHER THAN INTEREST								
Net service fee income (Notes 30 and 38)	801,450	27	754,373	27	1,468,135	27	1,651,209	29
Gain on financial assets and liabilities at fair value through profit or loss (Notes 31, 38 and 42)	7,966	-	268,417	10	113,688	2	554,282	10
Realized gain on financial assets at fair value through other comprehensive income (Notes 9 and 28)	78,995	3	18,379	1	75,652	1	247	-
Net foreign exchange gain	153,085	5	9,473	-	220,107	4	10,578	-
Shares of profit of associates for using equity method (Note 15)	26,874	1	51,806	2	58,081	1	90,026	2
Others	<u>79,038</u>	<u>3</u>	<u>51,785</u>	<u>2</u>	<u>134,854</u>	<u>3</u>	<u>118,157</u>	<u>2</u>
Total net revenues and gains other than interest	<u>1,147,408</u>	<u>39</u>	<u>1,154,233</u>	<u>42</u>	<u>2,070,517</u>	<u>38</u>	<u>2,424,499</u>	<u>43</u>
NET REVENUES	<u>2,945,612</u>	<u>100</u>	<u>2,752,777</u>	<u>100</u>	<u>5,491,747</u>	<u>100</u>	<u>5,582,296</u>	<u>100</u>
NET PROVISION FOR LOSS ON BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE (Notes 13, 14, 16, 26 and 38)	<u>81,268</u>	<u>3</u>	<u>455,214</u>	<u>17</u>	<u>288,355</u>	<u>5</u>	<u>589,455</u>	<u>11</u>
OPERATING EXPENSES								
Employee benefits expense (Notes 4, 27, 32, 33 and 38)	1,053,529	36	995,755	36	2,035,168	37	2,058,213	37
Depreciation and amortization (Notes 17, 18, 19 and 34)	182,595	6	176,772	6	362,100	7	355,742	6
Other general and administrative expenses (Notes 18, 35 and 38)	<u>453,054</u>	<u>15</u>	<u>404,553</u>	<u>15</u>	<u>880,106</u>	<u>16</u>	<u>936,834</u>	<u>17</u>
Total operating expenses	<u>1,689,178</u>	<u>57</u>	<u>1,577,080</u>	<u>57</u>	<u>3,277,374</u>	<u>60</u>	<u>3,350,789</u>	<u>60</u>
INCOME BEFORE INCOME TAX	1,175,166	40	720,483	26	1,926,018	35	1,642,052	29
INCOME TAX EXPENSE (Notes 4 and 36)	<u>186,477</u>	<u>7</u>	<u>70,515</u>	<u>2</u>	<u>276,617</u>	<u>5</u>	<u>193,003</u>	<u>3</u>
NET INCOME FOR THE PERIOD	<u>988,689</u>	<u>33</u>	<u>649,968</u>	<u>24</u>	<u>1,649,401</u>	<u>30</u>	<u>1,449,049</u>	<u>26</u>

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD. 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 June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 9, 11, 15, 28 and 36)								
Items that will not be reclassified subsequently to profit or loss:								
Gain (loss) on valuation of investments in equity instruments at fair value through other comprehensive income	\$ (343,776)	(12)	\$ (66,479)	(2)	\$ (293,603)	(5)	\$ 65,534	1
Share of other comprehensive income (loss) of associates for using equity method	(324)	-	668	-	1,046	-	2,015	-
	<u>(344,100)</u>	<u>(12)</u>	<u>(65,811)</u>	<u>(2)</u>	<u>(292,557)</u>	<u>(5)</u>	<u>67,549</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	37,662	2	(33,526)	(1)	86,594	1	(40,341)	(1)
Share of other comprehensive income (loss) of associates for using equity method	(61,891)	(2)	5,638	-	(128,827)	(2)	(18,373)	-
Loss on investments in debt instruments measured at fair value through other comprehensive income	(554,592)	(19)	(98,841)	(4)	(1,222,970)	(22)	(298,713)	(5)
Income tax benefit (expense) relating to items that may be reclassified subsequently	(132)	-	1,509	-	(4,384)	-	3,166	-
	<u>(578,953)</u>	<u>(19)</u>	<u>(125,220)</u>	<u>(5)</u>	<u>(1,269,587)</u>	<u>(23)</u>	<u>(354,261)</u>	<u>(6)</u>
Other comprehensive loss for the period	<u>(923,053)</u>	<u>(31)</u>	<u>(191,031)</u>	<u>(7)</u>	<u>(1,562,144)</u>	<u>(28)</u>	<u>(286,712)</u>	<u>(5)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 65,636</u>	<u>2</u>	<u>\$ 458,937</u>	<u>17</u>	<u>\$ 87,257</u>	<u>2</u>	<u>\$ 1,162,337</u>	<u>21</u>
NET INCOME ATTRIBUTABLE TO:								
Owners of the Bank	<u>\$ 988,689</u>	<u>33</u>	<u>\$ 649,968</u>	<u>24</u>	<u>\$ 1,649,401</u>	<u>30</u>	<u>\$ 1,449,049</u>	<u>26</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Bank	<u>\$ 65,636</u>	<u>2</u>	<u>\$ 458,937</u>	<u>17</u>	<u>\$ 87,257</u>	<u>2</u>	<u>\$ 1,162,337</u>	<u>21</u>
EARNINGS PER SHARE (Note 37)								
Basic	<u>\$ 0.28</u>		<u>\$ 0.18</u>		<u>\$ 0.47</u>		<u>\$ 0.41</u>	
Diluted	<u>\$ 0.28</u>		<u>\$ 0.18</u>		<u>\$ 0.47</u>		<u>\$ 0.41</u>	

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

(Concluded)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

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

	Equity Attributable to Shareholders of the Parent						Others		Total Equity
	Ordinary Shares (Note 28)	Reserve for Raising Capital	Capital Surplus (Note 28)	Retained Earnings (Notes 9 and 28)			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 9, 15 and 28)	
				Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2021	\$ 34,481,044	\$ -	\$ 456,426	\$ 9,547,845	\$ 23,543	\$ 3,259,093	\$ (196,471)	\$ 1,172,225	\$ 48,743,705
Appropriation of the 2020 earnings									
Legal reserve	-	-	-	747,021	-	(747,021)	-	-	-
Reversal of special reserves	-	-	-	-	(17,621)	17,621	-	-	-
Cash dividends - NT\$0.326 per share	-	-	-	-	-	(1,124,082)	-	-	(1,124,082)
Stock dividends - NT\$0.191 per share	-	658,588	-	-	-	(658,588)	-	-	-
	-	658,588	-	747,021	(17,621)	(2,512,070)	-	-	(1,124,082)
Net income for the six months ended June 30, 2021	-	-	-	-	-	1,449,049	-	-	1,449,049
Other comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	-	-	(37,175)	(249,537)	(286,712)
Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	-	1,449,049	(37,175)	(249,537)	1,162,337
Disposal of investments in equity instruments at fair value through other comprehensive income (loss)	-	-	-	-	-	222,296	-	(222,296)	-
BALANCE AT JUNE 30, 2021	<u>\$ 34,481,044</u>	<u>\$ 658,588</u>	<u>\$ 456,426</u>	<u>\$ 10,294,866</u>	<u>\$ 5,922</u>	<u>\$ 2,418,368</u>	<u>\$ (233,646)</u>	<u>\$ 700,392</u>	<u>\$ 48,781,960</u>
BALANCE AT JANUARY 1, 2022	\$ 35,139,632	\$ -	\$ 456,426	\$ 10,294,866	\$ 5,922	\$ 3,786,263	\$ (240,644)	\$ 259,486	\$ 49,701,951
Appropriation of the 2021 earnings									
Legal reserve	-	-	-	911,772	-	(911,772)	-	-	-
Cash dividends - NT\$0.430 per share	-	-	-	-	-	(1,511,004)	-	-	(1,511,004)
Stock dividends - NT\$0.158 per share	-	555,206	-	-	-	(555,206)	-	-	-
	-	555,206	-	911,772	-	(2,977,982)	-	-	(1,511,004)
Net income for the six months ended June 30, 2022	-	-	-	-	-	1,649,401	-	-	1,649,401
Other comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	-	-	82,210	(1,644,354)	(1,562,144)
Total comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	-	1,649,401	82,210	(1,644,354)	87,257
Disposal of investments in equity instruments at fair value through other comprehensive income (loss)	-	-	-	-	-	2	-	(2)	-
BALANCE AT JUNE 30, 2022	<u>\$ 35,139,632</u>	<u>\$ 555,206</u>	<u>\$ 456,426</u>	<u>\$ 11,206,638</u>	<u>\$ 5,922</u>	<u>\$ 2,457,684</u>	<u>\$ (158,434)</u>	<u>\$ (1,384,870)</u>	<u>\$ 48,278,204</u>

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

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,926,018	\$ 1,642,052
Adjustments for:		
Depreciation	349,359	343,001
Amortization	12,741	12,741
Provision for loss on bad debts expense, commitment and guarantee	498,511	800,133
Net valuation loss (gain) on financial assets and liabilities at fair value through profit or loss	279,600	(63,427)
Interest expenses	1,695,813	1,514,821
Interest revenues	(5,117,043)	(4,672,618)
Dividends revenue	(85,532)	(33,841)
Shares of profit from associates	(58,081)	(90,026)
Unrealized net loss (gain) on foreign currency exchange	(101,616)	26,324
Other adjustments	(4,533)	(1,471)
Changes in operating assets and liabilities		
Increase in due from the Central Bank and other banks	(361,401)	(696,756)
Decrease (increase) in financial assets at fair value through profit or loss	(6,358,059)	3,545,688
Decrease in financial assets at fair value through other comprehensive income	21,144,446	2,115,414
Decrease (increase) in investments in debt instruments at amortized cost	(5,515,138)	564,000
Decrease (increase) in receivables	5,018,559	(753,096)
Increase in discounts and loans	(27,376,249)	(34,766,034)
Increase (decrease) in due to the Central Bank and other banks	1,730,662	(652,627)
Increase (decrease) in financial liabilities at fair value through profit or loss	8,241,990	(2,161,773)
Increase in payables	4,819,333	6,616,218
Increase in deposits and remittances	5,872,493	4,294,863
Increase in principal received on structured products	5,503,128	14,256,690
Decrease in reserve for employee benefits liability	(57,425)	(19,509)
Increase (decrease) in other liabilities	(93,454)	13,639
Cash generated from (used in) operations	11,964,122	(8,165,594)
Interest received	4,980,664	4,672,667
Dividends received	6,780	10,777
Interest paid	(1,418,675)	(1,504,116)
Income tax paid	(216,163)	(187,383)
Net cash generated from (used in) operating activities	15,316,728	(5,173,649)

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	\$ (168,062)	\$ (135,675)
Proceeds from disposal of property and equipment	64	122
Decrease (increase) in other financial assets	(2,521,664)	407,680
Decrease in other assets	35,914	32,824
Dividends received from associates	<u>103,717</u>	<u>49,704</u>
Net cash generated from (used in) investing activities	<u>(2,550,031)</u>	<u>354,655</u>
CASH FLOWS FROM FINANCING ACTIVITIES (Note 45)		
Increase (decrease) in funds borrowed from the Central Bank and other banks	(77,240)	18,200
Proceeds from the issuance of bank debentures	-	2,400,000
Decrease in securities sold under repurchase agreements	(5,143)	(3,486,642)
Repayments of the principal portion of lease liabilities	(211,441)	(209,884)
Decrease in other financial liabilities	<u>(50,939)</u>	<u>(15,551)</u>
Net cash used in financing activities	<u>(344,763)</u>	<u>(1,293,877)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>1,548,846</u>	<u>(249,994)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,970,780	(6,362,865)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>42,158,013</u>	<u>38,991,142</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$ 56,128,793</u>	<u>\$ 32,628,277</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets is as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Cash and cash equivalents in consolidated balance sheets	\$ 6,518,128	\$ 5,017,087	\$ 7,007,881
Due from the Central Bank and other banks that meet the IAS 7 definition of "cash and cash equivalents"	47,561,196	31,252,331	17,841,995
Securities purchased under resale agreements that meet the IAS 7 definition of "cash and cash equivalents"	<u>2,049,469</u>	<u>5,888,595</u>	<u>7,778,401</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 56,128,793</u>	<u>\$ 42,158,013</u>	<u>\$ 32,628,277</u>

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

(Concluded)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Far Eastern International Bank Ltd. (the “Bank”) obtained its license on January 11, 1992 and started its business on April 11, 1992. The Bank (a) accepts deposits and extends loans and guarantees; (b) issues letters of credit, handles domestic and foreign remittances, and accepts commercial drafts; (c) invests in securities and acts as an agent for trading government bonds, corporate bonds and bank debentures; and (d) conducts relevant businesses that are authorized by the relevant authorities.

The operations of the Bank’s Trust Department include pecuniary trust, securities trust, real estate trust, creditor’s right of money or guarantee, movable property trust and ground right trust and related operations. These operations are regulated under the Banking Act and Trust Enterprise Act.

As of June 30, 2022, the Bank’s operating units included the Business Department, International Banking Department, Trust Department, Credit Card Department, Offshore Banking Unit (OBU), and 55 domestic branches, as well as an overseas branch in Hong Kong and two foreign representative offices (Vietnam and Singapore).

The Bank’s shares are listed on the Taiwan Stock Exchange. Global depositary receipts (GDR), which represent ownership of ordinary shares of the Bank, have been listed on the Luxembourg Stock Exchange since January 2014.

2. APPROVAL OF FINANCIAL REPORTS

The consolidated financial statements were approved by the Bank’s Board of Directors on August 12, 2022.

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

- a. The Bank and its subsidiaries’ initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC) did not have material impact on the Bank and its subsidiaries’ accounting policies.
- b. The IFRSs endorsed by the FSC for application starting from 2023

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

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

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

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

As of the date the financial statements were authorized for issue, the Bank and its subsidiaries are assessing the application of above standards and interpretations will not have a material impact on the Bank and its subsidiaries' financial position and financial performance.

- c. 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)</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
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in the interim financial statements is less than those required in a complete set of annual financial statements.

Basis of Preparation

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

Current and Noncurrent Assets and Liabilities

Accounts included in the balance sheets are not classified as current or noncurrent since the major components of the financial reports are from the banking sector, whose operating cycle cannot be reasonably identified. Nevertheless, accounts are properly categorized in accordance with their nature and sequenced by their liquidity. Refer to Note 43 for the maturity analysis of liabilities.

Basis of Consolidation

a. Principles of preparing consolidated financial reports

The financial reports incorporate the financial reports of the Bank and its subsidiaries.

Account balances, income and expenses arising from intercompany transactions between the Bank and its subsidiaries have been eliminated upon consolidation.

b. Entities included in financial reports

Entities included in financial reports were as follows:

Investor Company	Investee Company	Nature of Businesses	% of Ownership		
			June 30, 2022	December 31, 2021	June 30, 2021
The Bank	Far Eastern Asset Management Co., Ltd. ("FEAMC")	Purchase, evaluation, auction and management of rights of financial institution creditors	100	100	100
	Far Eastern International Securities Co., Ltd. ("FEIS")	Foreign securities broker, wealth management and offshore fund consulting	100	100	100
Far Eastern Asset Management Co., Ltd. ("FEAMC")	FEIB Financial Leasing Co., Ltd. ("FEIL")	Leasing operation	100	100	100

Other Significant Accounting Policies

Except for those described below, please refer to consolidated financial statements as of December 31, 2021 for details of summary of significant accounting policies.

a. Post-employment benefits

Pension cost of 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

The same critical accounting judgements and key sources of estimation uncertainty have been followed in the financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2021.

6. CASH AND CASH EQUIVALENTS

	June 30, 2022	December 31, 2021	June 30, 2021
Cash on hand	\$ 2,833,090	\$ 2,693,069	\$ 2,713,871
Notes and checks for clearing	964,913	640,766	2,962,100
Deposits due from other banks	2,275,756	1,396,069	946,833
Balance with other banks	<u>444,369</u>	<u>287,183</u>	<u>385,077</u>
	<u>\$ 6,518,128</u>	<u>\$ 5,017,087</u>	<u>\$ 7,007,881</u>

7. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	June 30, 2022	December 31, 2021	June 30, 2021
Due from other banks	\$ 40,390,956	\$ 19,610,970	\$ 9,735,076
New Taiwan dollar reserve deposits - Type A	4,028,376	8,013,890	4,978,906
New Taiwan dollar reserve deposits - Type B	14,982,496	14,621,095	14,213,150
Foreign-currency reserve deposits	141,501	126,532	127,714
Interbank clearing account	<u>3,000,363</u>	<u>3,500,939</u>	<u>3,000,299</u>
	<u>\$ 62,543,692</u>	<u>\$ 45,873,426</u>	<u>\$ 32,055,145</u>

The reserve deposits are required by law and determined at a prescribed percentage of the monthly average balances. The Type B reserve deposits can be withdrawn only when the balances are adjusted monthly. The Type A and foreign-currency reserve deposits can be withdrawn on demand but bear no interest.

As of June 30, 2022, December 31, 2021 and June 30, 2021, due from the Central Bank and other banks falling in the definition of IAS 7 “cash and cash equivalents” (i.e. short-term, highly liquid investments, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value); amounted to \$47,561,196 thousand, \$31,252,331 thousand and \$17,841,995 thousand, respectively, and were included in cash and cash equivalents in the statements of cash flows.

The part of New Taiwan dollar reserve deposits - Type B pledged as collaterals are disclosed in Note 39.

8. FINANCIAL INSTRUMENTS AT FVTPL

Financial assets mandatorily classified as at FVTPL

	June 30, 2022	December 31, 2021	June 30, 2021
Non-derivative financial assets			
Government bond	\$ 12,358,170	\$ 14,040,793	\$ 10,376,147
Stock listed on TWSE and TPEX	1,016,149	928,354	755,201
Beneficiary certificates	<u>8,596</u>	<u>475,023</u>	<u>438,004</u>
	<u>13,382,915</u>	<u>15,444,170</u>	<u>11,569,352</u>
Derivative financial assets			
Foreign-currency swap contracts	5,268,826	1,227,313	1,611,593
Interest rate swap contracts	4,267,095	1,399,793	1,286,796
Currency option contracts	555,810	592,104	377,378

(Continued)

	June 30, 2022	December 31, 2021	June 30, 2021
Cross-currency swap contracts	\$ 370,311	\$ 26,322	\$ 62,890
Forward exchange contracts	206,093	84,204	141,249
Others	<u>114,160</u>	<u>89,186</u>	<u>98,108</u>
	<u>10,782,295</u>	<u>3,418,922</u>	<u>3,578,014</u>
Hybrid contract			
Asset swap fixed-income	17,587,289	15,515,661	9,608,603
Credit linked loan contracts	1,873,320	2,888,818	2,797,893
Credit linked note contracts	1,190,214	277,903	279,671
Convertible bonds	<u>158,523</u>	<u>117,293</u>	<u>174,102</u>
	<u>20,809,346</u>	<u>18,799,675</u>	<u>12,860,269</u>
Total financial assets classified as at FVTPL	<u>\$ 44,974,556</u>	<u>\$ 37,662,767</u>	<u>\$ 28,007,635</u> (Concluded)

Financial liabilities held for trading

	June 30, 2022	December 31, 2021	June 30, 2021
Non-derivative financial liabilities			
Short-covering debentures	<u>\$ 700,248</u>	<u>\$ 148,325</u>	<u>\$ -</u>
Derivative financial liabilities			
Foreign-currency swap contracts	5,906,601	1,128,939	1,521,783
Interest rate swap contracts	3,646,730	946,575	862,000
Currency option contracts	556,286	592,515	378,495
Cross-currency swap contracts	203,067	39,203	38,497
Credit default swap contracts	137,801	2,919	5,113
Forward exchange contracts	126,242	106,825	161,181
Others	<u>106,703</u>	<u>36,988</u>	<u>46,349</u>
	<u>10,683,430</u>	<u>2,853,964</u>	<u>3,013,418</u>
Total financial liabilities at FVTPL	<u>\$ 11,383,678</u>	<u>\$ 3,002,289</u>	<u>\$ 3,013,418</u>

The Bank engages in derivative transactions mainly to accommodate customers' needs, manage its exposure positions and to accommodate its fund needs in different currencies.

Outstanding derivative contract (notional) amounts were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Foreign-currency swap contracts	\$ 399,165,643	\$ 398,603,744	\$ 355,916,166
Interest rate swap contracts	297,095,608	230,051,929	209,322,335
Currency option contracts	103,830,351	91,280,105	72,968,080
Seller of credit default swap contracts	22,515,825	17,602,632	15,034,183
Forward exchange contracts	15,905,149	15,128,180	17,999,678
Cross-currency swap contracts	7,719,480	6,119,210	2,174,466
Interest rate option contracts	7,000,000	4,000,000	4,000,000
Non-deliverable forward contracts	1,456,101	177,175	39,134
Forward contracts	232,957	204,236	289,207
Bond futures	36,598	497,639	744,129
Stock index futures	15,147	3,282	-

9. FINANCIAL ASSETS AT FVTOCI

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Investments in equity instruments</u>			
Stock listed on TWSE and TPEX	\$ 2,460,936	\$ 1,090,772	\$ 1,648,941
Stock unlisted on TWSE and TPEX	<u>277,879</u>	<u>267,768</u>	<u>273,529</u>
	<u>2,738,815</u>	<u>1,358,540</u>	<u>1,922,470</u>
<u>Investments in debt instruments</u>			
Government bonds	32,801,719	39,031,626	38,980,657
Corporate bonds	18,772,108	19,034,217	16,510,509
Bank debentures	17,453,227	14,685,474	15,600,653
Commercial paper	15,831,265	27,013,177	24,164,002
Negotiable certificates of deposit	2,597,492	10,019,722	74,632,537
Collateralized mortgage obligation	<u>1,839,172</u>	<u>2,286,959</u>	<u>3,320,561</u>
	<u>89,294,983</u>	<u>112,071,175</u>	<u>173,208,919</u>
Total financial assets at FVTOCI	<u>\$ 92,033,798</u>	<u>\$ 113,429,715</u>	<u>\$ 175,131,389</u>

The above investments in equity instrument in the form of ordinary shares for medium- and long-term strategic purposes and expects to make a profit through long-term investments. Therefore, the designated investments are selected to be measured at FVTOCI. The Bank recognized dividends revenue from equity instruments at FVTOCI as below:

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2022	2021	2022	2021
Dividends revenue recognized in profit or loss				
On equity held at period end	\$ 80,573	\$ 20,834	\$ 80,698	\$ 25,271
On equity disposed of in current period	<u>-</u>	<u>7,737</u>	<u>-</u>	<u>7,737</u>
	<u>\$ 80,573</u>	<u>\$ 28,571</u>	<u>\$ 80,698</u>	<u>\$ 33,008</u>

Because of the consideration of asset allocation, the management adjusted the portfolio; the information about disposal of equity instruments in the current period is as below:

	<u>For the Six Months Ended June 30</u>	
	2022	2021
Fair value at the date of disposal	<u>\$ -</u>	<u>\$ 739,759</u>
Accumulated gain transferred to retained earnings due to disposal	<u>\$ -</u>	<u>\$ 220,517</u>

For the above information of credit risk management and impairment assessment on investments in debt instruments at FVTOCI, refer to Note 11. The assets pledged as collaterals are disclosed in Note 39.

Part of the bank debentures have been issued under repurchase agreements. The book value was as follows. Refer to Note 21 for related information.

	June 30, 2022	December 31, 2021	June 30, 2021
Bank debentures	\$ <u> -</u>	\$ <u> 5,572</u>	\$ <u> 5,618</u>

10. INVESTMENT IN DEBT INSTRUMENT AT AMORTIZED COST

	June 30, 2022	December 31, 2021	June 30, 2021
Negotiable certificates of deposits - Issued by the CBC	\$ 69,800,000	\$ 70,600,000	\$ -
Government bonds	2,951,023	-	-
Corporate bonds	2,696,469	-	-
Bank debentures	<u>1,629,976</u>	<u> 774,192</u>	<u> 497,911</u>
	77,077,468	71,374,192	497,911
Less: Allowance for loss	<u> 655</u>	<u> 65</u>	<u> 15</u>
	<u>\$ 77,076,813</u>	<u>\$ 71,374,127</u>	<u>\$ 497,896</u>

For the information on related financial assets' credit risk management and impairment at amortized cost, see Note 11.

11. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS

The policy which the Bank implements is to invest only in debt instruments with credit ratings above (and including) investment grade and with impairment low in credit risk. The Bank continued to track external rating information to monitor changes in credit risk of the investments in debt instruments and to review other information such as the bond yield curve and the debtor's material information to assess whether the credit risk of the debt instrument investments has increased significantly since the original recognition.

The Bank considers the historical default loss rate provided by the independent rating agencies, the debtor's current financial status and the industry's forward-looking forecast to measure the 12-month expected credit loss or full-lifetime expected credit loss of the debt instrument investments.

The investments in debt instruments are classified as financial assets at FVTOCI and financial assets at amortized cost. The information of changes in carrying amount were as follows:

June 30, 2022

	At FVTOCI	At Amortized Cost	Total
Total carrying amount	\$ 90,495,169	\$ 77,077,468	\$ 167,572,637
Less: Impairment loss	<u> 11,486</u>	<u> 655</u>	<u> 12,141</u>
Amortized cost	90,483,683	<u>\$ 77,076,813</u>	167,560,496
Fair value adjustment	<u>(1,188,700)</u>		<u>(1,188,700)</u>
	<u>\$ 89,294,983</u>		<u>\$ 166,371,796</u>

	At FVTOCI	At Amortized Cost	Total
<u>December 31, 2021</u>			
Total carrying amount	\$ 112,052,598	\$ 71,374,192	\$ 183,426,790
Less: Impairment loss	<u>15,693</u>	<u>65</u>	<u>15,758</u>
Amortized cost	112,036,905	<u>\$ 71,374,127</u>	183,411,032
Fair value adjustment	<u>34,270</u>		<u>34,270</u>
	<u>\$ 112,071,175</u>		<u>\$ 183,445,302</u>

June 30, 2021

	At FVTOCI	At Amortized Cost	Total
Total carrying amount	\$ 172,717,788	\$ 497,911	\$ 173,215,699
Less: Impairment loss	<u>14,584</u>	<u>15</u>	<u>14,599</u>
Amortized cost	172,703,204	<u>\$ 497,896</u>	173,201,100
Fair value adjustment	<u>505,715</u>		<u>505,715</u>
	<u>\$ 173,208,919</u>		<u>\$ 173,706,815</u>

The investments in debt instruments indicates normal credit level under assessment. The information of changes in allowance for loss which is 12-month expected credit loss were as follows:

For the six months ended June 30, 2022

	At FVTOCI	At Amortized Cost	Total
Beginning on January 1, 2022	\$ 15,693	\$ 65	\$ 15,758
Purchase of new debt instruments	5,682	554	6,236
Derecognition	(9,591)	-	(9,591)
Exchange rate changes	(161)	(7)	(168)
Expected credit losses and other changes	<u>(137)</u>	<u>43</u>	<u>(94)</u>
Balance on June 30, 2022	<u>\$ 11,486</u>	<u>\$ 655</u>	<u>\$ 12,141</u>

For the six months ended June 30, 2021

	At FVTOCI	At Amortized Cost	Total
Beginning on January 1, 2021	\$ 15,946	\$ 117	\$ 16,063
Purchase of new debt instruments	8,975	-	8,975
Derecognition	(10,085)	(102)	(10,187)
Exchange rate changes	71	-	71
Expected credit losses and other changes	<u>(323)</u>	<u>-</u>	<u>(323)</u>
Balance on June 30, 2021	<u>\$ 14,584</u>	<u>\$ 15</u>	<u>\$ 14,599</u>

12. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	June 30, 2022	December 31, 2021	June 30, 2021
Government bonds	\$ 1,000,571	\$ 4,694,198	\$ 6,241,234
Commercial paper	549,214	1,194,780	1,537,669
Negotiable certificate of deposit	<u>500,000</u>	<u>-</u>	<u>-</u>
	2,049,785	5,888,978	7,778,903
Less: Allowance for loss	<u>316</u>	<u>383</u>	<u>502</u>
	<u>\$ 2,049,469</u>	<u>\$ 5,888,595</u>	<u>\$ 7,778,401</u>
Resale price	<u>\$ 2,051,387</u>	<u>\$ 5,890,209</u>	<u>\$ 7,779,815</u>
Resale date	2022.07.11- 2022.08.25	2022.01.03- 2022.01.25	2021.07.01- 2021.08.17

The total carrying amounts shown above have been included as cash and cash equivalents in the statements of cash flows.

13. RECEIVABLES, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Credit card	\$ 11,375,531	\$ 12,899,257	\$ 11,183,918
Factoring	4,404,376	6,451,669	4,946,187
Buying debt receivable	1,194,090	1,192,120	1,093,557
Interest	996,867	860,488	838,267
Proceeds from disposal of securities	731,270	549,300	910,232
Lease receivables	695,630	894,428	693,980
Spot exchange transactions	467,109	402,381	471,306
Forfeiting	445,135	568,844	104,085
Acceptances	116,927	419,489	383,853
Others	<u>540,168</u>	<u>648,889</u>	<u>853,957</u>
	20,967,103	24,886,865	21,479,342
Less: Allowance for possible losses	<u>499,570</u>	<u>555,030</u>	<u>516,761</u>
	<u>\$ 20,467,533</u>	<u>\$ 24,331,835</u>	<u>\$ 20,962,581</u>

The changes in the total carrying amount of receivables and other financial assets categorized by credit evaluation stage were as follows:

For the six months ended June 30, 2022

	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total Receivables and Other Financial Assets
Beginning on January 1, 2022	\$ 21,802,022	\$ 67,547	\$ 1,077,425	\$ 22,946,994
Changes in financial instruments recognized at the beginning of the period:				
Transfer to Stage 2	(49,532)	54,489	(163)	4,794
Transfer to Stage 3	(47,972)	(22,733)	75,335	4,630
Transfer to Stage 1	9,678	(12,870)	(483)	(3,675)
Financial assets derecognized in the current period	(8,538,746)	(5,575)	(114,276)	(8,658,597)
Purchased or original financial assets	4,621,197	3,195	22,257	4,646,649
Write-offs	(39,264)	(14,509)	(27,789)	(81,562)
Exchange rate and other changes	<u>47,738</u>	<u>(997)</u>	<u>(3,702)</u>	<u>43,039</u>
Balance on June 30, 2022	<u>\$ 17,805,121</u>	<u>\$ 68,547</u>	<u>\$ 1,028,604</u>	<u>\$ 18,902,272</u>

For the six months ended June 30, 2021

	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total Receivables and Other Financial Assets
Beginning on January 1, 2021	\$ 19,336,317	\$ 61,434	\$ 1,178,967	\$ 20,576,718
Changes in financial instruments recognized at the beginning of the period:				
Transfer to Stage 2	(51,040)	55,357	(99)	4,218
Transfer to Stage 3	(64,933)	(20,615)	90,816	5,268
Transfer to Stage 1	7,663	(11,581)	(320)	(4,238)
Financial assets derecognized in the current period	(7,689,151)	(6,490)	(118,738)	(7,814,379)
Purchased or original financial assets	6,181,954	6,202	17,988	6,206,144
Write-offs	(19,509)	(16,275)	(31,259)	(67,043)
Exchange rate and other changes	<u>(22,488)</u>	<u>(1,748)</u>	<u>(4,171)</u>	<u>(28,407)</u>
Balance on June 30, 2021	<u>\$ 17,678,813</u>	<u>\$ 66,284</u>	<u>\$ 1,133,184</u>	<u>\$ 18,878,281</u>

Note 1: 12-month ECLs (evaluate the receivables and other financial assets whose credit risk has not increased significantly since initial recognition).

Note 2: Lifetime ECLs (evaluate the receivables and other financial assets whose credit risk has increased significantly since initial recognition).

Note 3: Lifetime ECLs (evaluate impaired financial assets).

The changes in the allowance for possible loss of receivables and other financial assets were as follows:

For the six months ended June 30, 2022

	12-Month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulations	Total Allowance for Possible Losses
Beginning on January 1, 2022	\$ 62,163	\$ 8,064	\$ 363,726	\$ 433,953	\$ 121,256	\$ 555,209
Changes in financial instruments recognized at the beginning of the period:						
Transfer to Stage 2	(23)	5,768	(11)	5,734	-	5,734
Transfer to Stage 3	(22)	(2,265)	21,307	19,020	-	19,020
Transfer to Stage 1	3	(1,859)	(75)	(1,931)	-	(1,931)
Financial assets derecognized in the current period	(15,342)	(913)	(27,263)	(43,518)	-	(43,518)
Purchased or original financial assets	3,822	362	7,599	11,783	-	11,783
The difference of impairment under the Regulations	-	-	-	-	(12,676)	(12,676)
Write-offs	(39,264)	(14,509)	(27,789)	(81,562)	-	(81,562)
Exchange rate and other changes	16,580	12,816	18,185	47,581	-	47,581
Balance on June 30, 2022	<u>\$ 27,917</u>	<u>\$ 7,464</u>	<u>\$ 355,679</u>	<u>\$ 391,060</u>	<u>\$ 108,580</u>	<u>\$ 499,640</u>

For the six months ended June 30, 2021

	12-Month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulations	Total Allowance for Possible Losses
Beginning on January 1, 2021	\$ 33,195	\$ 6,387	\$ 376,307	\$ 415,889	\$ 103,403	\$ 519,292
Changes in financial instruments recognized at the beginning of the period:						
Transfer to Stage 2	(25)	6,305	(15)	6,265	-	6,265
Transfer to Stage 3	(32)	(1,786)	25,560	23,742	-	23,742
Transfer to Stage 1	3	(1,443)	(30)	(1,470)	-	(1,470)
Financial assets derecognized in the current period	(7,714)	(909)	(22,023)	(30,646)	-	(30,646)
Purchased or original financial assets	17,976	799	6,254	25,029	-	25,029
The difference of impairment under the Regulations	-	-	-	-	(12,940)	(12,940)
Write-offs	(19,509)	(16,275)	(31,259)	(67,043)	-	(67,043)
Exchange rate and other changes	19,236	14,626	20,741	54,603	-	54,603
Balance on June 30, 2021	<u>\$ 43,130</u>	<u>\$ 7,704</u>	<u>\$ 375,535</u>	<u>\$ 426,369</u>	<u>\$ 90,463</u>	<u>\$ 516,832</u>

14. DISCOUNTS AND LOANS, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Negotiations, discounts and overdraft	\$ 570,573	\$ 221,873	\$ 161,572
Short-term loans	91,728,613	82,338,850	87,181,408
Medium-term loans	165,711,392	146,666,334	150,866,765
Long-term loans	185,883,418	183,152,384	182,309,817
Overdue receivable	510,729	492,259	1,139,910
	<u>444,404,725</u>	<u>412,871,700</u>	<u>421,659,472</u>
Less: Allowance for possible losses	<u>5,886,342</u>	<u>5,429,935</u>	<u>5,799,742</u>
	<u>\$ 438,518,383</u>	<u>\$ 407,441,765</u>	<u>\$ 415,859,730</u>

The details of the provision for possible losses were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Provision for possible losses - discounts and loans	\$ 184,593	\$ 524,783	\$ 553,174	\$ 792,923
Provision for possible losses - receivables and other financial assets	32,255	27,994	19,681	60,145
Reversal of possible losses - reserve for commitment and guarantee obligations	(26,982)	(11,732)	(74,344)	(52,935)
Amounts recovered - discounts and loans	(70,587)	(45,968)	(132,642)	(132,003)
Amounts recovered - receivables and other financial assets	<u>(38,011)</u>	<u>(39,863)</u>	<u>(77,514)</u>	<u>(78,675)</u>
	<u>\$ 81,268</u>	<u>\$ 455,214</u>	<u>\$ 288,355</u>	<u>\$ 589,455</u>

The changes in the total carrying amount of discounts and loan categorized by credit evaluation stage were as follows:

For the six months ended June 30, 2022

	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total Discounts and Loans
Beginning on January 1, 2022	\$ 409,668,614	\$ 387,363	\$ 2,815,723	\$ 412,871,700
Changes of financial instruments recognized at the beginning of the period:				
Transfer to Stage 2	(740,959)	769,604	(2,907)	25,738
Transfer to Stage 3	(172,154)	(75,672)	244,180	(3,646)
Transfer to Stage 1	133,564	(141,821)	(2,900)	(11,157)
Financial assets derecognized in the current period	(63,678,092)	(26,084)	(490,040)	(64,194,216)
Purchased or original financial assets	93,917,530	7,654	21,259	93,946,443
Write-offs	(4,981)	(39,067)	(116,356)	(160,404)
Exchange rate and other changes	<u>1,896,989</u>	<u>997</u>	<u>32,281</u>	<u>1,930,267</u>
Balance on June 30, 2022	<u>\$ 441,020,511</u>	<u>\$ 882,974</u>	<u>\$ 2,501,240</u>	<u>\$ 444,404,725</u>

For the six months ended June 30, 2021

	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total Discounts and Loans
Beginning on January 1, 2021	\$ 383,428,760	\$ 1,054,943	\$ 4,373,009	\$ 388,856,712
Changes of financial instruments recognized at the beginning of the period:				
Transfer to Stage 2	(375,699)	357,322	(621)	(18,998)
Transfer to Stage 3	(462,495)	(339,606)	759,910	(42,191)
Transfer to Stage 1	308,005	(338,207)	(7,570)	(37,772)
Financial assets derecognized in the current period	(52,621,033)	(65,743)	(1,139,616)	(53,826,392)
Purchased or original financial assets	87,741,792	16,835	34,277	87,792,904
Write-offs	(2,641)	(190,874)	(262,690)	(456,205)
Exchange rate and other changes	<u>(598,261)</u>	<u>1,831</u>	<u>(12,156)</u>	<u>(608,586)</u>
Balance on June 30, 2021	<u>\$ 417,418,428</u>	<u>\$ 496,501</u>	<u>\$ 3,744,543</u>	<u>\$ 421,659,472</u>

Note 1: 12-month ECLs (evaluate the discounts and loans whose credit risk has not increased significantly since initial recognition).

Note 2: Lifetime ECLs (evaluate the discounts and loans whose credit risk has increased significantly since initial recognition).

Note 3: Lifetime ECLs (evaluate impaired financial assets).

The changes in the allowance of discounts and loan were as follows:

For the six months ended June 30, 2022

	12-Month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total Allowance for Possible Losses
Beginning on January 1, 2022	\$ 553,444	\$ 107,687	\$ 781,459	\$ 1,442,590	\$ 3,987,345	\$ 5,429,935
Changes of financial instruments recognized at the beginning of the period:						
Transfer to Stage 2	(2,948)	79,661	(2,633)	74,080	-	74,080
Transfer to Stage 3	(1,077)	(38,370)	129,084	89,637	-	89,637
Transfer to Stage 1	238	(26,518)	(2,643)	(28,923)	-	(28,923)
Financial assets derecognized in the current period	(133,447)	(6,888)	(45,187)	(185,522)	-	(185,522)
Purchased or original financial assets	188,372	4,706	5,174	198,252	-	198,252
The difference of impairment under the Regulations.	-	-	-	-	420,352	420,352
Write-offs	(4,981)	(39,067)	(116,356)	(160,404)	-	(160,404)
Exchange rate and other changes	<u>11,231</u>	<u>15,335</u>	<u>22,369</u>	<u>48,935</u>	<u>-</u>	<u>48,935</u>
Balance on June 30, 2022	<u>\$ 610,832</u>	<u>\$ 96,546</u>	<u>\$ 771,267</u>	<u>\$ 1,478,645</u>	<u>\$ 4,407,697</u>	<u>\$ 5,886,342</u>

For the six months ended June 30, 2021

	12-Month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total Allowance for Possible Losses
Beginning on January 1, 2021	\$ 478,683	\$ 132,020	\$ 1,633,428	\$ 2,244,131	\$ 3,419,812	\$ 5,663,943
Changes of financial instruments recognized at the beginning of the period:						
Transfer to Stage 2	(1,219)	118,198	(489)	116,490	-	116,490
Transfer to Stage 3	(1,750)	(49,014)	440,384	389,620	-	389,620
Transfer to Stage 1	501	(27,435)	(2,831)	(29,765)	-	(29,765)
Financial assets derecognized in the current period	(78,347)	(9,489)	(509,452)	(597,288)	-	(597,288)
Purchased or original financial assets	176,763	9,202	11,715	197,680	-	197,680
The difference of impairment under the Regulations.	-	-	-	-	262,503	262,503
Write-offs	(2,641)	(190,874)	(262,690)	(456,205)	-	(456,205)
Exchange rate and other changes	385	158,301	94,078	252,764	-	252,764
Balance on June 30, 2021	<u>\$ 572,375</u>	<u>\$ 140,909</u>	<u>\$ 1,404,143</u>	<u>\$ 2,117,427</u>	<u>\$ 3,682,315</u>	<u>\$ 5,799,742</u>

15. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

	June 30, 2022	December 31, 2021	June 30, 2021
Associates that are not individually material	<u>\$ 1,796,758</u>	<u>\$ 1,970,175</u>	<u>\$ 1,935,893</u>

The above associates included Dah Chung Bills Finance Corp (Dah Chung). The Bank invested 22.06% of the shares and is the single largest shareholder. The Bank does not have absolute difference in shareholding ratio compared with other shareholders, does not control more than half of the seats in the board of directors, does not have the control power to dominate the related activities, and only has significant influence over the invested company. Therefore, Dah Chung is reported as an associate in the financial statements.

The share of the Bank and its subsidiaries in these associates' financial performance was summarized as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Net income from continuing operation	\$ 26,874	\$ 51,806	\$ 58,081	\$ 90,026
Other comprehensive income	<u>(62,215)</u>	<u>6,306</u>	<u>(127,781)</u>	<u>(16,358)</u>
Total comprehensive income	<u>\$ (35,341)</u>	<u>\$ 58,112</u>	<u>\$ (69,700)</u>	<u>\$ 73,668</u>

16. OTHER FINANCIAL ASSETS, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Nonaccrual loans other than discounts and loans	\$ 143	\$ 384	\$ 177
Less: Allowance for possible losses (Note 13)	<u>70</u>	<u>179</u>	<u>71</u>
	73	205	106
Refundable deposits	4,492,820	3,026,473	3,232,379
Less: Allowance for loss	<u>976</u>	<u>673</u>	<u>542</u>
	4,491,844	3,025,800	3,231,837
Restricted time deposits (Note 39)	2,220,350	869,200	862,320
Restricted assets	<u>1,804</u>	<u>76,109</u>	<u>88,376</u>
	<u>\$ 6,714,071</u>	<u>\$ 3,971,314</u>	<u>\$ 4,182,639</u>

The above restricted assets are margin and collection charged from customers placed in specified current deposit of FEIL.

17. PROPERTY AND EQUIPMENT, NET

For the six months ended June 30, 2022

	Land	Buildings and Improvements	Computer Equipment	Transportation Equipment	Miscellaneous Equipment	Equipment Prepayment	Total
<u>Cost</u>							
Beginning balance	\$ 1,447,433	\$ 1,149,596	\$ 2,395,907	\$ 1,184	\$ 1,579,391	\$ 99,524	\$ 6,673,035
Additions	-	273	38,645	-	24,589	104,555	168,062
Disposals	-	-	(37,516)	(57)	(11,620)	-	(49,193)
Others	-	-	20,535	-	2,493	(19,126)	3,902
Ending balance	<u>1,447,433</u>	<u>1,149,869</u>	<u>2,417,571</u>	<u>1,127</u>	<u>1,594,853</u>	<u>184,953</u>	<u>6,795,806</u>
<u>Accumulated depreciation</u>							
Beginning balance	-	629,172	1,649,785	1,174	1,408,827	-	3,688,958
Depreciation	-	13,004	106,021	10	24,677	-	143,712
Disposals	-	-	(37,516)	(57)	(11,619)	-	(49,192)
Others	-	-	3,930	-	799	-	4,729
Ending balance	<u>-</u>	<u>642,176</u>	<u>1,722,220</u>	<u>1,127</u>	<u>1,422,684</u>	<u>-</u>	<u>3,788,207</u>
Net ending balance	<u>\$ 1,447,433</u>	<u>\$ 507,693</u>	<u>\$ 695,351</u>	<u>\$ -</u>	<u>\$ 172,169</u>	<u>\$ 184,953</u>	<u>\$ 3,007,599</u>

For the six months ended June 30, 2021

	Land	Buildings and Improvements	Computer Equipment	Transportation Equipment	Miscellaneous Equipment	Equipment Prepayment	Total
<u>Cost</u>							
Beginning balance	\$ 1,447,433	\$ 1,148,967	\$ 2,296,186	\$ 1,281	\$ 1,563,669	\$ 24,576	\$ 6,482,112
Additions	-	413	75,660	-	13,304	46,298	135,675
Disposals	-	-	(21,956)	(43)	(6,948)	-	(28,947)
Others	-	-	15,547	-	(379)	(17,414)	(2,246)
Ending balance	<u>1,447,433</u>	<u>1,149,380</u>	<u>2,365,437</u>	<u>1,238</u>	<u>1,569,646</u>	<u>53,460</u>	<u>6,586,594</u>
<u>Accumulated depreciation</u>							
Beginning balance	-	603,003	1,520,111	1,247	1,372,798	-	3,497,159
Depreciation	-	13,118	101,613	14	26,481	-	141,226
Disposals	-	-	(21,956)	(43)	(6,948)	-	(28,947)
Others	-	3	(1,312)	-	(285)	-	(1,594)
Ending balance	<u>-</u>	<u>616,124</u>	<u>1,598,456</u>	<u>1,218</u>	<u>1,392,046</u>	<u>-</u>	<u>3,607,844</u>
Net ending balance	<u>\$ 1,447,433</u>	<u>\$ 533,256</u>	<u>\$ 766,981</u>	<u>\$ 20</u>	<u>\$ 177,600</u>	<u>\$ 53,460</u>	<u>\$ 2,978,750</u>

The above items of property and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings and improvements	5 to 55 years
Computer equipment	3 to 7 years
Transportation equipment	3 to 7 years
Miscellaneous equipment	3 to 20 years

18. LEASE ARRANGEMENTS

The Bank and its subsidiaries lease land and buildings mainly for the use of the Bank's branches and offices within 2 to 20 years. Right-of-use assets, lease liabilities and recognition of depreciation expense and interest expense are as follows:

	June 30, 2022	December 31, 2021	June 30, 2021	
Net carrying amount of right-of-use assets	<u>\$ 1,136,184</u>	<u>\$ 1,018,720</u>	<u>\$ 1,119,361</u>	
Carrying amount of lease liabilities	<u>\$ 1,138,616</u>	<u>\$ 1,026,881</u>	<u>\$ 1,125,279</u>	
The range of discount rate	0.83%-4.82%	0.83%-2.01%	0.83%-2.01%	
		For the Six Months Ended June 30		
		2022	2021	
Additions to right-of-use assets		<u>\$ 321,090</u>	<u>\$ 496,891</u>	
Cash outflow for leases		<u>\$ 219,398</u>	<u>\$ 217,705</u>	
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Depreciation expense of right-of-use assets	<u>\$ 104,270</u>	<u>\$ 99,275</u>	<u>\$ 205,647</u>	<u>\$ 201,775</u>
Interest expense of lease liabilities	<u>\$ 2,697</u>	<u>\$ 2,451</u>	<u>\$ 5,184</u>	<u>\$ 4,836</u>
Other lease information				
Short-term lease expenses	<u>\$ 1,372</u>	<u>\$ 1,596</u>	<u>\$ 2,773</u>	<u>\$ 2,985</u>

19. INTANGIBLE ASSETS, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Operation rights	\$ 1,538,210	\$ 1,538,210	\$ 1,538,210
Fair value of core deposits	428,887	428,887	428,887
Less: Accumulated amortization	<u>356,685</u>	<u>343,944</u>	<u>331,202</u>
	<u>72,202</u>	<u>84,943</u>	<u>97,685</u>
	<u>\$ 1,610,412</u>	<u>\$ 1,623,153</u>	<u>\$ 1,635,895</u>

In April 2010, the Bank acquired the assets and liabilities of Chinfon Bank, classified as Package B of Chinfon Bank, through a bidding process. The acquired management and operation rights of Chinfon Bank's branches have indefinite useful life, while the fair value of core deposits is amortized over 4 to 15 years.

After assessed the operation rights of branches have indefinite useful life, and the operation rights are expected to generate net cash flows continuously; therefore, the operation rights are not amortized annually.

The Bank assessed the recoverable amount of the cash generating unit of the operation rights for impairment in 2021 and 2020; the recoverable amount is determined based on the net fair value. To reflect risks specific to the operation right, the net fair value was then calculated using the discounted cash flows based on the Bank's financial forecast, and no impairment was assessed. There were no significant changes in the assessment for the six months ended June 30, 2022 and 2021, no impairment loss was recognized on operation rights.

20. DUE TO THE CENTRAL BANK AND OTHER BANKS

	June 30, 2022	December 31, 2021	June 30, 2021
Call loans to banks	\$ 3,579,610	\$ 1,757,547	\$ 287,136
Bank overdrafts	169,396	19,690	157
Due to banks	<u>6,840</u>	<u>14,583</u>	<u>8,879</u>
	<u>\$ 3,755,846</u>	<u>\$ 1,791,820</u>	<u>\$ 296,172</u>

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	June 30, 2022	December 31, 2021	June 30, 2021
Bank debentures (Note 9)	<u>\$ -</u>	<u>\$ 4,959</u>	<u>\$ 5,102</u>
Repurchase price	<u>\$ -</u>	<u>\$ 4,960</u>	<u>\$ 5,103</u>
Repurchase date	-	2022.01.27	2021.07.06

22. PAYABLES

	June 30, 2022	December 31, 2021	June 30, 2021
Receipts under custody	\$ 5,303,400	\$ 76,421	\$ 3,217,201
Dividends (Note 28)	1,511,004	-	1,124,082
Expenses	1,312,821	1,491,425	1,453,718
Notes and checks for clearing	964,913	640,766	2,962,100
Accounts payable factoring	888,250	868,908	856,565
Interest	804,163	527,025	673,098
Securities settlement	229,933	379,701	928,776
Credit card	186,233	189,019	181,923
Acceptances	116,927	419,489	383,853
Litigation settlement	-	317,222	-
Others	<u>653,231</u>	<u>654,671</u>	<u>704,005</u>
	<u>\$ 11,970,875</u>	<u>\$ 5,564,647</u>	<u>\$ 12,485,321</u>

In September 2015, 18 creditor banks of Zhanmao Optoelectronics Co., Ltd. (“Zhanmao”), a debtor with restructured overdue loan from the Bank, filed a lawsuit against the Bank demanding that the Bank abide by the restructuring procedures and recover the claims against Zhanmao and compensate the creditor banks for losses caused by overpayments in the restructuring procedures. The Supreme Court ruled in December 2021 that the Bank was liable for damages of \$317,222 thousand. The relevant liabilities had been accrued in the 2021 annual financial statements and were paid in January 2022.

23. DEPOSITS AND REMITTANCES

	June 30, 2022	December 31, 2021	June 30, 2021
Checking deposits	\$ 2,928,261	\$ 3,156,272	\$ 3,864,341
Demand deposits	130,983,928	129,604,806	119,977,399
Demand savings	93,921,806	93,795,634	92,085,508
Time savings	89,854,210	80,740,147	73,591,823
Negotiable certificates of deposit	21,089,500	6,714,500	2,627,500
Time deposits	287,963,004	297,778,762	291,643,143
Remittances	<u>336,656</u>	<u>316,564</u>	<u>54,227</u>
	<u>\$ 627,077,365</u>	<u>\$ 612,106,685</u>	<u>\$ 583,843,941</u>

24. BANK DEBENTURES

Domestic Bank Debentures

Item	Issuance Period	Note	June 30, 2022	December 31, 2021	June 30, 2021
Subordinated bank debentures - seven-year maturity; first issue in 2014	2014.12.23-2021.12.23	Interest payable on December 23 each year fixed interest rate at 2.05%	\$ -	\$ -	\$ 1,100,000
Subordinated bank debentures - seven-year maturity; first issue in 2015	2015.09.30-2022.09.30	Interest payable on September 30 each year fixed interest rate at 1.95%	3,000,000	3,000,000	3,000,000
Subordinated bank debentures - seven-year maturity; first issue in 2016	2016.09.27-2023.09.27	Interest payable on September 27 each year fixed interest rate at 1.55%	4,000,000	4,000,000	4,000,000
Subordinated bank debentures - perpetual; first issue in 2018	2018.09.18-	Interest payable on September 18 each year fixed interest rate at 3.20%	2,900,000	2,900,000	2,900,000
General bank debentures - five-year maturity; first issue in 2019	2019.02.21-2024.02.21	Interest payable on February 21 each year fixed interest rate at 0.95%	2,500,000	2,500,000	2,500,000
Subordinated bank debentures - seven-year maturity; second issue in 2019	2019.07.30-2026.07.30	Interest payable on July 30 each year fixed interest rate at 1.15%	2,000,000	2,000,000	2,000,000
Subordinated bank debentures - ten-year maturity; second issue in 2019	2019.07.30-2029.07.30	Interest payable on July 30 each year fixed interest rate at 1.25%	2,000,000	2,000,000	2,000,000
General bank debentures - five-year maturity; third issue in 2019	2019.09.26-2024.09.26	Interest payable on September 26 each year fixed interest rate at 0.75%	3,500,000	3,500,000	3,500,000
Subordinated bank debentures - seven-year maturity; first issue in 2020	2020.11.26-2027.11.26	Interest payable on November 26 each year fixed interest rate at 0.75%	1,600,000	1,600,000	1,600,000

(Continued)

Item	Issuance Period	Note	June 30, 2022	December 31, 2021	June 30, 2021
Subordinated bank debentures - seven-year maturity; first issue in 2021	2021.04.27-2028.04.27	Interest payable on April 27 each year fixed interest rate at 0.83%	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000
Subordinated bank debentures - seven-year maturity; 1-1 issue in 2005; acquired from Chinfon Bank	Matured on 2012.06.28	-	1,660	1,660	1,660
Subordinated bank debentures - seven-year maturity; 1-1 issue in 2002; acquired from Chinfon Bank	Matured on 2009.06.28	-	<u>240</u>	<u>240</u>	<u>240</u>
Total bank debentures			<u>\$ 23,901,900</u>	<u>\$ 23,901,900</u>	<u>\$ 25,001,900</u> (Concluded)

The Bank issued the first issuance of perpetual non-cumulative subordinated bank debentures in 2018 in the amount of \$2,900,000 thousand on September 18, 2018 with an interest rate of 3.20% and the interest is paid once a year if the interest payment condition is met. After five years of issuance, the Bank has the right to redeem in advance under the regulation of issuance and the permission by authorities.

25. OTHER FINANCIAL LIABILITIES

	June 30, 2022	December 31, 2021	June 30, 2021
Deposit received	\$ 258,394	\$ 356,386	\$ 382,721
Bank loan	380,000	173,038	240,000
Commercial paper	290,000	450,000	230,000
Less: Unamortized discount on commercial paper	<u>120</u>	<u>211</u>	<u>70</u>
	<u>\$ 928,274</u>	<u>\$ 979,213</u>	<u>\$ 852,651</u>
<u>Interest rates</u>			
Bank loan	1.10%-1.25%	1.00%-4.82%	1.02%
Commercial paper	1.24%-1.36%	0.97%-1.02%	1.02%

26. PROVISIONS

	June 30, 2022	December 31, 2021	June 30, 2021
Reserve for employee benefits liability - defined benefit plans (Note 27)	\$ 666,136	\$ 723,561	\$ 681,468
Reserve for obligations guarantee (Note 43)	210,052	279,683	258,217
Reserve for financing commitment (Note 43)	<u>49,799</u>	<u>53,238</u>	<u>50,274</u>
	<u>\$ 925,987</u>	<u>\$1,056,482</u>	<u>\$ 989,959</u>

The changes in provision for losses on financing commitments and obligations guarantees are as follows:

For the six months ended June 30, 2022

	12-Month Expected Credit Loss (Stage 1)	Lifetime ECLs (Stage 2)	Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total Provision for Losses on Financing Commitments and Obligations Guarantee
Beginning on January 1, 2022	\$ 84,892	\$ 13,201	\$ 20,950	\$ 119,043	\$ 213,878	\$ 332,921
Changes at the beginning of the period:						
Transfer to Stage 2	(9)	6,966	(16)	6,941	-	6,941
Transfer to Stage 3	-	(47)	379	332	-	332
Transfer to Stage 1	7	(8,576)	(46)	(8,615)	-	(8,615)
Financial assets derecognized in the current period	(19,931)	(980)	(203)	(21,114)	-	(21,114)
Purchased or original	13,928	2,004	71	16,003	-	16,003
The difference of impairment under the Regulations	-	-	-	-	(58,312)	(58,312)
Exchange rate and other changes	(13,746)	5,376	65	(8,305)	-	(8,305)
Balance on June 30, 2022	<u>\$ 65,141</u>	<u>\$ 17,944</u>	<u>\$ 21,200</u>	<u>\$ 104,285</u>	<u>\$ 155,566</u>	<u>\$ 259,851</u>

For the six months ended June 30, 2021

	12-Month Expected Credit Loss (Stage 1)	Lifetime ECLs (Stage 2)	Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total Provision for Losses on Financing Commitments and Obligations Guarantee
Beginning on January 1, 2021	\$ 83,913	\$ 12,417	\$ 21,140	\$ 117,470	\$ 244,644	\$ 362,114
Changes at the beginning of the period:						
Transfer to Stage 2	(9)	8,666	-	8,657	-	8,657
Transfer to Stage 3	-	(7)	253	246	-	246
Transfer to Stage 1	7	(7,191)	(155)	(7,339)	-	(7,339)
Financial assets derecognized in the current period	(16,110)	(1,113)	(268)	(17,491)	-	(17,491)
Purchased or original	13,987	2,099	-	16,086	-	16,086
The difference of impairment under the Regulations	-	-	-	-	(48,164)	(48,164)
Exchange rate and other changes	(6,395)	827	(50)	(5,618)	-	(5,618)
Balance on June 30, 2021	<u>\$ 75,393</u>	<u>\$ 15,698</u>	<u>\$ 20,920</u>	<u>\$ 112,011</u>	<u>\$ 196,480</u>	<u>\$ 308,491</u>

27. RETIREMENT BENEFIT PLANS

Defined contribution plans

The pension plan under the Labor Pension Act (the Act) is a defined contribution plan. Based on the Act, the Bank and its subsidiaries' make monthly contributions to employees' individual pension accounts in the Bureau of Labor Insurance at 6% of monthly salaries and wages, related pension expense of \$71,721 thousand and \$69,169 thousand for the six months ended June 30, 2022 and 2021, respectively.

Defined benefit plans

The Bank's pension expenses related to the defined benefit plans were estimated based on the pension cost rate determined by actuarial calculations on December 31, 2021 and 2020. The related pension expenses for the six months ended June 30, 2022 and 2021 were \$4,887 thousand and \$10,519 thousand, respectively.

28. EQUITY

a. Share capital

Ordinary shares

	June 30, 2022	December 31, 2021	June 30, 2021
Authorized shares (in thousands)	<u>5,500,000</u>	<u>5,500,000</u>	<u>5,500,000</u>
Authorized capital	<u>\$ 55,000,000</u>	<u>\$ 55,000,000</u>	<u>\$ 55,000,000</u>
Issued and paid shares (in thousands)	<u>3,513,963</u>	<u>3,513,963</u>	<u>3,448,104</u>
Issued capital	<u>\$ 35,139,632</u>	<u>\$ 35,139,632</u>	<u>\$ 34,481,044</u>
When-issued shares (in thousands)	<u>55,521</u>	<u>-</u>	<u>65,859</u>
Reserve for capitalization	<u>\$ 555,206</u>	<u>\$ -</u>	<u>\$ 658,588</u>

Issued ordinary shares with par value of \$10 are entitled to the right to vote and to receive dividends.

At the shareholders' meeting held on July 20, 2021, the Bank resolved to increase its capital by using its undistributed earnings of \$658,588 thousand. As a result, the Bank issued 65,859 thousand ordinary shares at a par value of NT\$10. After the issuance, the share capital of the Bank amounted to \$35,139,632 thousand.

At the shareholders' meeting held on June 21, 2022, the Bank resolved to increase its capital by using its undistributed earnings of \$555,206 thousand. As a result, the Bank issued 55,521 thousand ordinary shares at a par value of NT\$10. After the issuance, the share capital of the Bank amounted to \$35,694,838 thousand.

At the board of directors' meeting held on May 5, 2022, the Bank resolved to increase its capital by issuing 500,000 thousand ordinary shares. The issuance was approved by the Securities and Futures Bureau, FSC on July 29, 2022.

Global depository receipts

As of June 30, 2022, the outstanding GDRs were 218 thousand units, equivalent to 4,353 thousand ordinary shares.

b. Capital surplus

The capital surplus arising from shares issued in excess of par and treasury stock transactions may be used to offset a deficit, or, if the Bank has no deficit, distributed as cash dividends or transferred to capital (limited to a certain percentage of the Bank's paid-in capital and once a year). However, capital surplus arising from investment accounted for using equity method may not be used for any purpose.

c. Retained earnings and dividend policy

The shareholders of the Bank held their regular meeting on July 20, 2021 and in that meeting, resolved the amendments to the Bank's Articles of Incorporation (the "Articles"). In case of surplus earnings after settlement of accounts for each fiscal year, the Bank shall recover all the losses incurred in the previous years, if any, before setting aside a legal reserve of thirty percent (30%) of the net profit and appropriating, according to law and regulations, a special reserve shall be retained, and shall first be distributed to the dividends of Preferred Stock. The remaining amount together with the accumulated retained profits of the last year and the reversals of special reserves are available for distribution as dividends for Common Stock. The dividends for Common Stock shall be distributed at least thirty percent (30%) of the remaining amount. The Board of Directors shall prepare the earnings distribution in accordance with the existing circumstances at the time, taking into account the future development

plan of the Bank. Any allocation of cash dividend shall, in principle, be no less than 10% of the total dividends to be distributed that year.

The Banking Law provides that, unless legal reserve reached the Bank's paid-in capital, cash dividends are limited to 15% of paid-in capital.

Under the Company Law, legal reserve should be appropriated until it has reached the Bank's paid-in capital. This reserve may be used to offset a deficit. According to an amendment to the Company Law, when the Bank has no deficit and its legal reserve has exceeded 25% of its paid-in capital, the excess may be distributed in the form of stocks or cash.

An amount equal to the net debit balance of other items of shareholders' equity (including exchange differences on translating foreign operations, unrealized gain or loss on financial assets at FVTOCI) shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

The appropriations of earnings for the 2021 and 2020, which were approved in the shareholders' meetings on June 21, 2022 and July 20, 2021, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (Dollars)	
	2021	2020	2021	2020
Cash dividends	\$ 1,511,004	\$ 1,124,082	\$0.430	\$0.326
Stock dividends	555,206	658,588	0.158	0.191

d. Other equity items

Changes in unrealized gain or loss on financial assets measured at FVTOCI:

	For the Six Months Ended June 30	
	2022	2021
Beginning on January 1	\$ 259,486	\$ 1,172,225
Recognized for the current period		
Unrealized gain or loss		
Debt instruments	(1,228,016)	(331,474)
Equity instruments	(293,603)	65,534
Share of other comprehensive loss of associates for using the equity method	(127,781)	(16,358)
Investment in debt instruments transferred to current loss due to disposal	5,046	32,761
Other comprehensive loss recognized for the current period	(1,644,354)	(249,537)
Gain on equity instruments transferred to retained earnings due to disposal	(2)	(222,296)
Balance on June 30	\$ (1,384,870)	\$ 700,392

29. NET INTERESTS

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Interest revenues				
Discounts and loans	\$ 2,155,951	\$ 1,843,696	\$ 4,027,764	\$ 3,682,377
Securities	309,575	240,702	543,299	488,950
Credit cards	172,015	185,148	346,354	370,575
Others	<u>126,572</u>	<u>60,871</u>	<u>199,626</u>	<u>130,716</u>
	<u>2,764,113</u>	<u>2,330,417</u>	<u>5,117,043</u>	<u>4,672,618</u>
Interest expenses				
Deposits and remittances	806,674	593,021	1,399,524	1,247,070
Bank debentures	85,570	89,773	170,199	174,986
Structured products	56,555	34,856	95,429	63,502
Others	<u>17,110</u>	<u>14,223</u>	<u>30,661</u>	<u>29,263</u>
	<u>965,909</u>	<u>731,873</u>	<u>1,695,813</u>	<u>1,514,821</u>
	<u>\$ 1,798,204</u>	<u>\$ 1,598,544</u>	<u>\$ 3,421,230</u>	<u>\$ 3,157,797</u>

30. NET SERVICE FEE INCOME

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Service fee income				
Fees from loan	\$ 389,113	\$ 175,660	\$ 491,931	\$ 282,767
Fees from credit card	239,204	240,284	557,745	500,215
Fees from trustee business	156,107	196,106	360,513	496,154
Fees from insurance commission	108,074	143,271	238,759	295,388
Fees from brokering	24,934	102,111	64,231	299,357
Others	<u>76,919</u>	<u>97,907</u>	<u>155,235</u>	<u>185,817</u>
	<u>994,351</u>	<u>955,339</u>	<u>1,868,414</u>	<u>2,059,698</u>
Service fee expense				
Refund from credit card fee	44,341	44,029	104,313	104,485
Visa and Master fee	41,785	46,647	84,264	74,920
National credit card center fee	38,261	33,960	70,641	71,335
Agency service fee	19,834	20,364	38,690	40,872
Interbank service fee	14,509	13,557	28,307	26,763
Credit investigation	5,659	7,217	16,196	18,991
Others	<u>28,512</u>	<u>35,192</u>	<u>57,868</u>	<u>71,123</u>
	<u>192,901</u>	<u>200,966</u>	<u>400,279</u>	<u>408,489</u>
	<u>\$ 801,450</u>	<u>\$ 754,373</u>	<u>\$ 1,468,135</u>	<u>\$ 1,651,209</u>

31. NET GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FVTPL

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Gain on disposal	\$ 172,839	\$ 143,166	\$ 301,262	\$ 406,099
Gain (loss) on valuation	(213,917)	81,658	(279,600)	63,427
Net interests	45,203	43,219	87,193	83,924
Dividends	<u>3,841</u>	<u>374</u>	<u>4,833</u>	<u>832</u>
	<u>\$ 7,966</u>	<u>\$ 268,417</u>	<u>\$ 113,688</u>	<u>\$ 554,282</u>

32. EMPLOYEE BENEFITS EXPENSE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Salaries	\$ 870,674	\$ 813,394	\$ 1,666,405	\$ 1,694,245
Labor and health insurance	63,310	63,170	129,216	127,832
Post-employment benefits (Note 27)	36,542	40,009	76,608	79,688
Others	<u>83,003</u>	<u>79,182</u>	<u>162,939</u>	<u>156,448</u>
	<u>\$ 1,053,529</u>	<u>\$ 995,755</u>	<u>\$ 2,035,168</u>	<u>\$ 2,058,213</u>

33. EMPLOYEES' COMPENSATION AND REMUNERATION OF DIRECTORS AND SUPERVISORS

According to the Bank's Articles, from the Bank's income before income tax, remuneration of directors and employees' compensation, the Bank should retain 3.5%-4.5% for employees' compensation and no greater than 1.5% for remuneration of directors. For the six months ended June 30, 2022 and 2021, the Bank's accrued employees' compensation were \$74,241 thousand and \$60,791 thousand, and the remuneration of directors were \$24,747 thousand and \$20,209 thousand, respectively.

On March 3, 2022 the Bank's Board of Directors resolved to pay employees' compensation of \$127,261 thousand and remuneration of directors of \$42,420 thousand for the year ended December 31, 2021, both in cash. On March 26, 2021 the Bank's Board of Directors resolved to pay employees' compensation of \$116,261 thousand and remuneration of directors of \$38,754 thousand for the year ended December 31, 2020, both in cash. There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2021 and 2020.

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

34. DEPRECIATION AND AMORTIZATION

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Depreciation				
Property and equipment (Note 17)	\$ 71,954	\$ 71,126	\$ 143,712	\$ 141,226
Leased right-of-use assets (Note 18)	<u>104,270</u>	<u>99,275</u>	<u>205,647</u>	<u>201,775</u>
	<u>\$ 176,224</u>	<u>\$ 170,401</u>	<u>\$ 349,359</u>	<u>\$ 343,001</u>
Amortization - intangible assets (Note 19)	<u>\$ 6,371</u>	<u>\$ 6,371</u>	<u>\$ 12,741</u>	<u>\$ 12,741</u>

35. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Tax and government fees	\$ 145,359	\$ 136,989	\$ 278,958	\$ 279,400
Software	61,878	58,652	123,545	113,223
Telecommunications	43,824	40,694	82,077	80,615
Others	<u>201,993</u>	<u>168,218</u>	<u>395,526</u>	<u>463,596</u>
	<u>\$ 453,054</u>	<u>\$ 404,553</u>	<u>\$ 880,106</u>	<u>\$ 936,834</u>

36. INCOME TAX EXPENSE

- a. Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Current tax expense	\$ 146,133	\$ 68,903	\$ 256,780	\$ 158,823
Deferred tax expense	<u>40,344</u>	<u>1,612</u>	<u>19,837</u>	<u>34,180</u>
Income tax expense recognized in profit or loss	<u>\$ 186,477</u>	<u>\$ 70,515</u>	<u>\$ 276,617</u>	<u>\$ 193,003</u>

b. Income tax expense (benefit) recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Income tax expense (benefit) of exchange differences on translating foreign operations	<u>\$ 132</u>	<u>\$ (1,509)</u>	<u>\$ 4,384</u>	<u>\$ (3,166)</u>

c. Income tax assessments

The income tax returns of the Bank through 2019 had been assessed by the tax authorities. The income tax returns of FEIS and FEAMC through 2020 had been assessed by the tax authorities.

37. EARNINGS PER SHARE

The earnings per share (EPS) disclosed in the statement of comprehensive income are based on net income attributable to owners of the Bank.

	Unit: NT\$ Per Share			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Basic EPS				
Basic EPS	<u>\$ 0.28</u>	<u>\$ 0.18</u>	<u>\$ 0.47</u>	<u>\$ 0.41</u>
Issuance of bonus shares record date (September 12, 2022) pro forma earnings per share that adjusted retrospectively after the financial statements were approved	<u>\$ 0.28</u>	<u>\$ 0.18</u>	<u>\$ 0.46</u>	<u>\$ 0.41</u>
Diluted EPS				
Diluted EPS	<u>\$ 0.28</u>	<u>\$ 0.18</u>	<u>\$ 0.47</u>	<u>\$ 0.41</u>
Issuance of bonus shares record date (September 12, 2022) pro forma earnings per share that adjusted retrospectively after the financial statements were approved	<u>\$ 0.28</u>	<u>\$ 0.18</u>	<u>\$ 0.46</u>	<u>\$ 0.40</u>

Earnings per share included in the comprehensive income statement did not consider the effects of changes in the number of shares resulted from bonus issue because the record date of bonus shares issued was set after the financial statements were approved.

The net income and weighted average number of ordinary shares outstanding for EPS calculation were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Net income attributable to owners of the Bank used in the computation of basic and diluted EPS	\$ <u>988,689</u>	\$ <u>649,968</u>	\$ <u>1,649,401</u>	\$ <u>1,449,049</u>
Number of ordinary shares <u>(in thousand shares)</u>				
Weighted average number of ordinary shares in the computation of basic EPS	3,513,963	3,513,963	3,513,963	3,513,963
Effect of dilutive potential ordinary shares				
Employees' compensation	<u>6,599</u>	<u>5,735</u>	<u>10,429</u>	<u>10,731</u>
Weighted average number of ordinary shares used in the computation of diluted EPS	<u>3,520,562</u>	<u>3,519,698</u>	<u>3,524,392</u>	<u>3,524,694</u>

Employees' compensation for the current year should be considered in calculating the weighted-average number of shares used for calculating diluted EPS. The dilutive effect of the potential shares should be included in the calculation of diluted EPS until the board meeting resolves the number of shares to be distributed as employees' compensation at their board meeting in the following year.

The weighted average number of ordinary shares outstanding used in the calculation of the EPS for the six months ended June 30, 2021 was retrospectively adjusted for the issuance of stock dividends. The basic and diluted after-tax EPS were adjusted retrospectively as follows:

	Before Adjustment	After Adjustment
Basic EPS	\$ <u>0.42</u>	\$ <u>0.41</u>
Diluted EPS	\$ <u>0.42</u>	\$ <u>0.41</u>

38. RELATED-PARTY TRANSACTIONS

The Bank and its subsidiaries had significant business transactions with the following related parties:

Related Party	Relationship with the Bank
Dah Chung Bills Finance Corp.	Association
Ding Ding Integrated Marketing Service Co.	Chairman is the vice-chairman of the Bank
Asia Cement Corp.	Chairman is the vice-chairman of the Bank
Far Eastern Department Store Corp.	Chairman is the vice-chairman of the Bank
Yuan Ding Co., Ltd.	Chairman is the vice-chairman of the Bank
U-Ming Marine Transport Corp.	Chairman is the vice-chairman of the Bank
Far Eastern New Century Corp.	Chairman is the vice-chairman of the Bank

(Continued)

<u>Related Party</u>	<u>Relationship with the Bank</u>
New Century InfoComm Tech Co., Ltd.	Chairman is the vice-chairman of the Bank
Far EasTone Telecommunications Co., Ltd.	Chairman is the vice-chairman of the Bank
U-Ming Marine Transport (Singapore) Private, Ltd.	Chairman of parent company is the vice-chairman of the Bank
Yuan Long Stainless Steel Co.	Chairman of parent company is the vice-chairman of the Bank
Everest Textile Co., Ltd.	Chairman is a second-degree relative of the vice chairman of the Bank
Der Ching Investment Corporation	Chairman is a second-degree relative of the vice chairman of the Bank
Far Eastern International Leasing Corp.	Substantive related party
Pacific SOGO Department Stores Corp.	Substantive related party
Others	The Bank's chairman, vice-chairman, managers, their second-degree relatives and substantive related party

(Concluded)

The significant transactions and account balances with the above parties (in addition to those disclosed in other notes) are summarized as follows:

a. Due from other banks

	Highest Balance in Current Year	Ending Balance	Interest Revenues	Interest Rates
<u>Dah Chung Bills Finance Corp.</u>				
For the six months ended June 30				
2022	<u>\$ 1,500,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,114</u>	0.60%-0.75%
2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-

b. Loans

Category	Number of Accounts and Related Party	Highest Balance in Current Period	Ending Balance	Normal Loans	Nonperforming Loans	Collateral	Transactions Terms Different from Those for Unrelated Parties
For the six months ended <u>June 30, 2022</u>							
Consumer loans	Six individuals	\$ 4,229	\$ 2,476	\$ 2,476	\$ -	Unsecured loan	Note 2
Loans for residential mortgage	Thirty six individuals	384,121	339,343	339,343	-	Real estate	Note 2
Others	Yuan Long Stainless Steel Co.	1,400,000	1,400,000	1,400,000	-	Real estate	Note 2
	Far Eastern Department Store Corp.	500,000	500,000	500,000	-	Stock listed on TWSE	Note 2
	Others (Note 1)	1,642,196	<u>532,164</u>	<u>532,164</u>	<u>-</u>	Real estate, certificates of deposits and stock listed on TWSE	Note 2
			<u>\$ 2,773,983</u>	<u>\$ 2,773,983</u>	<u>\$ -</u>		
For the six months ended <u>June 30, 2021</u>							
Consumer loans	Six individuals	\$ 3,950	\$ 3,709	\$ 3,709	\$ -	Unsecured loan	Note 2
Loans for residential mortgage	Thirty one individuals	345,942	323,761	323,761	-	Real estate	Note 2
Others	Yuan Long Stainless Steel Co.	950,000	950,000	950,000	-	Real estate	Note 2
	Everest Textile Co., Ltd.	623,759	623,759	623,759	-	Real estate	Note 2
	Others (Note 1)	592,445	<u>28,645</u>	<u>28,645</u>	<u>-</u>	Real estate, certificates of deposits, stock listed on TWSE and stock unlisted on TWSE	Note 2
			<u>\$ 1,929,874</u>	<u>\$ 1,929,874</u>	<u>\$ -</u>		

Note 1: The individual amount does not exceed 10% of the total disclosure amount.

Note 2: The terms of loans were no superior to those for unrelated parties.

The information related to the above loans is as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Interest revenues	\$ <u>6,174</u>	\$ <u>4,267</u>	\$ <u>11,541</u>	\$ <u>7,865</u>
Interest rate	0.82%-2.38%	0.50%-1.87%	0.62%-2.38%	0.50%-1.87%
Provision for possible losses	\$ <u>1,219</u>	\$ <u>3,619</u>	\$ <u>6,260</u>	\$ <u>5,522</u>

Balances of related allowance for possible losses were \$29,437 thousand and \$20,918 thousand as of June 30, 2022 and 2021, respectively.

c. Guarantees

Related Party	Highest Balance in Current Period	Ending Balance	Reserve for Guarantee Obligations	Interest Rate	Collateral
<u>For the six months ended June 30, 2022</u>					
Far Eastern International Leasing Corp.	\$ 700,000	\$ 200,000	\$ 2,000	0.30%	Real estate
Yuan Ding Co., Ltd.	30,000	30,000	300	0.80%	Stock unlisted on TWSE
Yuan Long Stainless Steel Co.	60,000	30,000	300	0.60%	Real estate
Others (Note)	955,480	<u>15,480</u>	<u>155</u>	0.40%-0.80%	Real estate, stock listed on TWSE and stock unlisted on TWSE
		\$ <u>275,480</u>	\$ <u>2,755</u>		
<u>For the six months ended June 30, 2021</u>					
Far Eastern International Leasing Corp.	700,000	\$ 501,000	\$ 5,010	0.30%	Real estate
U-Ming Marine Transport Corp.	550,000	550,000	5,500	0.40%	Stock listed on TWSE
Der Ching Investment Corporation	180,000	180,000	1,800	0.50%-0.55%	Stock listed on TWSE
Others (Note)	367,200	<u>354,000</u>	<u>3,540</u>	0.50%-0.80%	Real estate, stock listed on TWSE and stock unlisted on TWSE
		\$ <u>1,585,000</u>	\$ <u>15,850</u>		

Note: The individual amount does not exceed 10% of the total disclosure amount.

d. Letters of credit issued

	June 30, 2022	December 31, 2021	June 30, 2021
Yuan Long Stainless Steel Co.	<u>\$ 92,225</u>	<u>\$ 14,684</u>	<u>\$ 4,283</u>

e. Derivative instruments (Note 8)

Related Party	Derivative Instrument	Contract Period	Nominal Amount	Valuation Gain (Loss) For the Three Months Ended June 30	Valuation Gain (Loss) For the Six Months Ended June 30	Balance Sheet	
						Account	Balance
For the six months ended June 30, 2022							
U-Ming Marine Transport (Singapore) Private, Ltd.	Interest rate swap contracts	2012.09.27-2028.01.10	\$ 2,504,304	\$ (49,888)	\$ (141,021)	Financial liabilities at FVTPL	\$ 8,117
Far Eastern New Century Corp.	Forward exchange contracts	2022.04.20-2022.10.27	1,147,382	755	(11,653)	Financial assets at FVTPL	4,253
						Financial liabilities at FVTPL	15,906
For the six months ended June 30, 2021							
U-Ming Marine Transport (Singapore) Private, Ltd.	Interest rate swap contracts	2012.09.27-2028.01.10	2,838,664	(10,713)	(65,909)	Financial assets at FVTPL	192,566
Asia Cement Corp.	Cross-currency swap contracts	2018.12.25-2021.09.15	418,050	2,652	5,445	Financial assets at FVTPL	41,869
Far Eastern New Century Corp.	Forward exchange contracts	2021.05.03-2021.10.01	622,756	23,775	(1,481)	Financial assets at FVTPL	837
						Financial liabilities at FVTPL	2,318

f. Deposits

	June 30, 2022	December 31, 2021	June 30, 2021
Deposits of related parties (each account balance did not exceed 5% of total deposits)	<u>\$ 47,277,478</u>	<u>\$ 55,746,962</u>	<u>\$ 50,132,883</u>

Interest rate 0%-6.09% 0%-5.84% 0%-5.84%

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Interest expenses	<u>\$ 55,413</u>	<u>\$ 46,304</u>	<u>\$ 100,403</u>	<u>\$ 94,946</u>

g. Acquisition of equipment

	For the Six Months Ended June 30	
	2022	2021
New Century InfoComm Tech Co., Ltd.	<u>\$ 23,189</u>	<u>\$ 10,846</u>

h. Lessee agreements

	For the Six Months Ended June 30		
	<u>2022</u>		<u>2021</u>
Acquisition of right-of-use assets			
Yuan Ding Co., Ltd.	<u>\$ 5,638</u>		<u>\$ 253,782</u>
	June 30, 2022	December 31, 2021	June 30, 2021
Lease liabilities			
Yuan Ding Co., Ltd.	\$ 131,651	\$ 156,236	\$ 205,127
Pacific SOGO Department Stores Corp.	13,097	15,684	18,260
Far Eastern Department Store Corp.	<u>10,982</u>	<u>13,080</u>	<u>15,170</u>
	<u>\$ 155,730</u>	<u>\$ 185,000</u>	<u>\$ 238,557</u>

The Bank and its subsidiaries rented part of its office premises from Yuan Ding Co., Ltd., Pacific SOGO Department Stores Corp. and Far Eastern Department Store Corp. All the terms and conditions of lease conformed to normal business practice.

i. Service fee income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Far EasTone Telecommunications Co., Ltd.	<u>\$ 10,791</u>	<u>\$ 9,730</u>	<u>\$ 20,908</u>	<u>\$ 17,769</u>

j. Service fee expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Ding Ding Integrated Marketing Service Co.	\$ 25,762	\$ 27,017	\$ 64,369	\$ 65,131
Far Eastern Department Store Corp.	<u>4,888</u>	<u>5,274</u>	<u>10,018</u>	<u>10,894</u>
	<u>\$ 30,650</u>	<u>\$ 32,291</u>	<u>\$ 74,387</u>	<u>\$ 76,025</u>

k. Operating expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Far Eastern Department Store Corp.	\$ 11,267	\$ 30,549	\$ 38,996	\$ 43,124
Pacific SOGO Department Stores Corp.	14,043	28,238	34,471	50,344
New Century InfoComm Tech Co., Ltd.	<u>13,919</u>	<u>2,732</u>	<u>19,903</u>	<u>11,221</u>
	<u>\$ 39,229</u>	<u>\$ 61,519</u>	<u>\$ 93,370</u>	<u>\$ 104,689</u>

l. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 33,023	\$ 40,176	\$ 78,529	\$ 87,758
Post-employment benefits	<u>898</u>	<u>1,008</u>	<u>1,796</u>	<u>2,016</u>
	<u>\$ 33,921</u>	<u>\$ 41,184</u>	<u>\$ 80,325</u>	<u>\$ 89,774</u>

39. PLEDGED ASSETS

	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets at FVTOCI -			
Government bonds	\$ 3,566,016	\$ 3,577,633	\$ 3,602,387
Negotiable certificates of deposits	399,450	3,394,342	3,385,311
Investment in debt instruments at amortized cost -			
Negotiable certificates of deposits	1,800,000	-	-
Other financial assets - Restricted time deposits	2,220,350	869,200	862,320
Due from the Central Bank and other banks -			
New Taiwan dollar reserve deposits - Type B	<u>-</u>	<u>500,000</u>	<u>500,000</u>
	<u>\$ 7,985,816</u>	<u>\$ 8,341,175</u>	<u>\$ 8,350,018</u>

In addition to those disclosed in other notes, the government bonds had been provided as the reserve for compensation of trust department as well as security deposits for provisional seizures of the debtors' properties. The negotiable certificates of deposits had been pledged as collaterals to back the extension of intraday credit in the Central Bank's real-time gross settlement system. The balance of intraday credit and the amount of collateral may vary at any time. Restricted time deposits had been provided as collaterals for overdraft of domestic CNY settlement. New Taiwan dollar reserve deposits - Type B had been used as collaterals to apply for financing of project loans to small and medium enterprises affected by the COVID-19.

40. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 43, the Bank's and its subsidiaries contingent liabilities and commitments resulting from operating activities as of June 30, 2022, December 31, 2021 and June 30, 2021 are summarized as follows:

a. Balance sheets and income statements of trust accounts and the trust assets lists were as follows:

Balance Sheets of Trust Accounts

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Trust assets</u>			
Deposits in banks	\$ 8,361,891	\$ 9,120,514	\$ 8,241,219
Accounts receivable	3,357	1,667	1,390
Funds	50,463,525	45,836,658	46,249,784
Equity stocks	5,093,904	4,895,595	5,081,152
Real estate, net			
Land	9,248,622	10,010,826	4,707,905
Building	31,362	66,552	14,646
Construction in progress	4,439,726	3,514,020	2,683,016
Intangible assets			
Superficies	13,471	13,471	13,471
Marketable securities in custody	12,208,759	15,932,874	14,826,156
Others	<u>2,717,315</u>	<u>2,572,465</u>	<u>2,393,177</u>
	<u>\$ 92,581,932</u>	<u>\$ 91,964,642</u>	<u>\$ 84,211,916</u>
<u>Trust liabilities</u>			
Accounts payable	\$ 1,770	\$ 2,358	\$ 1,550
Income tax payable	136	81	59
Marketable securities in custody payable	12,208,759	15,932,874	14,826,156
Trust capital	79,110,090	74,801,134	67,893,544
Reserve and earnings			
Net income or loss for current period	409,569	4,206,176	1,493,896
Accumulated profit or loss	851,576	(2,978,011)	(3,320)
Exchange	<u>32</u>	<u>30</u>	<u>31</u>
	<u>\$ 92,581,932</u>	<u>\$ 91,964,642</u>	<u>\$ 84,211,916</u>

Income Statements of Trust Accounts

	For the Six Months Ended June 30	
	2022	2021
Trust revenue		
Interest	\$ 15,217	\$ 12,015
Cash dividends	953,428	849,702
Realized capital gain - Funds	320,104	933,972
Realized capital gain - Common stock	2,070	-
Unrealized capital gain - Funds	15,295	18,354
Unrealized capital gain - Common stock	<u>182,053</u>	<u>321,129</u>
	<u>1,488,167</u>	<u>2,135,172</u>
Trust expenses		
Management	18,335	21,814
Supervision	30	84
Service charges	273,828	168,784
Taxes	149	8,435
Realized capital loss - Funds	763,238	424,347
Unrealized capital loss - Funds	5,681	-
Unrealized capital loss - Common stock	<u>17,169</u>	<u>17,649</u>
	<u>1,078,430</u>	<u>641,113</u>
Net income before tax	409,737	1,494,059
Income tax	<u>168</u>	<u>163</u>
Net income	<u>\$ 409,569</u>	<u>\$ 1,493,896</u>

Trust Asset Lists

	June 30, 2022	December 31, 2021	June 30, 2021
Deposits in banks	\$ 8,361,891	\$ 9,120,514	\$ 8,241,219
Funds	50,463,525	45,836,658	46,249,784
Equity stocks	5,093,904	4,895,595	5,081,152
Accounts receivable	3,357	1,667	1,390
Real estate, net			
Land	9,248,622	10,010,826	4,707,905
Building	31,362	66,552	14,646
Construction in progress	4,439,726	3,514,020	2,683,016
Intangible assets			
Superficies	13,471	13,471	13,471
Marketable securities in custody	12,208,759	15,932,874	14,826,156
Others	<u>2,717,315</u>	<u>2,572,465</u>	<u>2,393,177</u>
	<u>\$ 92,581,932</u>	<u>\$ 91,964,642</u>	<u>\$ 84,211,916</u>

As of June 30, 2022, December 31, 2021 and June 30, 2021, funds amounting to \$1,246,856 thousand, \$1,143,589 thousand and \$1,126,779 thousand, respectively, had been recognized in the OBU's books as investment in overseas securities through Non-discretionary Pecuniary Trust of the OBU.

41. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	June 30, 2022			December 31, 2021			June 30, 2021		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 4,156,059	29.726	\$ 123,543,010	\$ 3,924,529	27.690	\$ 108,670,208	\$ 3,713,560	27.870	\$ 103,496,917
HKD	2,455,462	3.789	9,303,500	2,330,997	3.551	8,276,438	2,658,164	3.589	9,540,682
EUR	251,396	31.050	7,805,921	171,243	31.330	5,365,026	108,946	33.158	3,612,464
CNY	1,520,722	4.441	6,753,070	1,494,969	4.346	6,497,135	1,313,214	4.312	5,662,055
AUD	194,608	20.481	3,985,805	120,078	20.095	2,412,919	120,749	20.947	2,529,341
JPY	11,098,160	0.218	2,421,619	6,238,283	0.241	1,500,307	10,549,703	0.252	2,659,580
ZAR	926,863	1.831	1,696,623	975,411	1.735	1,692,533	868,795	1.950	1,694,237
NZD	9,537	18.533	176,746	8,178	18.889	154,476	8,337	19.490	162,493
GBP	4,145	36.126	149,753	3,955	37.294	147,485	4,179	38.536	161,059
CHF	4,119	31.135	128,235	559	30.198	16,881	624	30.228	18,849
CAD	3,981	23.036	91,698	5,364	21.627	116,016	5,726	22.476	128,700
SGD	4,000	21.374	85,497	18,313	20.460	374,691	18,488	20.734	383,346
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	4,076,381	29.726	121,174,502	3,820,045	27.690	105,777,046	3,602,733	27.870	100,408,169
HKD	2,437,058	3.789	9,233,769	2,364,618	3.551	8,395,813	2,705,943	3.589	9,712,170
EUR	250,039	31.050	7,763,795	169,812	31.330	5,320,205	114,020	33.158	3,780,708
CNY	1,518,312	4.441	6,742,368	1,448,503	4.346	6,295,194	1,236,029	4.312	5,329,263
AUD	204,704	20.481	4,192,584	120,606	20.095	2,423,529	124,662	20.947	2,611,307
JPY	11,162,232	0.218	2,435,599	6,482,686	0.241	1,559,086	10,888,483	0.252	2,744,986
ZAR	939,697	1.831	1,720,115	980,362	1.735	1,701,124	900,976	1.950	1,756,993
GBP	5,063	36.126	182,920	4,397	37.294	163,999	4,247	38.536	163,678
NZD	6,772	18.533	125,503	7,136	18.889	134,785	7,891	19.490	153,789
CHF	3,646	31.135	113,522	529	30.198	15,973	587	30.228	17,757
CAD	4,303	23.036	99,130	5,925	21.627	128,131	5,772	22.476	129,725
SGD	4,031	21.374	86,169	18,287	20.460	374,159	18,380	20.734	381,096

42. FINANCIAL INSTRUMENTS

a. Information of fair value

1) Overview

Fair value is defined as the price the trader collected or paid in an ordinary transaction for disposal or acquisition of assets or transfer of liabilities on the measurement date.

Financial instruments are initially recognized at fair value on transaction date (Normally, refer to transaction price). All financial instruments are subsequently measured at fair value on balance sheet date except for financial instruments which are valued at amortized cost.

2) Valuation principles of fair value measurement

When the Bank determines the fair value of financial instruments, they consider the market. If the market is active, then the fair value of the instruments will be consistent with quoted market prices. If the market is not active, then the fair value will be estimated by using a valuation model that is widely adopted by market participants or by referring to counterparties' parameters or to parameters based on conditions and quoted market prices of financial instruments that are similar to those of the Bank' instruments.

The parameters of valuation model used to measure fair value of financial instruments are usually observable data from market, such as OTC, Reuters and Bloomberg's offering price. The valuation department determines the scope of valuation model and assesses any uncertainty and its impact. In its assessment, the valuation department ensures the following:

- a) The consistency and adequacy of the market parameters used in the valuation;
- b) The appropriateness of the valuation model in light of the assumptions to be used, the internal control and risk management framework, and the degree of mathematical expertise required for an independent unit to make the valuation;
- c) Reliability of price information and other parameters used in the valuation and any model adjustments to be made on the basis of current market conditions.

3) Credit risk valuation adjustment

Credit risk valuation adjustment is for financial instrument transactions made outside the stock exchange, namely the transactions made over-the-counter, which could be mainly divided into credit value adjustment and debit value adjustment. The definition is as follows:

- a) Credit Value Adjustment (the "CVA") is the reflection of possibility that counterparty is likely to default and the possible loss that the counter party may not be able to reimburse entire market value.
- b) Debit Value Adjustment (the "DVA") is the reflection of possibility that the Bank is likely to default and the uncertainty that the Bank may not be able to reimburse for the entire market value.

The CVA is calculated by multiplying the probability of default (the "PD") (under zero default rate of the Bank), loss given default (the "LGD") and exposure at default (the "EAD") of counterparty together. In contrast, DVA is calculated by multiplying PD (under zero default rate of the counterparty), LGD and EAD of the Bank together.

To reflect the credit risk of the counterparty and the credit quality of the Bank respectively and incorporate credit risk adjustments into measuring the fair value of financial instruments, the Bank use the appropriate ratio of LGD and PD that follows the advice of "The disclosure guidelines of CVA and DVA under IFRS 13" issued by the TWSE, and calculate the counterparty's EAD based on the fair value of over-the-counter derivatives transaction.

4) The definition of three levels of fair value information

a) Level 1

Level 1 inputs are observable inputs that reflect quoted prices for identical financial instruments in an active market. A market is active if it has these characteristics: Products traded in the market are homogeneous; willing buyers and sellers can be found immediately and the price information is publicly available.

b) Level 2

Level 2 inputs are observable information other than quoted prices for identical assets or liabilities in active markets, including direct inputs (such as market prices) or indirect inputs (such as prices derived from market prices).

c) Level 3

Level 3 inputs are unobservable items, such as inputs derived through extrapolation or Interpolation, and thus cannot be corroborated by observable market data.

b. Fair value information - financial instrument measured at fair value under repetitive basis

1) Information of the financial instruments measured at fair value categorized by level is as follows:

Financial Instruments	June 30, 2022			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial assets and liabilities</u>				
Financial assets at FVTPL				
Bonds investments	\$ 12,358,170	\$ 12,358,170	\$ -	\$ -
Equity investments	1,016,149	1,016,149	-	-
Beneficiary certificates	8,596	8,596	-	-
Financial assets at FVTOCI				
Equity instruments	2,738,815	2,460,936	-	277,879
Debt instruments				
Bonds investments	70,866,226	70,866,226	-	-
Bills investments	18,428,757	-	18,428,757	-
Financial liabilities at FVTPL				
Short-covering debentures	700,248	700,248	-	-
<u>Derivative financial assets and liabilities</u>				
Financial assets at FVTPL	10,782,295	350	10,760,432	21,513
Financial liabilities at FVTPL	10,683,430	38	10,545,591	137,801
<u>Hybrid contract</u>				
Financial assets at FVTPL	20,809,346	158,523	20,650,823	-

Financial Instruments	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial assets and liabilities</u>				
Financial assets at FVTPL				
Bonds investments	\$ 14,040,793	\$ 14,040,793	\$ -	\$ -
Equity investments	928,354	928,354	-	-
Beneficiary certificates	475,023	475,023	-	-
Financial assets at FVTOCI				
Equity instruments	1,358,540	1,090,772	-	267,768
Debt instruments				
Bonds investments	75,038,276	75,038,276	-	-
Bills investments	37,032,899	-	37,032,899	-
Financial liabilities at FVTPL				
Short-covering debentures	148,325	148,325	-	-
<u>Derivative financial assets and liabilities</u>				
Financial assets at FVTPL	3,418,922	730	3,342,443	75,749
Financial liabilities at FVTPL	2,853,964	-	2,851,045	2,919
<u>Hybrid contract</u>				
Financial assets at FVTPL	18,799,675	117,293	18,682,382	-
Financial Instruments	June 30, 2021			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial assets and liabilities</u>				
Financial assets at FVTPL				
Bonds investments	\$ 10,376,147	\$ 10,376,147	\$ -	\$ -
Equity investments	755,201	755,201	-	-
Beneficiary certificates	438,004	438,004	-	-
Financial assets at FVTOCI				
Equity instruments	1,922,470	1,648,941	-	273,529
Debt instruments				
Bonds investments	74,412,380	74,412,380	-	-
Bills investments	98,796,539	-	98,796,539	-
<u>Derivative financial assets and liabilities</u>				
Financial assets at FVTPL	3,578,014	218	3,503,831	73,965
Financial liabilities at FVTPL	3,013,418	105	3,008,200	5,113
<u>Hybrid contract</u>				
Financial assets at FVTPL	12,860,269	174,102	12,686,167	-

2) Fair value information levels transfers between Levels 1 and Level 2

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

3) Level 3 financial instruments

a) Movement of Level 3 financial assets

For the Six Months Ended June 30, 2022

Item	Beginning Balance	Valuation		Increase in the Current Year		Decrease in the Current Year		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out from Level 3	
Mandatorily at FVTPL	\$ 75,749	\$ (16,889)	\$ -	\$ 1,460	\$ -	\$ (38,807)	\$ -	\$ 21,513
Financial assets at FVTOCI	267,768	-	10,111	-	-	-	-	277,879
Total	\$ 343,517	\$ (16,889)	\$ 10,111	\$ 1,460	\$ -	\$ (38,807)	\$ -	\$ 299,392

For the Six Months Ended June 30, 2021

Item	Beginning Balance	Valuation		Increase in the Current Year		Decrease in the Current Year		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out from Level 3	
Mandatorily at FVTPL	\$ 136,479	\$ (20,564)	\$ -	\$ 8,370	\$ -	\$ (50,320)	\$ -	\$ 73,965
Financial assets at FVTOCI	296,158	-	(22,629)	-	-	-	-	273,529
Total	\$ 432,637	\$ (20,564)	\$ (22,629)	\$ 8,370	\$ -	\$ (50,320)	\$ -	\$ 347,494

b) Movements of Level 3 financial liabilities

For the Six Months Ended June 30, 2022

Item	Beginning Balance	Valuation Included in Profit or Loss	Increase in the Current Year		Decrease in the Current Year		Ending Balance
			Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out from Level 3	
Financial liabilities at FVTPL							
Derivative financial liabilities	\$ 2,919	\$ 8,125	\$ 126,757	\$ -	\$ -	\$ -	\$ 137,801

For the Six Months Ended June 30, 2021

Item	Beginning Balance	Valuation Included in Profit or Loss	Increase in the Current Year		Decrease in the Current Year		Ending Balance
			Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out from Level 3	
Financial liabilities at FVTPL							
Derivative financial liabilities	\$ 239	\$ (239)	\$ 5,113	\$ -	\$ -	\$ -	\$ 5,113

c) Related information of significant unobservable parameters used in fair value measurement

Level 3 financial instruments mainly consist of credit default swap and part of investment in equity instrument at FVTOCI which have single major unobservable parameters; quantitative information is as follows:

Measured at Fair Value Based on Repetition	Fair Value	Valuation Techniques	Significant Unobservable Parameters	Interval (Weighted-average)	Relationship Between Parameters and Fair Value
<u>Derivative financial assets</u>					
June 30, 2022	\$ 21,513	Default probability model	Credit separation	0.45%-1.22%	The increase of credit separation decreases its fair value.
December 31, 2021	75,749	Default probability model	Credit separation	0.05%-2.00%	The increase of credit separation decreases its fair value.
June 30, 2021	73,965	Default probability model	Credit separation	0.55%-2.23%	The increase of credit separation decreases its fair value.
<u>Investments in equity</u>					
June 30, 2022	251,048	Income approach - cash dividend discount method	Without open market marketable discount	19.45%	The increase of discount decreases its fair value
	15,773	Market approach - comparable listed or TPEX company	Without open market marketable discount	10.00%	The increase of discount decreases its fair value
	11,058	Net asset value method	Net asset value	N/A	The increase of net asset value increases its fair value
December 31, 2021	238,460	Income approach - cash dividend discount method	Without open market marketable discount	19.54%	The increase of discount decreases its fair value
	17,758	Market approach - comparable listed or TPEX company	Without open market marketable discount	10.00%	The increase of discount decreases its fair value
	11,550	Net asset value method	Net asset value	N/A	The increase of net asset value increases its fair value
June 30, 2021	249,089	Income approach - cash dividend discount method	Without open market marketable discount	19.63%	The increase of discount decreases its fair value
	13,326	Market approach - comparable listed or TPEX company	Without open market marketable discount	10.00%	The increase of discount decreases its fair value
	11,114	Net asset value method	Net asset value	N/A	The increase of net asset value increases its fair value
<u>Derivative financial liabilities</u>					
June 30, 2022	137,801	Default probability model	Credit separation	0.45%-1.22%	The increase of credit separation decreases its fair value.
December 31, 2021	2,919	Default probability model	Credit separation	0.05%-2.00%	The increase of credit separation decreases its fair value.
June 30, 2021	5,113	Default probability model	Credit separation	0.55%-2.23%	The increase of credit separation decreases its fair value.

d) Valuation procedures for fair value measurements categorized within Level 3

The evaluation of financial instruments at the level 3 is from specific departments independent of the business unit and external experts evaluating the fair values close to the market status, ensuring the data source is independent, reliable, and consistent with other resources, reviewing the evaluation parameters regularly, updating the required input values, confirming whether correcting the valuation technique is necessary, and adjusting fair value if necessary to ensure the rationality in the evaluation results.

e) The sensitivity analysis of reasonably possible alternative assumptions for fair value measurements categorized within Level 3

The fair value of the Bank's financial instruments is evaluated as reasonable. Had the valuation parameters for financial instruments categorized within Level 3 been 0.01% higher/lower, the impact of fair value on the assets and liabilities would have been as follows:

Item	Impact on Gain and Loss					
	June 30, 2022		December 31, 2021		June 30, 2021	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
<u>Assets</u>						
Mandatorily at FVTPL	\$ 1,477	\$ (2,515)	\$ 2,638	\$ (4,424)	\$ 1,111	\$ (2,545)
<u>Liabilities</u>						
Financial liabilities at FVTPL	4,477	(4,578)	265	(265)	494	(494)

Item	Impact on Other Comprehensive Income and Losses					
	June 30, 2022		December 31, 2021		June 30, 2021	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
<u>Assets</u>						
Financial assets at FVTOCI	\$ 59	\$ (59)	\$ 59	\$ -	\$ -	\$ (59)

c. Fair Value information - Financial instruments not measured at fair value

The Bank considers that the book value of financial assets and liabilities which are not measured at fair value is close to fair value, except for the book value of those measured at cost and of the items below:

June 30, 2022

	Book Value	Fair Value	The Fair Value Hierarchy of Financial Instruments	
			Level 1	Level 2
<u>Financial asset</u>				
Investments in debt instrument at amortized cost	\$ 77,076,813	\$ 76,962,557	\$ 7,166,851	\$ 69,795,706
<u>Financial liabilities</u>				
Bank debentures	23,901,900	23,966,609	-	23,966,609

December 31, 2021

	Book Value	Fair Value	The Fair Value Hierarchy of Financial Instruments	
			Level 1	Level 2
<u>Financial asset</u>				
Investments in debt instrument at amortized cost	\$ 71,374,127	\$ 71,381,072	\$ 781,676	\$ 70,599,396
<u>Financial liabilities</u>				
Bank debentures	23,901,900	24,005,681	-	24,005,681

June 30, 2021

	Book Value	Fair Value	The Fair Value Hierarchy of Financial Instruments	
			Level 1	Level 2
<u>Financial asset</u>				
Investments in debt instrument at amortized cost	\$ 497,896	\$ 513,527	\$ 513,527	\$ -
<u>Financial liabilities</u>				
Bank debentures	25,001,900	25,140,909	-	25,140,909

For evaluation methods and assumptions for Level 2 financial instruments above, negotiable certificate of deposit of investments in debt instrument at amortized cost are calculated by discounting the TAIBIR which is provided by TDCC, and the bank debentures are estimated based on the OTC prices.

43. FINANCIAL RISK MANAGEMENT

a. Overview

The Bank's risk management policy is to form a risk management-oriented culture, and to use both qualitative (such as each operating procedures) and quantitative (such as asset quality ratios) indexes from internal and external risk management regulations in developing operating strategies.

The Bank has set up an independent risk control department to implement and monitor risk management policies.

The Bank's risk management policies are established to identify and measure the risks faced by the Bank, to set appropriate risk limits and controls, to monitor risks and adherence to limits, and to achieve the target profit.

Each subsidiary has its own risk management mechanism to identify, measure, monitor, and control the credit risk, liquidity risk, and market risk.

b. Risk management framework

The Board of Directors, the highest decision-making body of the Bank, has overall responsibility for the establishment and oversight of the Bank's risk management framework.

Assets and Liabilities Management Committee and Risk Management Committee have been formed to examine and manage the Bank's risks, to assess the execution of risk management policies and to evaluate risk tolerance. The general manager is the convener, and is responsible for appointing members of committees.

Risk Management Group comprises Aggregate Risk Department, Corporate Banking Department and Consumer Banking Department which directly manage credit extension risks in their respective areas, and present risk management report to the Risk Management Committee and the Board of Directors, regularly. The Internal Audit Group undertakes regular reviews of risk management controls and procedures, including risk management framework, operating procedures of risk management, and provides timely suggestions for improvements.

c. Credit risk management

1) Definition and scope of credit risk

Credit risk is the risk of financial loss to the Bank if a borrower, issuer or counterparty to a financial instrument fails to meet its contractual obligations due to its credit deterioration or other factors, such as a dispute between the borrower and its counterparty.

Credit risk includes all risks derived from on- and off-balance sheet business, and all credit risk related to products, businesses and positions.

2) Management policies on credit risk

The Bank shall identify risk factors and consider appropriate risk evaluation and control process prior to taking the existing or new business. For all credit risks identified on- and off-balance sheet, adequate credit limits are set based on the same borrower, counterparty, related party, group, or industry. The Bank shall establish review mechanism to track and assess changes in each borrower's or issuer's financial position; regularly assess and manage asset quality, also strengthen the management of unusual borrowers and make appropriate allowance for possible losses if applicable.

3) The credit risk management processes and valuation methods for credit extension are as follows:

a) The credit risk has increased significantly after original recognition

The Bank assesses the change in the risk of default over the expected duration of each type of credit asset on each reporting date in order to determine whether the credit risk has increased significantly since original recognition. For this assessment, the Bank's considerations show that the credit risk has increased significantly since original recognition and can be corroborated. The main considerations include the following:

Qualitative Index

The debtor's payment is overdue for 30-89 days.

Quantitative Index

- i. Unfavorable changes in current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform its debt obligations.
 - ii. Significant changes in actual or expected results of the debtor's operations.
 - iii. The credit risk of other financial instruments of the same debtor has increased significantly.
- b) The definition of default and credit impairment on financial assets

The Bank's definition of default on financial assets is the same as the judgment of credit impairment on financial assets. If one or more of the following conditions are met, the Bank determines that the financial assets have defaulted and have credit impairment:

Qualitative Index

The debtor's payment is overdue for more than 90 days.

Quantitative Index

If there is any evidence indicates that the debtor can not pay the contract, or the debtor is in a material financial difficulties as follows:

- i. The debtor has become bankrupt or may file for bankruptcy or financial restructuring.
- ii. The debtor has conformed to a non-performed loan by authorities.
- iii. The debtor has conducted a negotiation of debts or self-negotiating.
- iv. The active market of the financial assets disappeared due to financial difficulties.

The aforementioned default and credit impairment definitions apply to all financial assets held by the Bank and its subsidiaries and are consistent with the definitions used for the internal credit risk management purposes of the financial assets and are applied to the relevant impairment assessment model.

If the financial assets have not conformed to the definition of default and credit impairment on financial assets for 6 consecutive months, it would not be classified as a default and credit impairment on financial assets.

- c) Write off policy

When the Bank and its subsidiaries can not reasonably expect the recoverable from the entire or partial financial assets, the entire or partial financial assets will be written off. The index of unexpected reasonably recoverable amount includes the following:

- i. The recovery of debt has stopped.
- ii. The debtor doesn't have enough assets or income resource to pay the debt after assessment.

Financial asset which has been written-off can do the recovery of debt and institute legal proceedings continuously under related policies.

d) Measurement of expected credit loss

i. Loan and receivables

The Bank considers both the 12-month and lifetime probability of default (“PD”) of the borrower with the loss given default (“LGD”), multiplying, the exposure at default (“EAD”), as well as the impact of time value, to calculate the 12-month ECLs and lifetime ECLs, respectively.

The above “PD” and “LGD” are applied to the credit business according to each group’s historical information (such as credit loss experience) from internal statistical data, and adjust historical data based on current observable and forward-looking macroeconomic information (such as GDP and unemployment rate), then calculate by applying the progressive one factor model respectively.

When the Bank measured the credit loss of assets combination, the forward-looking information was taken into the PD’s consideration. Among them, the index of forward-looking adjustment in PD is predicted by the Corporate banking Sector which adopted the growth rate of real GDP in Taiwan and the Consumer banking Sector which adopted the unemployment rate in Taiwan. According to the measurement of predict loss in IFRS 9, the forward-looking adjustment in PD is requested to assess any consequences (at least 2 circumstances) and expresses with weighted-average probability. As a result, the Bank took the prediction authorities’ consensus forecasting into consideration and adopted the weighted-average prediction value by at least 2 macroeconomic prediction authorities to calculate.

ii. The investments in debt instrument at amortized cost and at FVTOCI

The measurement of expected credit loss was based on the information of PD and LGD which is announced from the external credit ratings and Moody’s to calculate. The international credit rating authority has considered the forward-looking information when it assessed the credit rating.

4) Credit risk hedging and mitigation policies

- a) When contracting, the terms of credit facilities are determined in the light of assessments of probability and amounts of default and collateral and guarantees are obtained, including bank deposit receipts, securities (such as treasury securities, government bonds, bank debentures, stocks and bonds guaranteed by financial institutions) and real estate such as land and buildings. Stocks listed on TWSE and TPEX are marked to market day to day, and changes in the value of their collaterals are monitored all the time; values of land and buildings are examined every time the contract is renewed.
- b) Through policy mechanism, such as credit limits and credit regulation prior to the credit being committed to customers, to control the quality of credit assets. Via post-loan management, concentration analysis, midway credit and review tracking to view assets quality and changes of each case. Master and monitor risk in time. Periodic reports and feedbacks to understand credit portfolios and overall credit risks, ensure risk offsets for continued effectiveness.

c) When a risk occurs, according to the Bank's "Principles for Acceptance and Disposal of Collaterals," collateral of nonperforming loans secured through compulsory enforcement or participating distribution, if the minimum auction price or liquidation price of the collateral is too low and damage the Bank's credit right, the Bank will participate in the auction or declare to undertake, for example, the minimum auction price is too low to compensate the principal and interest of loans but the collateral must not be difficult to dispose in the future. For collaterals tendered or undertaken, the Bank should actively seek buyers, and if the collateral is real estate, the Bank should dispose of it within the period prescribed under the Banking Law.

d) Other credit enhancements

If there are guarantee, strategic alliance or collaterals provided in the terms of the loan contracts which the Bank recognized as unsecured loan, when default events occur, the Bank will demand compensation from the guarantor, strategic alliance, transfer of credits to the Bank or disposal of collaterals to decrease credit risk.

5) The maximum credit risk exposure

The carrying amount represents the Bank's maximum exposure to credit risk of the on-balance sheet assets, without taking into account the collaterals held or other credit enhancements. The amounts of the maximum credit exposure of the irrevocable off-balance commitments and guarantees, without taking into account the collaterals held or other credit enhancements, were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Unused portion of credit card lines	\$ 198,895,271	\$ 196,500,728	\$ 201,159,131
Guarantees and standby L/Cs	20,098,817	27,328,893	25,122,424
Irrevocable loan commitments	17,150,583	14,708,106	13,274,915

The Bank has documented procedures for the assessment and classification of nonperforming loans and for evaluating adequacy of collaterals.

The breakdown of maximum credit risk exposure of the Bank according to whether collaterals are held or other credit enhancements exist is as follows:

June 30, 2022

	<u>Maximum Credit Risk Exposure</u>			Total
	With Collaterals	Other Credit Enhancements	Without Collaterals	
<u>Balance sheet items</u>				
Discounts and loans	\$ 279,296,201	\$ 69,686,565	\$ 95,421,959	\$ 444,404,725
Receivables - credit card	-	-	11,266,424	11,266,424
Receivables - acceptances	-	38,392	78,535	116,927
<u>Off-balance sheet items</u>				
Unused portion of credit card lines	-	-	198,895,271	198,895,271
Guarantee	4,911,388	5,527,121	8,500,698	18,939,207
Letters of credit issued	124,250	637,612	397,748	1,159,610
Irrevocable loan commitments	<u>1,606,391</u>	<u>-</u>	<u>15,544,192</u>	<u>17,150,583</u>
	<u>\$ 285,938,230</u>	<u>\$ 75,889,690</u>	<u>\$ 330,104,827</u>	<u>\$ 691,932,747</u>

December 31, 2021

	Maximum Credit Risk Exposure			Total
	With Collaterals	Other Credit Enhancements	Without Collaterals	
Discounts and loans	\$ 266,364,388	\$ 65,293,423	\$ 81,213,889	\$ 412,871,700
Receivables - credit card	-	-	12,771,358	12,771,358
Receivables - acceptances	278,668	22,657	118,164	419,489
<u>Off-Balance sheet items</u>				
Unused portion of credit card lines	-	-	196,500,728	196,500,728
Guarantee	10,495,751	6,390,460	9,016,095	25,902,306
Letters of credit issued	61,948	705,655	658,984	1,426,587
Irrevocable loan commitments	<u>1,994,045</u>	<u>-</u>	<u>12,714,061</u>	<u>14,708,106</u>
	<u>\$ 279,194,800</u>	<u>\$ 72,412,195</u>	<u>\$ 312,993,279</u>	<u>\$ 664,600,274</u>

June 30, 2021

	Maximum Credit Risk Exposure			Total
	With Collaterals	Other Credit Enhancements	Without Collaterals	
<u>Balance sheet items</u>				
Discounts and loans	\$ 266,943,069	\$ 66,323,583	\$ 88,392,820	\$ 421,659,472
Receivables - credit card	-	-	11,025,408	11,025,408
Receivables - acceptances	-	21,012	362,841	383,853
<u>Off-balance sheet items</u>				
Unused portion of credit card lines	-	-	201,159,131	201,159,131
Guarantee	7,772,956	6,941,605	9,041,177	23,755,738
Letters of credit issued	256,381	748,987	361,318	1,366,686
Irrevocable loan commitments	<u>636,173</u>	<u>-</u>	<u>12,638,742</u>	<u>13,274,915</u>
	<u>\$ 275,608,579</u>	<u>\$ 74,035,187</u>	<u>\$ 322,981,437</u>	<u>\$ 672,625,203</u>

When loan contracts set the security of nonperforming loans, article of collaterals and definition of credit event occurrence, the quota and the repayment period can be reduced or regard as maturity to reduce the credit risk.

Stage 3 impaired financial assets

Refer to Notes 13 and 14 for the credit impairment of Stage 3 financial assets. The information of provision for allowance for possible losses amount, collateral fair value and other credit enhancements which reduce their potential loss are as below. The provision for allowance for possible losses takes into consideration the fair value of collateral, other credit enhancements amount and the recoverable amount in the future.

	Carrying Amount	Allowance for Possible Losses Under IFRS 9	Collateral Fair Value and Other Credit Enhancements
<u>June 30, 2022</u>			
Receivables			
Credit cards	\$ 1,001,102	\$ 343,349	\$ -
Others	27,502	12,330	697
Discounts and loans	<u>2,501,240</u>	<u>771,267</u>	<u>894,402</u>
	<u>\$ 3,529,844</u>	<u>\$ 1,126,946</u>	<u>\$ 895,099</u>
	Carrying Amount	Allowance for Possible Losses Under IFRS 9	Collateral Fair Value and Other Credit Enhancements
<u>December 31, 2021</u>			
Receivables			
Credit cards	\$ 1,048,593	\$ 351,370	\$ -
Others	28,832	12,356	2,107
Discounts and loans	<u>2,815,722</u>	<u>781,459</u>	<u>1,121,286</u>
	<u>\$ 3,893,147</u>	<u>\$ 1,145,185</u>	<u>\$ 1,123,393</u>
	Carrying Amount	Allowance for Possible Losses Under IFRS 9	Collateral Fair Value and Other Credit Enhancements
<u>June 30, 2021</u>			
Receivables			
Credit cards	\$ 1,102,039	\$ 363,178	\$ -
Others	31,145	12,357	2,307
Discounts and loans	<u>3,744,543</u>	<u>1,404,143</u>	<u>1,577,917</u>
	<u>\$ 4,877,727</u>	<u>\$ 1,779,678</u>	<u>\$ 1,580,224</u>

6) Concentrations of credit risk

The concentration of credit risk exists when counterparties to financial transactions are individuals or groups engaging in similar business activities and having similar economic features. The similarity would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank's concentrations of credit risk by industry, geography and type of collaterals were as follows:

a) By industry

Industry Sector	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%
Finance and insurance	\$ 68,856,182	16	\$ 56,948,172	14	\$ 56,554,438	13
Manufacturing	50,381,567	11	44,806,320	11	47,171,409	11
Real estate	<u>34,248,073</u>	<u>8</u>	<u>27,605,939</u>	<u>6</u>	<u>27,733,237</u>	<u>7</u>
	<u>\$ 153,485,822</u>	<u>35</u>	<u>\$ 129,360,431</u>	<u>31</u>	<u>\$ 131,459,084</u>	<u>31</u>

b) By geography

Region	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%
Taiwan	\$ 386,753,203	87	\$ 362,168,882	88	\$ 366,316,646	87
Asia Pacific except Taiwan	32,930,347	7	28,303,409	7	32,891,055	8
Others	<u>24,721,175</u>	<u>6</u>	<u>22,399,409</u>	<u>5</u>	<u>22,451,771</u>	<u>5</u>
	<u>\$ 444,404,725</u>	<u>100</u>	<u>\$ 412,871,700</u>	<u>100</u>	<u>\$ 421,659,472</u>	<u>100</u>

c) By type of collaterals

Type of Collaterals	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%
Unsecured	\$ 165,108,524	37	\$ 146,507,312	36	\$ 154,716,403	37
Secured						
Real estate	236,647,128	54	228,252,258	55	229,951,677	55
Financial collateral	23,788,676	5	19,835,704	5	18,403,375	4
Movable property	17,780,784	4	17,150,003	4	17,545,374	4
Others	<u>1,079,613</u>	<u>-</u>	<u>1,126,423</u>	<u>-</u>	<u>1,042,643</u>	<u>-</u>
	<u>\$ 444,404,725</u>	<u>100</u>	<u>\$ 412,871,700</u>	<u>100</u>	<u>\$ 421,659,472</u>	<u>100</u>

7) Continuing assessment of credit quality and any impairment of financial assets

Some of the financial assets held by the Bank and its subsidiaries, such as cash and cash equivalents, due from the Central Bank and other banks, financial assets at FVTPL, securities purchased under resale agreements, refundable deposits and operating deposits, are assessed with low credit risk due to the good credit rating of the counterparties.

d. Liquidity risk management

1) Sources and definition of liquidity risk

Liquidity risk is the risk that the Bank is unable to liquidate assets or obtain loans to meet its obligations when they fall due as a result of customer deposits being early withdrawn, deteriorating access to and terms of interbank facilities, deteriorating delinquency by borrowers, or financial instruments not easily liquidated. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the balance sheet and sales of assets, or potentially an inability to fulfill lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activities, systemic shocks and natural disasters, etc.

2) Risk management policies on liquidity risk

The Bank's liquidity management processes, which are implemented by an independent department, include:

- a) Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;
- b) Maintaining a portfolio of highly marketable assets, including cash and cash equivalents, due from the Central Bank and other banks and securities purchased under resale agreements etc., that can easily be liquidated as protection against any unforeseen interruption to cash flow; and
- c) Monitoring the liquidity ratios against internal and regulatory requirements.

Monitoring and reporting take the form of cash flow measurement and projections of various future days. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. Related information is submitted regularly to the Bank's Assets and Liabilities Management Committee and the Board of Directors.

3) Maturity analysis of non-derivative financial liabilities

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the date of the balance sheet.

June 30, 2022	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Due to the Central Bank and other banks	\$ 2,025,054	\$ 1,730,792	\$ -	\$ -	\$ -	\$ 3,755,846
Short-covering debentures	700,248	-	-	-	-	700,248
Payables	7,810,568	909,428	1,845,395	717,436	688,048	11,970,875
Deposits and remittances	119,333,963	118,972,422	106,148,861	148,345,809	134,276,310	627,077,365
Bank debentures	-	-	3,000,000	-	20,901,900	23,901,900
Principal received on structured products	122,693	31,834	116,348	181,477	28,306,612	28,758,964
Other financial liabilities	390,000	280,000	-	-	258,394	928,394
Lease liabilities	27,119	76,128	98,985	200,601	757,897	1,160,730
Total	\$ 130,409,645	\$ 122,000,604	\$ 111,209,589	\$ 149,445,323	\$ 185,189,161	\$ 698,254,322

December 31, 2021	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Due to the Central Bank and other banks	\$ 389,971	\$ 1,401,849	\$ -	\$ -	\$ -	\$ 1,791,820
Funds borrowed from the Central Bank and other banks	-	-	-	77,240	-	77,240
Securities sold under repurchase agreement	4,960	-	-	-	-	4,960
Short-covering debentures	148,325	-	-	-	-	148,325
Payables	2,358,490	1,142,297	535,964	461,172	1,066,724	5,564,647
Deposits and remittances	99,631,413	139,762,280	94,614,204	141,674,599	136,424,189	612,106,685
Bank debentures	-	-	-	3,000,000	20,901,900	23,901,900
Principal received on structured products	67,404	20,130	199,700	127,069	22,636,303	23,050,606
Other financial liabilities	290,000	320,000	-	13,038	356,386	979,424
Lease liabilities	39,173	68,939	94,275	181,636	658,244	1,042,267
Total	\$ 102,929,736	\$ 142,715,495	\$ 95,444,143	\$ 145,534,754	\$ 182,043,746	\$ 668,667,874

June 30, 2021	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Due to the Central Bank and other banks	\$ 292,753	\$ 3,419	\$ -	\$ -	\$ -	\$ 296,172
Funds borrowed from the Central Bank and other banks	-	-	-	40,540	-	40,540
Securities sold under repurchase agreement	5,103	-	-	-	-	5,103
Payables	8,438,738	2,220,302	293,467	636,792	896,022	12,485,321
Deposits and remittances	76,304,335	96,568,057	105,824,409	148,846,413	156,300,727	583,843,941
Bank debentures	-	-	1,100,000	-	23,901,900	25,001,900
Principal received on structured products	1,127,663	57,994	12,402	86,035	21,111,227	22,395,321
Other financial liabilities	300,000	170,000	-	-	382,721	852,721
Lease liabilities	28,403	72,861	98,065	184,813	759,563	1,143,705
Total	\$ 86,496,995	\$ 99,092,633	\$ 107,328,343	\$ 149,794,593	\$ 203,352,160	\$ 646,064,724

Note: The amounts disclosed in the tables are the contractual cash flows, some of which may not reconcile to the corresponding items in the balance sheet.

The amount of demand deposits in “deposits and remittances” in the above maturity analysis are allocated based on historical experience. If all demand deposits were required to be paid off in recent period, the cash outflows on period of due in 30 days would have been \$315,816,762 thousand, \$296,133,946 thousand and \$264,312,936 thousand as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively.

Maturity over one year analysis of lease liabilities was as follows:

	Due Between 1 Year and 2 Years	Due Between 2 Years and 3 Years	Due After 3 Years	Total
June 30, 2022	<u>\$ 276,468</u>	<u>\$ 190,710</u>	<u>\$ 290,719</u>	<u>\$ 757,897</u>
December 31, 2021	<u>\$ 295,222</u>	<u>\$ 175,917</u>	<u>\$ 187,105</u>	<u>\$ 658,244</u>
June 30, 2021	<u>\$ 324,873</u>	<u>\$ 190,671</u>	<u>\$ 244,019</u>	<u>\$ 759,563</u>

4) Maturity analysis of derivative financial liabilities

a) Maturity analysis of derivative financial liabilities that will be settled on a net basis is as follows:

June 30, 2022	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at FVTPL						
Foreign exchange derivatives	\$ 5,535	\$ 453	\$ 1,122	\$ 4,223	\$ -	\$ 11,333
Interest rate derivatives	42,285	15,280	72,024	55,933	3,514,944	3,700,466
Total	\$ 47,820	\$ 15,733	\$ 73,146	\$ 60,156	\$ 3,514,944	\$ 3,711,799

December 31, 2021	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at FVTPL						
Foreign exchange derivatives	\$ 253	\$ 186	\$ 1,047	\$ 2,267	\$ -	\$ 3,753
Interest rate derivatives	3,129	7,987	57,992	34,933	867,410	971,451
Total	\$ 3,382	\$ 8,173	\$ 59,039	\$ 37,200	\$ 867,410	\$ 975,204

June 30, 2021	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at FVTPL						
Foreign exchange derivatives	\$ 2,400	\$ 1,446	\$ 1,713	\$ 2,491	\$ -	\$ 8,050
Interest rate derivatives	1,756	3,036	11,056	46,917	821,720	884,485
Total	\$ 4,156	\$ 4,482	\$ 12,769	\$ 49,408	\$ 821,720	\$ 892,535

Note: The amounts disclosed in the table are the contractual cash flows, some of which may not reconcile to the corresponding items in the balance sheet.

b) Maturity analysis of derivative financial liabilities that will be settled on a gross basis is as follows:

June 30, 2022	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at FVTPL						
Foreign exchange derivatives						
Cash outflow	\$ 77,709,335	\$ 89,688,758	\$ 61,498,048	\$ 29,865,816	\$ 687,747	\$ 259,449,704
Cash inflow	76,000,500	88,153,955	59,748,856	28,585,006	680,420	253,168,737
Interest rate derivatives						
Cash outflow	-	-	-	-	2,675,340	2,675,340
Cash inflow	-	-	-	-	2,497,710	2,497,710
Credit derivatives						
Cash outflow	-	-	-	-	-	-
Cash inflow	-	23,591	24,226	46,868	322,462	417,147
Subtotal of cash outflow	77,709,335	89,688,758	61,498,048	29,865,816	3,363,087	262,125,044
Subtotal of cash inflow	76,000,500	88,177,546	59,773,082	28,631,874	3,500,592	256,083,594
Net cash flow	\$ (1,708,835)	\$ (1,511,212)	\$ (1,724,966)	\$ (1,233,942)	\$ 137,505	\$ (6,041,450)

December 31, 2021	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at FVTPL						
Foreign exchange derivatives						
Cash outflow	\$ 87,044,207	\$ 76,746,020	\$ 43,754,706	\$ 40,563,399	\$ 3,086,828	\$ 251,195,160
Cash inflow	86,445,481	76,456,206	43,595,941	40,339,247	3,111,205	249,948,080
Interest rate derivatives						
Cash outflow	-	-	-	-	4,765,990	4,765,990
Cash inflow	-	-	-	-	4,707,300	4,707,300
Credit derivatives						
Cash outflow	-	-	-	-	-	-
Cash inflow	-	980	969	1,938	15,776	19,663
Subtotal of cash outflow	87,044,207	76,746,020	43,754,706	40,563,399	7,852,818	255,961,150
Subtotal of cash inflow	86,445,481	76,457,186	43,596,910	40,341,185	7,834,281	254,675,043
Net cash flow	\$ (598,726)	\$ (288,834)	\$ (157,796)	\$ (222,214)	\$ (18,537)	\$ (1,286,107)

June 30, 2021	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at FVTPL						
Foreign exchange derivatives						
Cash outflow	\$ 62,219,187	\$ 73,271,002	\$ 53,730,301	\$ 31,457,758	\$ 2,989,283	\$ 223,667,531
Cash inflow	61,910,781	72,632,682	53,231,308	31,356,212	2,982,090	222,113,073
Interest rate derivatives						
Cash outflow	-	-	305,300	-	1,129,300	1,434,600
Cash inflow	-	-	278,700	-	1,114,800	1,393,500
Credit derivatives						
Cash outflow	-	-	-	-	-	-
Cash inflow	-	3,456	3,344	6,689	30,576	44,065
Subtotal of cash outflow	62,219,187	73,271,002	54,035,601	31,457,758	4,118,583	225,102,131
Subtotal of cash inflow	61,910,781	72,636,138	53,513,352	31,362,901	4,127,466	223,550,638
Net cash flow	\$ (308,406)	\$ (634,864)	\$ (522,249)	\$ (94,857)	\$ 8,883	\$ (1,551,493)

Note: The amounts disclosed in the table are the contractual cash flows, some of which may not reconcile to the corresponding items in the balance sheet.

5) Maturity analysis of off-balance sheet items

Maturity analysis of the off-balance sheet items that can be withdrawn or required to realize on the basis of their earliest possible contractual maturity is as follows:

June 30, 2022	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Developed and irrevocable loan commitments	\$ 17,150,583	\$ -	\$ -	\$ -	\$ -	\$ 17,150,583
Irrevocable credit card commitments	198,895,271	-	-	-	-	198,895,271
Issued but unused letters of credit	1,159,610	-	-	-	-	1,159,610
Other guarantees	14,466,307	3,797,100	100,000	-	575,800	18,939,207
Total	\$ 231,671,771	\$ 3,797,100	\$ 100,000	\$ -	\$ 575,800	\$ 236,144,671

December 31, 2021	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Developed and irrevocable loan commitments	\$ 14,708,106	\$ -	\$ -	\$ -	\$ -	\$ 14,708,106
Irrevocable credit card commitments	196,500,728	-	-	-	-	196,500,728
Issued but unused letters of credit	1,426,587	-	-	-	-	1,426,587
Other guarantees	18,648,206	6,554,100	-	100,000	600,000	25,902,306
Total	\$ 231,283,627	\$ 6,554,100	\$ -	\$ 100,000	\$ 600,000	\$ 238,537,727

June 30, 2021	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Developed and irrevocable loan commitments	\$ 13,274,915	\$ -	\$ -	\$ -	\$ -	\$ 13,274,915
Irrevocable credit card commitments	201,159,131	-	-	-	-	201,159,131
Issued but unused letters of credit	1,366,686	-	-	-	-	1,366,686
Other guarantees	16,872,938	5,832,800	350,000	-	700,000	23,755,738
Total	\$ 232,673,670	\$ 5,832,800	\$ 350,000	\$ -	\$ 700,000	\$ 239,556,470

e. Market risk management

1) Definition and scope of market risk

Market risk is the risk that unfavorable changes in market prices, such as interest rates, foreign exchange rates, equity prices and commodity prices will affect the Bank's income or its holdings of on- and off-balance sheet positions. The Bank's market risk mainly comes from equity investment securities, interest rates, foreign exchange rates and commodity.

2) Management policies of market risk

The Bank develops appropriate management process to identify and measure market risk, and to effectively manage and control credit limits, valuation of profits and losses, sensitivity analysis and stress tests of each financial instrument position. Besides, the Bank takes appropriate management strategy while facing market risk in its daily operating activities and management processes. The information of market risk and implementation are managed, monitored and disclosed by the Risk Management Group. A summary report, including suggestion, is submitted regularly to the Risk Management Committee and the Board of Directors.

3) Market risk management process

a) Recognition and measurement

The risk measurement system identifies the market risk factors of the exposure positions (interest rates, stock price, foreign exchange rates and commodity price, etc.) and measures the risks assumed in on- and off-balance sheet trading positions with the change in market risk factors.

Risk measurement adds sensitivity analysis (DV01, Delta, Vega) etc. or situational analysis, to assess the changes in the value of the asset portfolio. And perform stress testing in accordance with the regulations of the administration, to measure abnormal losses under extreme conditions.

b) Monitoring and reporting

The Bank's Risk Management Group regularly reviews market risk management objective, positions and control of gain and loss, sensitivity analysis and pressure test and reports to the Risk Management Committee and the Board of Directors to well understand the situation of market risk control. The Bank has established explicit notification process, the limit and stop-loss regulation for various transactions. Stop-loss order must be taken when the limit is reached, otherwise the trading department's reasons and plans must be approved by the management.

4) Management process of interest risk

Interest rate risk is the risk of loss or changes in the fair value resulting from interest rate or credit spread fluctuations.

The Bank separates the interest rate risk positions between trading book and banking book. Financial instruments and commodity positions held for trading purpose or to hedge against trading book positions are carried in trading book. Positions held for trading purpose are those transactions with the intention of profiting from actual or forecast spread. Positions not belonging to trading book are carried in banking book.

a) Management process and valuation methods of interest rate risk in trading book

To limit the loss within acceptable range, the Bank imposes trading limits and stop loss limits on trading room, traders and commodity; it also imposes monthly maximum loss limit on trading positions.

The operation limit of securities and interest rate related derivative instruments are controlled by the notional amount or DV01. The risk of bonds and interest rate related options are additionally measured using Vega. The stop loss limits are controlled on a daily basis.

b) Management process and valuation methods of interest rate risk in banking book

To improve its capacity to adapt to changes, the Bank measures, manages and mitigates changes in its earnings and economic values of balance sheet items arising from interest rate fluctuations.

When undertaking the operations relating to interest rate instruments, the Bank identifies the repricing risk of interest rate, yield curve risk, basis risk and options risk characteristics. In addition, the Bank also measures the potential impact of interest rate changes on earnings.

The Bank analyzes and monitors the interest risk limits and various targets of interest risk management on a quarterly basis. The results of analysis and monitoring are submitted regularly to the Assets and Liabilities Management Committee and the Board of Directors. If the risk management targets are found to be in excess of early warning thresholds during the monitoring process, the Bank will report to the Assets and Liabilities Management Committee and propose remedial action to be taken.

The measurement of interest rate risk in banking book is based on the interest rate shock scenarios regulated by domestic and foreign supervisory agency, and calculate the impact of changes in the economic value of equity (Δ EVE) and changes in net interest income (Δ NII).

5) Management of foreign exchange risk

a) Definition of foreign exchange risk

Foreign exchange risk is the risk of loss or changes in fair value arising from open positions in currency due to exchange rate fluctuations. Foreign exchange transactions include spot exchange, forward exchange, non-deliverable forward and foreign currency option between New Taiwan dollars and a foreign currency or between two foreign currencies.

b) Foreign exchange risk management policies, process and valuation methods

To manage foreign exchange risk and limit the loss within acceptable range, the Bank imposes trading limits and stop loss limits on trading room, traders and commodity; it also imposes monthly maximum loss limit on trading positions. Spot exchange, forward exchange, non-deliverable forward and foreign currency option are controlled collectively using Delta; foreign currency option is additionally controlled using Vega. The stop loss limits are controlled on a daily basis.

c) Concentration of foreign exchange risk

Information on concentration of foreign currency exposures at the balance sheet date is shown in Note 41.

6) Management of equity securities market risk

a) Definition and measurement bases of equity market risk

Equity market risk is the risk arising from open positions in equity securities as a result of fluctuations in the market prices of individual securities. The Bank manages market risk on the basis of closing prices of equity securities.

b) Management processes of equity market risk

The Bank sets gross limits on overall positions, by industries, and by groups. For stock listed on TWSE and TPEX and beneficiary certificates, the Bank sets the limit of investment in each stock and stop loss/gain limits on overall and particular positions, which are monitored daily.

A stop loss/gain order would be executed once a given stop price has been reached; otherwise, traders should report to the manager of its department, including reasons for not executing stop loss/gain order.

7) Management of commodity risk

a) Definition of commodity risk

Commodity risk is the risk of loss due to changes in fair value arising from open positions in commodity price fluctuations. Commodity transactions include energy, non-ferrous metals (including precious metals), agricultural products, and other commodity futures and options.

b) Commodity risk management policies, process and valuation methods

To manage commodity risk and limit the loss within acceptable range, the Bank imposes trading limits and stop loss limits on trading room, traders and commodity; it also imposes monthly maximum loss limit on trading positions. Energy, non-ferrous metals (including precious metals), agricultural products, and other commodity futures and options are controlled collectively using Delta; commodity option is additionally controlled using Vega. The stop loss limits are controlled on a daily basis.

8) Stress testing

The Risk Management Group performs stress testing at least once a year and submits the results of stress testing to the Risk Management Committee and the board of directors. The Bank applies market risk factors sensitivity analysis under extreme scenarios to analyze the situational profit and loss and risk exposure of risk factors on asset portfolios in trading book that have become extremely volatile for the management to evaluate the risk-bearing capacity and ensure the continuous solvency of the Bank.

9) Sensitivity analysis

a) Interest rate sensitivity

Interest rate factor sensitivity (“DV01” or “PVBP”) measured at the balance sheet date is the impact on the discounted future cash flows of bonds and interest-rate-based derivative instruments in trading book for 1 basis points (“bps”) parallel shift in all yield curves.

Assuming all other variables remain constant, where the interest rate increases/decreases by 1 bps, there would be a increase/decrease of \$172 thousand in income before income tax for the six months ended June 30, 2022. There would be a decrease/increase of \$129 thousand in income before income tax for the six months ended June 30, 2021. There would be a decrease/increase of \$94 thousand and \$210 thousand in other comprehensive income for the six months ended June 30, 2022 and 2021, respectively.

b) Foreign exchange sensitivity

Foreign exchange rate factor sensitivity (“FX Delta”) measured at the balance sheet date is the impact on the values of foreign exchange positions in trading book for a 1% change in foreign exchange rates.

Where the foreign exchange increases/decreases by 1%, assuming all other variables remain constant, there would be an decrease/increase of \$2,225 thousand in income before income tax for the six months ended June 30, 2022. There would be an increases/decreases of \$289,107 thousand in income before income tax for the six months ended June 30, 2021.

c) Equity securities market risk

Equity securities market factor sensitivity measured at the balance sheet date is the impact on the values of open positions in equity securities in trading book for a 1% change in stock market prices.

Where the securities prices increases/decreases by 1%, assuming all other variables remain constant, there would be an increase/decrease of \$1,721 thousand and \$13,673 in income before income tax for the six months ended June 30, 2022 and 2021 respectively.

d) Commodity sensitivity

Commodity sensitivity measured at the balance sheet date is the impact on the values of commodity positions in trading book for a 1% change in market prices. The Bank has none net position of the commodity; changes in commodity prices have no impact on income before income tax for the six months ended June 30, 2022 and 2021.

f. Interest rate benchmark reform

The financial instruments of the Bank affected by the interest rate benchmarks reform include derivatives and non-derivatives financial assets and liabilities. The linked indicator interest rate types is USD LIBOR.

Overnight risk-free rates are expected to replace most of the five currency of LIBOR. There are key differences between LIBOR and overnight risk-free rates. LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. Overnight risk-free rates are currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. Therefore, the Bank has transferred existing contracts and agreements that reference LIBOR to overnight risk-free rates.

According to IBA's announcement on March 5, 2021, one-week and two-month USD LIBOR, GBP LIBOR, EUR LIBOR, CHF LIBOR and JPY LIBOR were available until the end of 2021, and the remaining USD LIBOR will sure to be available until the end of June 2023.

In response to the reform, the Bank prepared interest rate benchmark transition plan which comprises the following work streams: Risk management, contract management, product management, taxation and accounting, and customer communication. The Bank has already implement the adjustments of internal processes and risk management policies, upgraded IT systems and valuation models of financial instruments, as well as managing any related tax and accounting implications.

For contracts of loans and financial instruments that are expected to expire after the discontinuation of LIBOR, the Bank had incorporated fallback provisions into the supplementary contracts of the financial instrument contracts to enable the contract-linked interest rate to be converted from the current interest rate to another alternative reference rate at the agreed time. Since January 1, 2022, the Bank has signed contracts linked to interest rate benchmark other than LIBOR.

As of June 30, 2022, financial instruments held by the Bank that have been affected by the interest rate benchmark reform and have not transitioned to an alternative benchmark interest rate are summarized as follows:

Non-Derivative Items	Carrying Amount Linked to USD LIBOR
Assets	
Financial assets at FVTPL	\$ 11,678,447
Financial assets at FVTOCI	7,116,253
Investment in debt instrument at amortized cost	387,978
Receivables	88,647
Discounts and loans	<u>40,043,706</u>
	<u>\$ 59,315,031</u>
Liabilities	
Principal received on structured products	<u>\$ 201,215</u>

Derivative Items	Nominal Amount	Carrying Amount	
		Financial Assets	Financial Liabilities
Derivative financial instruments linked to USD LIBOR			
Interest rate swap contracts	\$ 19,960,093	\$ 521,426	\$ 395,626
Cross-currency swap contracts	<u>6,836,980</u>	<u>370,311</u>	<u>108,594</u>
	<u>\$ 26,797,073</u>	<u>\$ 891,737</u>	<u>\$ 504,220</u>

g. Transfer of financial assets

In the daily operations of the Bank, the transactions of the transferred financial assets not eligible for derecognition in full are mainly bonds under repurchase agreement. The cash flows of those financial assets have been transferred to outsiders. The Bank is not eligible to conduct, sell, or pledge the transferred financial assets during the effective period. However, the Bank is still exposed to interest rate risks and credit risks. As a result, the transferred financial assets are not derecognized. The liabilities of repurchasing the transferred financial assets in an agreed amount have been recognized. The following tables show the transferred financial assets not eligible for derecognition in full and related amounts.

Assets Items	Book Value of Transferred Financial Assets	Book Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
FVTOCI - transactions under repurchase agreements					
June 30, 2022	\$ -	\$ -	\$ -	\$ -	\$ -
December 31, 2021	5,572	4,959	5,572	4,959	613
June 30, 2021	5,618	5,102	5,618	5,102	516

h. Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

1) Asset quality of loans

Nonperforming loans and nonperforming receivables of the Bank

Business \ Item		June 30, 2022				
		Nonperforming Loans (Note a)	Loans	Ratio of Nonperforming Loans (Note b)	Allowance for Possible Losses	Coverage Ratio (Note c)
Corporate Banking	Secured	\$ 416,152	\$ 70,507,525	0.59%	\$ 916,388	220.21%
	Unsecured	238,367	134,723,848	0.18%	1,630,858	684.18%
Consumer Banking	Residential mortgage (Note d)	71,604	135,729,078	0.05%	2,045,221	2,856.29%
	Cash card	-	-	-	-	-
	Small-scale credit loan (Note e)	282,266	23,993,592	1.18%	438,016	155.18%
	Others (Note f)	Secured	28,169	73,059,598	0.04%	783,330
Unsecured		-	6,391,084	-	72,529	-
Total		1,036,558	444,404,725	0.23%	5,886,342	567.87%
Business \ Item		Nonperforming Receivables	Accounts Receivable	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit card		36,167	11,266,424	0.32%	361,170	998.62%
Accounts receivable factored without recourse (Note g)		-	4,404,376	-	47,277	-

Business \ Item		December 31, 2021				
		Nonperforming Loans (Note a)	Loans	Ratio of Nonperforming Loans (Note b)	Allowance for Possible Losses	Coverage Ratio (Note c)
Corporate Banking	Secured	\$ 493,328	\$ 60,785,039	0.81%	\$ 778,304	157.77%
	Unsecured	70,842	115,288,079	0.06%	1,339,588	1,890.95%
Consumer Banking	Residential mortgage (Note d)	147,388	134,458,648	0.11%	2,021,794	1,371.75%
	Cash card	-	-	-	-	-
	Small-scale credit loan (Note e)	289,749	24,715,787	1.17%	446,802	154.20%
	Others (Note f)	Secured	89,279	71,120,701	0.13%	766,174
Unsecured		3,778	6,503,446	0.06%	77,273	2,045.34%
Total		1,094,364	412,871,700	0.27%	5,429,935	496.17%
Business \ Item		Nonperforming Receivables	Accounts Receivable	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit card		32,038	12,771,358	0.25%	368,769	1,151.04%
Accounts receivable factored without recourse (Note g)		-	6,451,669	-	68,663	-

Business \ Item		June 30, 2021					
		Nonperforming Loans (Note a)	Loans	Ratio of Nonperforming Loans (Note b)	Allowance for Possible Losses	Coverage Ratio (Note c)	
Corporate Banking	Secured	\$ 382,087	\$ 61,587,101	0.62%	\$ 873,310	228.56%	
	Unsecured	601,295	123,396,244	0.49%	1,599,509	266.01%	
Consumer Banking	Residential mortgage (Note d)	148,783	133,766,241	0.11%	2,030,259	1,364.58%	
	Cash card	-	-	-	-	-	
	Small-scale credit loan (Note e)	328,817	25,309,980	1.30%	458,551	139.45%	
	Others (Note f)	Secured	121,867	71,589,727	0.17%	768,771	630.83%
		Unsecured	11	6,010,179	-	69,342	630,381.82%
Total		1,582,860	421,659,472	0.38%	5,799,742	366.41%	

Business \ Item		June 30, 2021				
		Nonperforming Receivables	Accounts Receivable	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit card		32,401	11,025,408	0.29%	370,389	1,143.14%
Accounts receivable factored without recourse (Note g)		-	4,945,493	-	53,425	-

Note a: Nonperforming credit cards receivables represent the amounts of nonperforming receivables 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 b: Ratio of nonperforming loans: $\text{Nonperforming loans} \div \text{Outstanding loan balance}$.

Ratio of nonperforming credit cards receivables: $\text{Nonperforming credit cards receivables} \div \text{Outstanding credit cards receivables balance}$.

Note c: Coverage ratio of allowance for possible losses for loans: $\text{Allowance for possible losses for loans} \div \text{Nonperforming loans}$.

Coverage ratio of allowance for possible losses for credit cards receivables: $\text{Allowance for possible losses for credit cards receivables} \div \text{Nonperforming credit cards receivables}$.

Note d: Residential mortgage is a loan given to the borrower who provides a house, to be purchased (or already owned) by the borrower or the spouse or the minor children of the borrower, as a mortgage to the Bank and will use the loan for house purchase or refurbishment.

Note e: Small-scale credit loans refer to the loans under the Banking Bureau's regulation, dated December 19, 2005 (Ref. No. 09440010950), but excluding small-scale unsecured loans obtained through credit cards and cash cards.

Note f: Other loans of consumer banking refer to secured or unsecured loans, excluding residential mortgage, cash card, small-scale credit loans and credit card.

Note g: As required by the Banking Bureau's letter dated July 19, 2005 (Ref. No. 0945000494), factoring without recourse is disclosed as nonperforming receivables in three months upon the factors' or insurance companies' rejection of claims.

Nonperforming loans and nonperforming receivables excluded from the information stated above

Business \ Item	June 30, 2022		December 31, 2021		June 30, 2021	
	Nonperforming Loans Excluded	Nonperforming Receivables Excluded	Nonperforming Loans Excluded	Nonperforming Receivables Excluded	Nonperforming Loans Excluded	Nonperforming Receivables Excluded
Loans not classified as NPL upon debt restructuring and performed as agreed (Note a)	\$ 16,017	\$ 53,878	\$ 20,394	\$ 64,980	\$ 25,162	\$ 77,532
Loans upon performance of a debt discharge program and rehabilitation program (Note b)	1,125,243	821,477	1,109,145	860,906	1,070,765	897,927
Total	1,141,260	875,355	1,129,539	925,886	1,095,927	975,459

Note a: Supplementary disclosure related to the loans which need not be classified as NPL upon debt restructuring and performed as agreed, as stipulated in the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note b: About the Bank disclosures information and enumerates credit for case of pre-negotiation, pre-mediation, debt settlement proceedings and liquidation under Statute for Consumer Debt Clearance, as stipulated in the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940) and dates September 20, 2016 (Ref. No. 10500134790).

2) Concentration of credit extensions

Ranking (Note a)	June 30, 2022		
	Group Entity Industry and Code (Note a)	Total Balances of Credit Extensions (Note c)	Ratio of Credit Extensions to Net Worth (%)
1	A Group - 6700 - real estate development activities	\$ 13,830,568	29
2	B Group - 6499 - other financial service activities not elsewhere classified	7,129,630	15
3	C Group - 4652 - wholesale of motorcycles	6,695,311	14
4	D Group - 4642 - electricity transmission and distribution enterprise	4,092,724	8
5	E Group - 3510 - electricity supply	4,072,174	8
6	F Group - 6496 - non-depository financing	3,756,040	8
7	G Group - 2729 - manufacture of other communication equipment	3,402,219	7
8	H Group - 6429 - other holding companies	3,390,700	7
9	I Group - 2699 - non-categorized and other electronic component manufacturing	3,225,057	7
10	J Group - 6499 - other financial service activities not elsewhere classified	3,000,000	6

Ranking (Note a)	December 31, 2021		
	Group Entity Industry and Code (Note a)	Total Balances of Credit Extensions (Note c)	Ratio of Credit Extensions to Net Worth (%)
1	A Group - 6700 - real estate development activities	\$ 13,136,450	26
2	C Group - 4652 - wholesale of motorcycles	6,642,932	13
3	B Group - 6499 - other financial service activities not elsewhere classified	5,725,899	12
4	E Group - 3510 - electricity supply	3,939,709	8
5	F Group - 6496 - non-depository financing	3,756,960	8
6	K Group - 2613 - packaging and testing of semiconductors	3,580,609	7
7	D Group - 4642 - electricity transmission and distribution enterprise	3,391,350	7
8	I Group - 2699 - non-categorized and other electronic component manufacturing	3,192,847	6
9	L Group - 2411 - smelting and refining of iron and steel	3,143,587	6
10	J Group - 6499 - other financial service activities not elsewhere classified	3,000,000	6

Ranking (Note a)	June 30, 2021		
	Group Entity Industry and Code (Note a)	Total Balances of Credit Extensions (Note c)	Ratio of Credit Extensions to Net Worth (%)
1	A Group - 6700 - real estate development activities	\$ 12,226,200	25
2	B Group - 6499 - other financial service activities not elsewhere classified	5,149,222	11
3	C Group - 1159 - manufacture of other textile products	4,808,768	10
4	M Group - 6496 - non-depository financing	4,354,177	9
5	E Group - 3510 - electricity supply	4,076,223	8
6	N Group - 4841 - retail sale of motor vehicles in specialized stores	4,059,319	8
7	D Group - 4642 - electricity transmission and distribution enterprise	3,991,475	8
8	O Group - 4641 - wholesale of computers, computer peripheral equipment and software	3,565,594	7
9	F Group - 3010 - manufacture of motor vehicles	3,426,270	7
10	P Group - 2630 - manufacture of bare printed circuit boards	3,411,706	7

Note a: The rankings above represent the top 10 corporate entities except for government or state-owned enterprises, based on the total balance of credit extension granted by the Bank. The amount of credit extensions should be disclosed in aggregate for each group entity, the code and industry of which are also required. The industry of the group entities is designated as the industry of the individual group entity with the greatest risk exposure. The lines of industry should conform to the industry sub-categorization of 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 b: “Group Entity” is defined in Article 6 of “Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.”

Note c: Credit extension balance includes various loans (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 nonaccrual loans), bills purchased, factored accounts receivable without recourse, acceptances and guarantees.

3) Interest rate sensitivity

Table 1: For New Taiwan dollar items

**Interest Rate Sensitivity Analysis
June 30, 2022**

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 355,788,403	\$ 164,888,872	\$ 7,248,472	\$ 48,438,510	\$ 576,364,257
Interest rate-sensitive liabilities	241,455,086	198,167,977	70,961,291	26,598,645	537,182,999
Interest rate sensitivity gap	114,333,317	(33,279,105)	(63,712,819)	21,839,865	39,181,258
Net worth					48,278,204
Ratio of interest rate-sensitive assets to liabilities					107.29%
Ratio of interest rate-sensitivity gap to net worth					81.16%

**Interest Rate Sensitivity Analysis
December 31, 2021**

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 360,540,038	\$ 163,501,248	\$ 9,899,079	\$ 42,393,927	\$ 576,334,292
Interest rate-sensitive liabilities	222,916,709	206,892,834	80,361,063	24,318,965	534,489,571
Interest rate sensitivity gap	137,623,329	(43,391,586)	(70,461,984)	18,074,962	41,844,721
Net worth					49,701,951
Ratio of interest rate-sensitive assets to liabilities					107.83%
Ratio of interest rate-sensitivity gap to net worth					84.19%

**Interest Rate Sensitivity Analysis
June 30, 2021**

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 339,327,922	\$ 163,652,819	\$ 20,934,762	\$ 36,713,792	\$ 560,629,295
Interest rate-sensitive liabilities	175,648,809	204,473,698	103,521,173	28,206,143	511,849,823
Interest rate sensitivity gap	163,679,113	(40,820,879)	(82,586,411)	8,507,649	48,779,472
Net worth					48,781,960
Ratio of interest rate-sensitive assets to liabilities					109.53%
Ratio of interest rate-sensitivity gap to net worth					99.99%

Note a: The New Taiwan dollar amounts held by the Bank.

Note b: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities that were affected by interest rate changes.

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

Note d: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities.

Table 2: For U.S. dollar items

Interest Rate Sensitivity Analysis
June 30, 2022

(In Thousands of U.S. Dollars)

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 3,643,180	\$ 232,822	\$ 15,401	\$ 197,975	\$ 4,089,378
Interest rate-sensitive liabilities	1,562,954	2,237,399	117,293	-	3,917,646
Interest rate sensitivity gap	2,080,226	(2,004,577)	(101,892)	197,975	171,732
Net worth					1,624,107
Ratio of interest rate-sensitive assets to liabilities					104.38%
Ratio of interest rate-sensitivity gap to net worth					10.57%

Interest Rate Sensitivity Analysis
December 31, 2021

(In Thousands of U.S. Dollars)

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 3,075,239	\$ 66,857	\$ 146,901	\$ 127,409	\$ 3,416,406
Interest rate-sensitive liabilities	1,181,945	2,362,928	177,818	-	3,722,691
Interest rate sensitivity gap	1,893,294	(2,296,071)	(30,917)	127,409	(306,285)
Net worth					1,794,942
Ratio of interest rate-sensitive assets to liabilities					91.77%
Ratio of interest rate-sensitivity gap to net worth					(17.06%)

Interest Rate Sensitivity Analysis
June 30, 2021

(In Thousands of U.S. Dollars)

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,357,996	\$ 201,227	\$ 76,030	\$ 407,141	\$ 3,042,394
Interest rate-sensitive liabilities	1,011,108	2,251,062	238,521	-	3,500,691
Interest rate sensitivity gap	1,346,888	(2,049,835)	(162,491)	407,141	(458,297)
Net worth					1,750,339
Ratio of interest rate-sensitive assets to liabilities					86.91%
Ratio of interest rate-sensitivity gap to net worth					(26.18%)

Note a: The total U.S. dollar amounts held by the Bank, excluding contingent assets and liabilities.

Note b: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities that were affected by interest rate changes.

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

Note d: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities.

4) Profitability

Items		For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Return on total assets	Before tax	0.26%	0.24%
	After tax	0.22%	0.21%
Return on equity	Before tax	3.93%	3.37%
	After tax	3.37%	2.97%
Net income ratio		30.03%	25.96%

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

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

Note c: Net income ratio = Income after income tax ÷ Total net profit.

5) Maturity analysis of assets and liabilities

a) For New Taiwan dollar items

June 30, 2022

	Total	Amount for Remaining Period to Maturity					
		0 Day to 10 Days	11 Days to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 787,603,827	\$ 139,991,809	\$ 98,052,337	\$ 100,217,388	\$ 75,478,973	\$ 84,742,505	\$ 289,120,815
Main capital outflow on maturity	972,784,033	66,782,939	96,602,279	176,904,038	197,965,368	198,375,590	236,153,819
Gap	(185,180,206)	73,208,870	1,450,058	(76,686,650)	(122,486,395)	(113,633,085)	52,966,996

December 31, 2021

	Total	Amount for Remaining Period to Maturity					
		0 Day to 10 Days	11 Days to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 788,354,119	\$ 132,991,954	\$ 93,352,744	\$ 118,306,092	\$ 88,251,525	\$ 83,962,598	\$ 271,489,206
Main capital outflow on maturity	956,912,227	61,352,297	97,217,833	197,495,551	174,961,218	192,014,074	233,871,254
Gap	(168,558,108)	71,639,657	(3,865,089)	(79,189,459)	(86,709,693)	(108,051,476)	37,617,952

June 30, 2021

	Total	Amount for Remaining Period to Maturity					
		0 Day to 10 Days	11 Days to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 746,919,686	\$ 121,258,079	\$ 77,437,890	\$ 105,210,302	\$ 93,769,018	\$ 81,958,697	\$ 267,285,700
Main capital outflow on maturity	894,034,393	54,652,873	81,296,079	162,953,624	166,357,613	194,460,227	234,313,977
Gap	(147,114,707)	66,605,206	(3,858,189)	(57,743,322)	(72,588,595)	(112,501,530)	32,971,723

Note: This table refers to the New Taiwan dollar amounts held by the Bank.

b) For U.S. dollar items

June 30, 2022

(In Thousands of U.S. Dollars)

	Total	Amount for Remaining Period to Maturity				
		0 Day to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 11,670,023	\$ 4,020,249	\$ 2,325,673	\$ 1,950,460	\$ 1,220,272	\$ 2,153,369
Main capital outflow on maturity	12,497,777	4,279,759	3,301,591	2,299,507	1,992,442	624,478
Gap	(827,754)	(259,510)	(975,918)	(349,047)	(772,170)	1,528,891

December 31, 2021

(In Thousands of U.S. Dollars)

	Total	Amount for Remaining Period to Maturity				
		0 Day to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 11,522,239	\$ 4,189,779	\$ 2,480,909	\$ 1,566,914	\$ 1,354,511	\$ 1,930,126
Main capital outflow on maturity	12,323,271	3,392,587	3,771,796	2,480,361	2,071,325	607,202
Gap	(801,032)	797,192	(1,290,887)	(913,447)	(716,814)	1,322,924

June 30, 2021

(In Thousands of U.S. Dollars)

	Total	Amount for Remaining Period to Maturity				
		0 Day to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 10,905,476	\$ 4,113,976	\$ 2,420,918	\$ 1,183,822	\$ 1,154,411	\$ 2,032,349
Main capital outflow on maturity	10,912,435	3,708,805	2,109,448	2,495,579	1,462,471	1,136,132
Gap	(6,959)	405,171	311,470	(1,311,757)	(308,060)	896,217

Note: This table refers to the U.S. dollar amounts held by the Bank.

44. CAPITAL MANAGEMENT

a. Objective of capital management

- 1) The basic goal of the Bank's capital management is that unconsolidated regulatory capital and the consolidated regulatory capital should meet the requirements of the related regulations. The ratio of regulatory capital and risk assets (the "capital adequacy ratio") should meet the statutory threshold according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks".
- 2) In order to maintain an adequate level of capital to bear various risks, the Bank makes capital planning based on the operating plans and budget, the development strategies and dividend policy. The objective is to optimize assets allocation and strengthen capital structure.

b. Procedure of capital management

- 1) The calculation of the Bank's capital adequacy ratio is based on the "The Methods for Calculating the Bank's regulatory Capital and Risk-weighted Assets" enacted by the Financial Supervisory Commission and the related information is reported to the competent authority on a regular basis.
- 2) In order to monitor capital adequacy ratio, the execution and changes in the parameters of the capital planning are reported to the Bank's Assets and Liabilities Management Committee on a quarterly basis. The Bank are performed stress testing periodically and evaluated capital adequacy to assesses whether the Bank's capital is able to respond to various risks and whether the objective of capital management is met.

The calculations of regulatory capital, risk-weighted assets and capital adequacy ratio were as follows:

Unconsolidated

		June 30, 2022	December 31, 2021	June 30, 2021	
Regulatory capital	Common equity	\$ 46,596,688	\$ 46,653,029	\$ 45,479,734	
	Additional Tier I capital	2,900,000	1,848,490	1,871,141	
	Tier II capital	13,922,225	11,392,226	13,235,166	
	Total common capital	63,418,913	59,893,745	60,586,041	
Risk-weighted assets	Credit risk	Standardized approach	439,553,618	393,687,935	396,894,568
		Internal rating-based approach	-	-	-
		Asset securitization	368,536	458,214	665,400
	Operational risk	Basic indicator approach	20,228,813	20,512,863	20,229,725
		Standardized approach/alternative standardized approach	-	-	-
		Advanced measurement approach	-	-	-
	Market risk	Standardized approach	12,912,725	14,680,875	15,110,800
		Internal models approach	-	-	-
	Total risk-weighted assets		473,063,692	429,339,887	432,900,493
Capital adequacy ratio		13.41%	13.95%	14.00%	
Ratio of common equity to risk-weighted assets		9.85%	10.87%	10.51%	
Ratio of Tier I capital to risk-weighted assets		10.46%	11.30%	10.94%	
Leverage ratio		5.75%	5.87%	5.98%	

Consolidated

		June 30, 2022	December 31, 2021	June 30, 2021	
Regulatory capital	Common equity	\$ 46,596,688	\$ 47,211,995	\$ 46,024,620	
	Additional Tier I capital	2,900,000	2,407,456	2,416,027	
	Tier II capital	13,894,437	12,541,523	14,348,222	
	Total common capital	63,391,125	62,160,974	62,788,869	
Risk-weighted assets	Credit risk	Standardized approach	436,626,687	396,197,242	399,144,835
		Internal rating-based approach	-	-	-
		Asset securitization	368,536	458,214	665,400
	Operational risk	Basic indicator approach	20,968,225	21,252,263	20,884,000
		Standardized approach/alternative standardized approach	-	-	-
		Advanced measurement approach	-	-	-
	Market risk	Standardized approach	12,912,725	14,680,875	15,110,800
		Internal models approach	-	-	-
	Total risk-weighted assets		470,876,173	432,588,594	435,805,035
Capital adequacy ratio		13.46%	14.37%	14.41%	
Ratio of common equity to risk-weighted assets		9.90%	10.91%	10.56%	
Ratio of Tier I capital to risk-weighted assets		10.51%	11.47%	11.12%	
Leverage ratio		5.74%	5.99%	6.10%	

Note a: Regulatory capital, risk-weighted assets and exposure measurement are calculated under the “Regulations Governing the Capital Adequacy and capital category of Banks” and the “The Methods for Calculating the Bank’s regulatory Capital and Risk-weighted Assets”.

Note b: An annual report should include both the current year’s and prior year’s capital adequacy ratio, but a semiannual report should include the capital adequacy ratio of the most recent year.

Note c: Formulas used were as follows:

- 1) Regulatory capital = Common equity + Additional Tier I capital + Tier II capital.
- 2) Total risk-weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk and market risk) × 12.5.
- 3) Capital adequacy ratio = Regulatory capital/Total risk-weighted assets.
- 4) Ratio of Common equity to risk-weighted assets = Common equity/Total risk-weighted assets.
- 5) Ratio of Tier I capital to risk-weighted assets = (Common equity + Additional Tier I capital)/Total risk-weighted assets.
- 6) Leverage ratio = Net Tier I capital/Exposure measurement.

45. CASH FLOW INFORMATION

a. Non-cash transactions

Cash dividends which were approved by the shareholders' meeting recognized as accrued dividends were \$1,511,004 thousand and \$1,124,082 thousand as of June 30, 2022 and 2021, respectively.

b. Changes in Liabilities Arising From Financing Activities

For the six months ended June 30, 2022

Liabilities Items	Beginning Balance	Cash Inflows (Outflows)	Non-cash Changes		Ending Balance
			Exchange Rate	Others	
Funds borrowed from the Central Bank and other banks	\$ 77,240	\$ (77,240)	\$ -	\$ -	\$ -
Securities sold under repurchase agreement	4,959	(5,143)	184	-	-
Bank debentures	23,901,900	-	-	-	23,901,900
Other financial liabilities	979,213	(50,939)	-	-	928,274
Lease liabilities	<u>1,026,881</u>	<u>(211,441)</u>	<u>3,956</u>	<u>319,220</u>	<u>1,138,616</u>
	<u>\$ 25,990,193</u>	<u>\$ (344,763)</u>	<u>\$ 4,140</u>	<u>\$ 319,220</u>	<u>\$ 25,968,790</u>

For the six months ended June 30, 2021

Liabilities Items	Beginning Balance	Cash Inflows (Outflows)	Non-cash Changes		Ending Balance
			Exchange Rate	Others	
Funds borrowed from the Central Bank and other banks	\$ 22,340	\$ 18,200	\$ -	\$ -	\$ 40,540
Securities sold under repurchase agreement	3,530,487	(3,486,642)	(38,743)	-	5,102
Bank debentures	22,601,900	2,400,000	-	-	25,001,900
Other financial liabilities	868,202	(15,551)	-	-	852,651
Lease liabilities	<u>839,255</u>	<u>(209,884)</u>	<u>(805)</u>	<u>496,713</u>	<u>1,125,279</u>
	<u>\$ 27,862,184</u>	<u>\$ (1,293,877)</u>	<u>\$ (39,548)</u>	<u>\$ 496,713</u>	<u>\$ 27,025,472</u>

46. SEGMENT INFORMATION

Information provided to the Bank's and its subsidiaries' chief operating decision makers for resource allocation and segment performance assessment focuses on nature of operation and profits. Based on IFRS 8 - "Operating Segments," the reportable segments were as follows:

- a. Individual banking: Mainly includes consumer banking loans such as mortgages, credit loans, car loans, installment, etc.; credit cards; individual deposits; and wealth management;
- b. Corporate banking: Mainly includes corporate-related business, foreign-currency business and financial market business;
- c. Others: Any business not included in individual and corporate banking.

Segment Income and Operating Results

The accounting policies adopted by each reportable segments are the same as those stated in Note 4 to the consolidated financial reports.

The income and operating results of the reportable segments of the Bank and its subsidiaries were as follows:

	Individual Banking	Corporate Banking	Others	Total
<u>For the six months ended June 30, 2022</u>				
Net interests	\$ 1,977,386	\$ 1,864,576	\$ (420,732)	\$ 3,421,230
Net revenues and gains other than interest				
Net service fee income	886,620	527,280	54,235	1,468,135
Other net income	<u>123,958</u>	<u>280,944</u>	<u>197,480</u>	<u>602,382</u>
Net revenues	2,987,964	2,672,800	(169,017)	5,491,747
Provision for bad debt expenses	(51,100)	(177,264)	(59,991)	(288,355)
Operating expenses	<u>(2,171,553)</u>	<u>(822,697)</u>	<u>(283,124)</u>	<u>(3,277,374)</u>
Segment income before income tax	<u>\$ 765,311</u>	<u>\$ 1,672,839</u>	<u>\$ (512,132)</u>	<u>\$ 1,926,018</u>
<u>For the six months ended June 30, 2021</u>				
Net interests	\$ 2,080,260	\$ 1,745,296	\$ (667,759)	\$ 3,157,797
Net revenues and gains other than interest				
Net service fee income	971,422	330,102	349,685	1,651,209
Other net income	<u>106,946</u>	<u>507,059</u>	<u>159,285</u>	<u>773,290</u>
Net revenues	3,158,628	2,582,457	(158,789)	5,582,296
Reversal of (provision for) bad debt expenses	(159,488)	(669,959)	239,992	(589,455)
Operating expenses	<u>(2,283,671)</u>	<u>(767,628)</u>	<u>(299,490)</u>	<u>(3,350,789)</u>
Segment income before income tax	<u>\$ 715,469</u>	<u>\$ 1,144,870</u>	<u>\$ (218,287)</u>	<u>\$ 1,642,052</u>

47. OTHER ITEMS

In the face of the significant uncertainty caused by the COVID-19 to the international economic and financial situation, the Bank and its subsidiaries adhere to the consistent and prudent business policy, strengthen risk management and lay out long-term sound growth momentum. The impact of the COVID-19 on the Bank's and its subsidiaries' ability to continue as a going concern, impairment of assets and financing risk has been properly reflected and disclosed in the current financial statements.

48. ADDITIONAL DISCLOSURES

a. Information about significant transactions:

- 1) Marketable securities acquired and disposed of at cost or prices at least NT\$300 million or 10% of the paid-in capital: Nil
- 2) Acquisition of individual real estate at cost of at least NT\$300 million or 10% of the paid-in capital: Nil
- 3) Disposal of individual real estate at prices of at least NT\$300 million or 10% of the paid-in capital: Nil
- 4) Service charge discounts on transactions with related parties in aggregated amount of at least NT\$5 million: Nil
- 5) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Nil
- 6) Sale of nonperforming loans: Nil
- 7) The type and related information of any securitization product that has been approved in accordance with the Financial Asset Securitization Act or the Real Estate Securitization Act: Nil
- 8) Intercompany relationships and significant intercompany transactions: Table 1 (attached)
- 9) Other significant transactions which may have effects on decision making of financial statement users: Nil

b. Information of subsidiaries' financing provided, endorsement/guarantee provided, marketable securities held, marketable securities acquired and disposed of at cost or prices at least NT\$300 million or 10% of the paid-in capital and derivative transactions: Table 2 (attached)

c. Related information of investees on which the Bank exercises significant influence: Table 3 (attached)

d. Information about branches and investments in mainland China: Table 4 (attached)

e. Information about major shareholders: Name, number of shares, and percentage of ownership of shareholders holding more than 5% of the shares: Nil

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2022**

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Flow of Transaction	Transaction Details			
				Financial Statement Account	Amount	Terms	Percentage of Consolidated Net Profit or Consolidated Total Assets (% , Note 2)
0	Far Eastern International Bank Ltd.	Far Eastern International Securities Co., Ltd. Far Eastern International Securities Co., Ltd. Far Eastern International Securities Co., Ltd. Far Eastern International Securities Co., Ltd.	From parent company to subsidiary	Deposits and remittances	\$ 307,206	Note 3	0.04
			From parent company to subsidiary	Interest expense	716	Note 3	0.01
			From parent company to subsidiary	Service fee expense	344	Note 3	0.01
			From parent company to subsidiary	Loss on disposal of financial assets at FVTPL	763	Note 3	0.01
1	Far Eastern International Securities Co., Ltd.	Far Eastern International Bank Ltd. Far Eastern International Bank Ltd. Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	307,206	Note 3	0.04
			From subsidiary to parent company	Interest revenue	716	Note 3	0.01
			From subsidiary to parent company	Service fee income	1,107	Note 3	0.02

Note 1: Transacting parties are identified as follows: Number 0 - parent company; and number 1 and the following numbers - subsidiaries.

Note 2: The ratio is calculated as follows: For asset and liability accounts = Transaction amount/Consolidated total assets; and for income and expenses = Transaction amount/Consolidated net profit.

Note 3: The terms of intercompany transactions are not significantly different from those to third parties.

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

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

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 Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limit (Note 3)
													Item	Value		
1	FEIB Financial Leasing Co., Ltd.	A company	Other receivables	No	\$ 16,221	\$ 15,987	\$ 15,987	6%-10%	a	\$ 16,923	-	\$ 160	Real estate	\$ 33,504	\$ 307,844	\$ 1,026,146

Note 1: No. column is coded as follows:

- a. The Issuer is coded "0".
- b. The investees are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The nature of financing is described as follows:

- a. Business transaction is coded "1".
- b. Short-term financing is coded "2".

Note 3: The limits on financing are as follows:

- a. Financing limit for each borrower
 - 1) In the case of lending funds to companies or firms who have a business relationship with the lender, the total lending amount to an individual borrower shall not exceed 30% of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.
 - 2) In the case of lending funds to the companies or firms in need of short-term financing, the total lending amount to an individual borrower shall not exceed 30% of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.
- b. Aggregate financing limit
 - 1) In the case of lending funds to companies or firms who have a business relationship with the lender, the total accumulation lending amount to an individual borrower shall not exceed two times of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.
 - 2) In the case of lending funds to the companies or firms in need of short-term financing, the total accumulation lending amount to an individual borrower shall not exceed 40% of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.

The total accumulated lending amount of the above shall not exceed the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

RELATED INFORMATION OF INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business and Product	Percentage of Ownership (%)	Carrying Amount	Investment Income (Loss) Recognized	The Proportionate Share of the Bank, Its Subsidiaries and Their Affiliates in Investees (Note 1)				Note
						Present Shares (In Thousands)	Pro Forma Shares (Note 2)	Total		
								Shares (In Thousands)	Percentage of Ownership (%)	
<u>Held by the Bank</u>										
Financial business										
Deutsche Far Eastern Asset Management Co., Ltd.	7F, No. 207 Dun Hwa South Road, Sec. 2, Taipei, Taiwan	Securities investment trust funds	40.00	\$ 145,204	\$ 12,139	12,000	-	12,000	40.00	
Dah Chung Bills Finance Corp.	4F, 4F-1, 4F-2, 4F-3, Np. 88 Dun Hwa North Road, Taipei, Taiwan	Underwriting, dealing and brokering of short-term bills	22.06	1,651,554	45,942	101,941	-	101,941	22.07	
Far Eastern Asset Management Co., Ltd.	Room B, 17F, No. 207, Dun Hwa South Road, Sec. 2, Taipei, Taiwan	Purchase, evaluation, auction and management of creditor's rights to financial institutions	100.00	1,696,196	31,908	168,400	-	168,400	100.00	
Far Eastern International Securities Co., Ltd.	51F, No. 7, Xinyi Road, Sec. 5, Taipei, Taiwan	Foreign securities broker, wealth management and offshore fund consulting	100.00	433,388	(31,503)	26,000	-	26,000	100.00	
Taipei Foreign Exchange Agency Co., Ltd.	8F., No. 400, Bade Road, Sec. 2, Taipei, Taiwan	Foreign exchange, cross-currency swaps, etc.	0.40	3,836	-	80	-	80	0.40	
Sunshine Asset Management Co., Ltd.	15F., No. 218, Dun Hwa South Road, Sec. 2, Taipei, Taiwan	Management of creditor's rights and rendering of commercial detective services	3.46	2,635	-	207	-	207	3.46	
Financial Information Service Co., Ltd.	No. 81, Kangning Road, Sec. 3, Taipei, Taiwan	Data processing service and electronic information supply	1.14	251,048	-	5,938	-	5,938	1.14	
Yuan Hsin Digital Payment Co., Ltd.	Room A, 5F., No. 1, Yuandong Road, Banqiao Dist., New Taipei City, Taiwan	Issuing electronic tickets and signing contracted institutions	4.05	15,773	-	2,758	-	2,758	4.05	
Nonfinancial business										
An Feng Enterprise Co., Ltd.	3F., No. 139, Jhengjhou Road, Taipei, Taiwan	ATM maintenance, replacement and repair	10.00	4,587	-	300	-	300	10.00	
<u>Held by Far Eastern Asset Management Co., Ltd.</u>										
Financial business										
FEIB Financial Leasing Co., Ltd.	8F., Far Eastern Plaza, No. 28, Bailianjing Road, Pudong New District, Shanghai, China	Leasing operation	100.00	1,043,480	17,297	N/A	-	N/A	100.00	

Note 1: The Bank, board chairman, supervisors, managing directors, and the shares of investee companies invested in by related parties which comply with corporation law are considered.

Note 2: Routes of investment are listed below:

- Pro forma shares are shares that are assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Article 74 of the Banking Law.
- Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of "Securities and Exchange Law Enforcement Rules".
- Derivative contracts, such as stock options, are those conforming to the definition of derivatives in International Financial Reporting Standard 9.

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

**INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2022**

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

Investee Company Name	Main Business and Product	Total Paid-in Capital (Note 4)	Investment Type (Note 1)	Accumulated Outflow of Investment as of January 1, 2022	Investment Flow (Note 4)		Accumulated Outflow of Investment as of June 30, 2022 (Note 4)	Net Income (Loss) of Investee (Notes 2 and 5)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 5)	Carrying Value as of June 30, 2022 (Note 2)	Accumulated Inward Remittance of Earnings as of June 30, 2022	Note
					Outflow	Inflow							
FEIB Financial Leasing Co., Ltd.	Leasing operation	\$ 920,470 (US\$ 30,000 thousand)	a	\$ 920,470 (US\$ 30,000 thousand)	\$ -	\$ -	\$ 920,470 (US\$ 30,000 thousand)	\$ 17,297 (CNY 3,903 thousand)	100.00	\$ 17,297 (CNY 3,903 thousand)	\$ 1,043,480	\$ -	

Accumulated Investment in Mainland China as of June 30, 2022 (Note 4)	Investment Amount Authorized by Investment Commission, MOEA (Note 4)	Limit on Investment Authorized by Investment Commission MOEA (Note 3)
\$920,470 (US\$30,000 thousand)	\$920,470 (US\$30,000 thousand)	\$1,017,718

Note 1: Routes of investment in mainland China are listed below:

- a. Direct investment.
- b. Investment via third place company (state third place investment company).
- c. Others.

Note 2: Calculation based on investee company's financial statements unaudited by a local CPA and covering the same reporting period as that of Far Eastern International Bank.

Note 3: Under the "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China" announced by Investment Commission, MOEA, upper limit is calculated by applicant company - Far Eastern Asset Management Co., Ltd.

Note 4: Calculated using the exchange rate at remittance date.

Note 5: Calculated using the average exchange rate for the six months ended June 30, 2022.