

**Chang Hwa Commercial Bank, Ltd. and  
Subsidiaries**

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

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Chang Hwa Commercial Bank, Ltd.

#### Opinion

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

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

#### Basis for Opinion

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

#### Key Audit Matters

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

The following is the description for the key audit matter in the audit of the consolidated financial statements of the Group for the six months ended June 30, 2022.

#### Impairment Assessment of Loans

Loans are the most important assets of the Group. As of June 30, 2022, the balance of the Group's loans totaled \$1,682,443,374 thousand, accounting for 63% of the Group's total consolidated assets. The Group assessed the impairment on loans in accordance with IFRS 9 and recognized the allowance for impairment of loans in compliance with the relevant regulations. Since the assessment of the impairment on the aforementioned assets involves the management's critical judgments, estimations and assumptions, we considered the impairment assessment on loans as a key audit matter. Refer to Notes 4, 5 and 12 to the Group's consolidated financial statements for related information.

Our main audit procedures performed in response to the key audit matter described above were as follows:

When assessing the appropriateness of the impairment on loans, we understood and tested the internal controls relevant to the lending process and assessment of loan impairment. We tested whether the expected credit loss was calculated by loans grouped by borrowers and credit risk characteristics. We further verified whether the parameters utilized in the impairment loss model (including probability of default adjusted for forward looking factors, loss given default, and exposure at default) reflect the actual situation, and assessed the loan provisions in compliance with relevant regulations.

#### **Other Matter**

We have also audited the financial statements of Chang Hwa Commercial Bank, Ltd. as of and for the years ended June 30, 2022 and 2021 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Mei Hui Wu and Tung Feng Lee.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

August 25, 2022

#### Notice to Readers

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

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

# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents (Notes 4, 6 and 36)	\$ 32,044,197	1	\$ 41,507,576	2	\$ 25,607,281	1
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	165,091,085	6	249,194,363	10	223,665,163	9
Financial assets at fair value through profit or loss (Notes 4, 7, 34, 36 and 37)	48,638,801	2	56,611,729	2	52,866,024	2
Financial assets at fair value through other comprehensive income (Notes 4, 8, 10, 34 and 37)	226,441,341	9	174,195,003	7	156,438,555	7
Financial assets for hedging (Notes 4, 13 and 34)	-	-	147,321	-	190,301	-
Investments in debt instruments at amortized cost (Notes 4, 5, 9, 10, 34 and 37)	427,282,739	16	405,256,329	16	349,150,688	14
Receivables, net (Notes 4, 11 and 12)	22,943,600	1	22,928,736	1	23,197,784	1
Current tax assets (Notes 4 and 31)	52,528	-	344,089	-	515,250	-
Discounts and loans, net (Notes 4, 5, 12, 34, 35 and 36)	1,682,443,374	63	1,554,775,087	61	1,523,351,146	63
Other financial assets, net (Notes 4, 14 and 37)	2,853,427	-	3,857,675	-	20,672,510	1
Property and equipment, net (Notes 4 and 16)	21,096,328	1	20,979,380	1	20,851,771	1
Right-of-use assets, net (Notes 4 and 17)	1,912,016	-	1,941,510	-	1,973,365	-
Investment property, net (Notes 4 and 18)	13,848,818	1	13,852,096	-	13,855,438	1
Intangible assets, net (Notes 4 and 19)	1,089,149	-	595,639	-	624,318	-
Deferred tax assets (Notes 4 and 31)	4,985,108	-	3,455,911	-	3,490,379	-
Other assets, net (Notes 20 and 37)	<u>737,430</u>	<u>-</u>	<u>1,464,053</u>	<u>-</u>	<u>1,471,932</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 2,651,459,941</u></b>	<b><u>100</u></b>	<b><u>\$ 2,551,106,497</u></b>	<b><u>100</u></b>	<b><u>\$ 2,417,921,905</u></b>	<b><u>100</u></b>
<b>LIABILITIES AND EQUITY</b>						
Deposits from the Central Bank and banks (Notes 4, 21 and 36)	\$ 91,012,918	4	\$ 72,221,898	3	\$ 92,879,270	4
Due to the Central Bank and banks (Notes 6 and 37)	-	-	27,667,470	1	19,032,740	1
Financial liabilities at fair value through profit or loss (Notes 4, 7, 34 and 36)	8,237,001	-	3,150,309	-	3,470,280	-
Securities sold under repurchase agreements (Note 4)	1,078,302	-	1,372,860	-	1,433,128	-
Payables (Notes 4, 22 and 29)	49,327,106	2	36,770,068	2	33,709,750	2
Current tax liabilities (Notes 4 and 31)	509,816	-	318,060	-	641,489	-
Deposits and remittances (Notes 4, 23 and 36)	2,254,840,695	85	2,167,441,232	85	2,026,263,562	84
Bank notes payable (Notes 4, 24 and 34)	51,248,900	2	51,278,335	2	51,317,955	2
Other financial liabilities (Notes 4 and 25)	944,223	-	1,001,902	-	1,479,308	-
Reserve for liabilities (Notes 4, 5, 27 and 28)	4,642,663	-	4,694,126	-	4,930,603	-
Lease liabilities (Notes 4 and 17)	1,736,390	-	1,770,490	-	1,789,064	-
Deferred tax liabilities (Notes 4 and 31)	10,451,680	-	8,818,712	-	8,431,980	-
Other liabilities (Notes 4, 16 and 26)	<u>11,663,512</u>	<u>1</u>	<u>3,148,580</u>	<u>-</u>	<u>2,726,426</u>	<u>-</u>
Total liabilities	<u>2,485,693,206</u>	<u>94</u>	<u>2,379,654,042</u>	<u>93</u>	<u>2,248,105,555</u>	<u>93</u>
<b>EQUITY (Notes 4, 29 and 31)</b>						
Capital stock						
Common stock	104,885,708	4	104,885,708	4	103,847,236	4
Reserve for capitalization	1,048,857	-	-	-	-	-
Retained earnings						
Legal reserve	43,043,607	2	40,320,456	2	38,266,789	2
Special reserve	12,201,590	-	12,201,590	1	12,201,590	1
Unappropriated earnings	5,502,822	-	9,130,892	-	11,040,062	-
Other equity	<u>(915,849)</u>	<u>-</u>	<u>4,913,809</u>	<u>-</u>	<u>4,460,673</u>	<u>-</u>
Total equity	<u>165,766,735</u>	<u>6</u>	<u>171,452,455</u>	<u>7</u>	<u>169,816,350</u>	<u>7</u>
<b>TOTAL</b>	<b><u>\$ 2,651,459,941</u></b>	<b><u>100</u></b>	<b><u>\$ 2,551,106,497</u></b>	<b><u>100</u></b>	<b><u>\$ 2,417,921,905</u></b>	<b><u>100</u></b>

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

# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST INCOME (Notes 4, 30 and 36)	\$ 9,024,795	106	\$ 6,737,067	97	\$ 16,329,655	102	\$ 13,411,341	97
INTEREST EXPENSE (Notes 30 and 36)	(2,799,365)	(33)	(1,727,381)	(25)	(4,652,973)	(29)	(3,594,662)	(26)
NET INCOME OF INTEREST	6,225,430	73	5,009,686	72	11,676,682	73	9,816,679	71
NET NON-INTEREST INCOME								
Net service fee income (Notes 4 and 30)	1,128,288	13	1,077,047	15	2,315,753	15	2,280,788	16
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 30)	404,447	5	388,184	5	664,453	4	704,575	5
Realized gain (loss) on financial assets at fair value through other comprehensive income (Notes 4 and 30)	241,928	3	407,785	6	383,562	2	602,360	4
Gain (loss) arising from derecognition of financial assets at amortized cost	(37)	-	-	-	(1,645)	-	-	-
Foreign exchange gain (loss) (Notes 4 and 34)	448,343	5	59,266	1	781,165	5	242,204	2
Net other non-interest income (loss) (Note 13)	83,792	1	48,439	1	141,911	1	238,754	2
Net non-interest income	2,306,761	27	1,980,721	28	4,285,199	27	4,068,681	29
NET REVENUE AND GAINS	8,532,191	100	6,990,407	100	15,961,881	100	13,885,360	100
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12)	(823,944)	(9)	(363,813)	(5)	(1,381,250)	(9)	(939,367)	(7)
OPERATING EXPENSES								
Employee benefits expenses (Notes 4 and 30)	(2,865,150)	(33)	(2,811,650)	(40)	(5,537,628)	(35)	(5,500,033)	(40)
Depreciation and amortization expenses (Notes 4 and 30)	(402,142)	(5)	(362,678)	(5)	(768,378)	(5)	(715,388)	(5)
Other general and administrative expenses	(1,089,595)	(13)	(951,959)	(14)	(2,104,869)	(13)	(1,851,851)	(13)
Total operating expenses	(4,356,887)	(51)	(4,126,287)	(59)	(8,410,875)	(53)	(8,067,272)	(58)
INCOME BEFORE INCOME TAX	3,351,360	40	2,500,307	36	6,169,756	38	4,878,721	35
INCOME TAX EXPENSE (Notes 4 and 31)	(408,645)	(5)	(278,762)	(4)	(849,899)	(5)	(711,271)	(5)
NET INCOME	2,942,715	35	2,221,545	32	5,319,857	33	4,167,450	30

(Continued)

# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified to profit or loss, net of tax:								
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	\$ (2,594,404)	(31)	\$ 442,495	6	\$ (1,497,536)	(9)	\$ 1,483,040	11
Items that will be reclassified to profit or loss, net of tax:								
Exchange differences on translation (Note 4)	567,339	7	(511,242)	(7)	1,724,030	11	(265,441)	(2)
Revaluation gains (losses) on investments in debt instruments measured at fair value through other comprehensive income (Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	(2,978,624)	(35)	212,061	3	(6,021,198)	(38)	(666,261)	(5)
Income tax related to items that will be reclassified to profit or loss (Notes 4 and 31)	(1,444)	-	6,474	-	651	-	14,267	-
Other comprehensive income (loss), net of tax	10,159	-	28,149	-	32,761	-	29,505	-
	(4,996,974)	(59)	177,937	2	(5,761,292)	(36)	595,110	4
TOTAL COMPREHENSIVE INCOME	<u>\$ (2,054,259)</u>	<u>(24)</u>	<u>\$ 2,399,482</u>	<u>34</u>	<u>\$ (441,435)</u>	<u>(3)</u>	<u>\$ 4,762,560</u>	<u>34</u>
NET PROFIT								
ATTRIBUTABLE TO:								
Owners of the Bank	<u>\$ 2,942,715</u>	<u>35</u>	<u>\$ 2,221,545</u>	<u>32</u>	<u>\$ 5,319,857</u>	<u>33</u>	<u>\$ 4,167,450</u>	<u>30</u>
Non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Bank	<u>\$ (2,054,259)</u>	<u>(24)</u>	<u>\$ 2,399,482</u>	<u>34</u>	<u>\$ (441,435)</u>	<u>(3)</u>	<u>\$ 4,762,560</u>	<u>34</u>
Non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
EARNINGS PER SHARE (Note 32)								
Basic	<u>\$ 0.28</u>		<u>\$ 0.21</u>		<u>\$ 0.50</u>		<u>\$ 0.39</u>	
Diluted	<u>\$ 0.28</u>		<u>\$ 0.21</u>		<u>\$ 0.50</u>		<u>\$ 0.39</u>	

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

(Concluded)



# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Bank						Other Equity		
	Capital Stock		Reserve for Capitalization	Retained Earnings			Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Total Equity
	Common Stock (In Thousand)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2021	10,384,724	\$ 103,847,236	\$ -	\$ 38,266,789	\$ 12,201,590	\$ 6,884,362	\$ (2,870,996)	\$ 6,724,809	\$ 165,053,790
Net income for the six months ended June 30, 2021	-	-	-	-	-	4,167,450	-	-	4,167,450
Other comprehensive income (loss) for the six months ended June 30, 2021, net of tax	-	-	-	-	-	-	(234,487)	829,597	595,110
Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	-	4,167,450	(234,487)	829,597	4,762,560
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	(11,750)	-	11,750	-
BALANCE AT JUNE 30, 2021	<u>10,384,724</u>	<u>\$ 103,847,236</u>	<u>\$ -</u>	<u>\$ 38,266,789</u>	<u>\$ 12,201,590</u>	<u>\$ 11,040,062</u>	<u>\$ (3,105,483)</u>	<u>\$ 7,566,156</u>	<u>\$ 169,816,350</u>
BALANCE AT JANUARY 1, 2022	10,488,571	\$ 104,885,708	\$ -	\$ 40,320,456	\$ 12,201,590	\$ 9,130,892	\$ (3,313,666)	\$ 8,227,475	\$ 171,452,455
Appropriation of 2021 earnings									
Legal reserve appropriated	-	-	-	2,723,151	-	(2,723,151)	-	-	-
Cash dividends	-	-	-	-	-	(5,244,285)	-	-	(5,244,285)
Stock dividends	-	-	1,048,857	-	-	(1,048,857)	-	-	-
Net income for the six months ended June 30, 2022	-	-	-	-	-	5,319,857	-	-	5,319,857
Other comprehensive income (loss) for the six months ended June 30, 2022, net of tax	-	-	-	-	-	-	1,645,880	(7,407,172)	(5,761,292)
Total comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	-	5,319,857	1,645,880	(7,407,172)	(441,435)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	68,366	-	(68,366)	-
BALANCE AT JUNE 30, 2022	<u>10,488,571</u>	<u>\$ 104,885,708</u>	<u>\$ 1,048,857</u>	<u>\$ 43,043,607</u>	<u>\$ 12,201,590</u>	<u>\$ 5,502,822</u>	<u>\$ (1,667,786)</u>	<u>\$ 751,937</u>	<u>\$ 165,766,735</u>

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

# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before income tax	\$ 6,169,756	\$ 4,878,721
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	1,381,250	939,367
Depreciation expense	604,944	587,479
Amortization expense	163,434	127,909
Interest income	(16,329,655)	(13,411,341)
Dividend income	(569,815)	(242,402)
Interest expense	4,652,973	3,594,662
Net gain on financial assets or liabilities at fair value through profit	(11,373,402)	(2,741,692)
Loss (gain) on disposal of investments	186,769	(360,211)
Unrealized foreign exchange losses	10,708,949	2,037,117
Other adjustments	422,747	(80,429)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank	3,001,928	(6,771,721)
Decrease (increase) in financial assets at fair value through profit or loss	23,646,713	(39,916,412)
Decrease (increase) in receivables	806,838	(1,787,436)
Increase in discounts and loans	(128,825,232)	(46,532,199)
Increase in financial assets at fair value through other comprehensive income	(59,949,545)	(32,551,477)
Increase in investments in debt instruments at amortized cost	(22,026,368)	(3,867,241)
Decrease in other financial assets	1,003,417	4,905,366
Decrease in other assets	731,387	1,278,502
Increase in deposits from the Central Bank and banks	18,164	97,562
Increase in deposits and remittances	87,399,463	108,276,413
Increase in payables	6,781,150	11,689,248
Decrease in financial liabilities at fair value through profit or loss	(10,088,964)	(1,554,799)
Decrease in reserve for liabilities	(188,387)	(232,290)
Decrease in other financial liabilities	(57,679)	(469,841)
Increase in other liabilities	<u>8,507,528</u>	<u>242,660</u>
Cash flows used in operations	(93,221,637)	(11,864,485)
Interest received	15,949,707	13,641,628
Dividends received	213,552	135,186
Interest paid	(4,155,142)	(3,815,310)
Income taxes paid	<u>(521,611)</u>	<u>(862,874)</u>
Net cash flows used in operating activities	<u>(81,735,131)</u>	<u>(2,765,855)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(406,746)	(192,112)
Acquisition of intangible assets	<u>(602,511)</u>	<u>(63,806)</u>
Net cash flows used in investing activities	<u>(1,009,257)</u>	<u>(255,918)</u>

(Continued)

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

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

# **CHANG HWA COMMERCIAL 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)**

---

### **1. ORGANIZATION AND BUSINESS SCOPE**

Chang Hwa Commercial Bank, Ltd. (the “Bank”) was incorporated under Banking Law, Securities and Exchange Law and Taiwan Company Law on March 1, 1947 and obtained its banking license from the Ministry of Economic Affairs in July 1950. The Bank’s shares have been listed and traded on the Taiwan Stock Exchange (TWSE) since February 1962.

The Bank mainly engages in the following business:

- a. All commercial banking operations allowed by the Banking Law;
- b. Trust operations;
- c. International banking operations;
- d. Overseas branch operations authorized by the respective foreign governments; and
- e. Other operations authorized by the central authority.

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

### **2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Bank’s board of directors on August 25, 2022.

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

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

Except for the following, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Bank and its subsidiaries (collectively referred to as the “Group”) accounting policies.

#### **1) Annual Improvements to IFRS Standards 2018-2020**

Several standards were amended in the annual improvements and in which the Group applied the amendments to IFRS 9 to modifications and exchanges of financial liabilities that occur on or after January 1, 2022. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

2) Amendment to IFRS 16 “Covid-19 - Related Rent Concessions beyond June 30, 2021”

The Group elected to apply the practical expedient provided in the amendments to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Group shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Group applied the amendments from January 1, 2022 and recognized the cumulative effect of retrospective application in retained earnings on January 1, 2022.

b. IFRSs approved by the FSC for prospective application in 2023

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
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 were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

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

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

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

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

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

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

##### **Basis of Preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair values, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 inputs are unobservable inputs for an asset or liability.

##### **Basis of Consolidation**

The consolidated financial statements incorporate the financial statement of the Company and the entities controlled by the Company (i.e., its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 15 and Table 1 for detailed information on subsidiaries (including percentages of ownership and main businesses).

##### **Other Significant Accounting Policies**

Except for the following, for the summary of other significant accounting policies, refer to the Group's consolidated financial statements for the year ended December 31, 2021.

- a. Retirement benefits

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

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

Refer to the summary of critical accounting judgements and key sources of estimation uncertainty in the Group's consolidated financial statements for the year ended December 31, 2021.

## 6. CASH AND CASH EQUIVALENTS/DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS/DUE TO THE CENTRAL BANK AND BANKS

a. Cash and cash equivalents

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Cash on hand	\$ 13,164,052	\$ 11,986,278	\$ 12,263,164
Checks for clearing	2,763,046	14,552,468	2,715,877
Due from banks	14,543,014	13,433,148	9,070,579
Foreign currencies on hand	<u>1,574,085</u>	<u>1,535,682</u>	<u>1,557,661</u>
	<u>\$ 32,044,197</u>	<u>\$ 41,507,576</u>	<u>\$ 25,607,281</u>

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

	<b>December 31, 2021</b>
Cash and cash equivalents	\$ 41,507,576
Call loans to banks	<u>152,999,099</u>
	<u>\$ 194,506,675</u>

b. Due from the Central Bank and call loans to banks

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Call loans to banks	\$ 71,897,749	\$ 152,999,099	\$ 130,156,171
Reserve for checking accounts	24,575,656	24,508,522	28,931,056
Reserve for demand accounts	56,865,731	54,264,266	52,842,695
Reserve for foreign deposits	633,948	598,428	551,968
Others	<u>11,118,001</u>	<u>16,824,048</u>	<u>11,183,273</u>
	<u>\$ 165,091,085</u>	<u>\$ 249,194,363</u>	<u>\$ 223,665,163</u>

Cash and cash equivalents and due from the Central Bank and call loans to banks are assessed for impairment using approach similar to those used for investments in debt instruments (refer to Note 10). The Group considers its cash and cash equivalents to have low credit risk so its credit loss evaluation is on a 12-month expected credit loss basis.

c. Due to the Central Bank and banks

	June 30, 2022	December 31, 2021	June 30, 2021
Other dues to the Central Bank	\$ <u>          -</u>	\$ <u>27,667,470</u>	\$ <u>19,032,740</u>

According to the Central Bank's regulations on capital requirements in response to the COVID-19, the Group set aside \$35,000,000 thousand and \$30,000,000 thousand as of December 31, 2021 and June 30, 2021, respectively.

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

### Financial Assets at Fair Value Through Profit or Loss (FVTPL)

	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets mandatorily classified at FVTPL			
Derivative financial assets (not under hedge accounting)			
Futures	\$ 904,517	\$ 159,609	\$ 157,916
Forward exchange contracts	155,600	86,476	72,949
Interest rate swaps	326,273	128,448	251,118
Currency swaps	16,999,252	1,728,652	3,381,924
Currency call option premiums	60,505	32,426	37,924
Non-derivative financial assets			
Investment in bills	26,967,952	50,539,806	46,106,507
Domestic listed stock	44,363	23,166	-
Domestic unquoted stock	505,945	331,681	250,343
Funds	19,450	12,000	-
Bank notes	-	858,997	-
Government bonds	4,905	440,518	5,654
Corporate bonds	<u>2,650,039</u>	<u>2,269,950</u>	<u>2,601,689</u>
	<u>\$ 48,638,801</u>	<u>\$ 56,611,729</u>	<u>\$ 52,866,024</u>

The par values of notes provided for transactions with repurchase agreements were \$71,800 thousand, \$433,500 thousand and \$458,100 thousand as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively.



## Financial Liabilities at FVTPL

	June 30, 2022	December 31, 2021	June 30, 2021
Financial liabilities held for trading			
Derivative financial liabilities (not applying hedge accounting)			
Forward exchange contracts	\$ 179,779	\$ 28,402	\$ 61,891
Interest rate swaps	325,979	128,981	248,039
Currency swaps	7,670,735	2,960,496	3,122,416
Currency put option premiums	<u>60,508</u>	<u>32,430</u>	<u>37,934</u>
	<u>\$ 8,237,001</u>	<u>\$ 3,150,309</u>	<u>\$ 3,470,280</u>

The Group entered into derivative contracts during the six months ended June 30, 2022 and 2021 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Group is to minimize risks due to changes in fair value and cash flows.

The nominal principal amounts of outstanding derivative contracts as of June 30, 2022, December 31, 2021 and June 30, 2021 were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Currency swaps	\$ 717,025,552	\$ 671,334,286	\$ 624,950,426
Currency options	21,797,535	14,821,235	16,638,343
Forward exchange contracts	14,730,007	14,430,824	18,068,944
Interest rate swaps	85,699,236	107,323,685	154,376,816

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2022	December 31, 2021	June 30, 2021
Investments in equity instruments at FVTOCI			
Domestic listed stock	\$ 17,217,692	\$ 15,814,451	\$ 14,364,174
Domestic unquoted stock	10,845,275	11,494,597	10,039,721
Beneficiary and asset-based securities	<u>230,625</u>	<u>233,100</u>	<u>-</u>
	<u>28,293,592</u>	<u>27,542,148</u>	<u>24,403,895</u>
Investments in debt instruments at FVTOCI			
Government bonds	52,824,965	27,322,940	14,328,364
Corporate bonds	69,544,134	51,529,797	55,178,311
Bank notes	65,867,956	61,181,463	54,253,253
Bonds issued by international organizations	4,694,489	850,502	283,796
Beneficiary and asset-based securities	4,081,040	4,651,193	6,866,173
Investments in bills	<u>1,135,165</u>	<u>1,116,960</u>	<u>1,124,763</u>
	<u>198,147,749</u>	<u>146,652,855</u>	<u>132,034,660</u>
	<u>\$ 226,441,341</u>	<u>\$ 174,195,003</u>	<u>\$ 156,438,555</u>

A portion of the investments in equity instruments is for strategic purpose and not held for trading; the management designated these investments as at FVTOCI.

- a. Refer to Note 10 for information relating to their credit risk management and impairment.
- b. The par values of bonds provided for transactions with repurchase agreement were \$911,400 thousand, \$852,600 thousand and \$884,500 thousand, as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively.
- c. Government bonds placed as deposits in courts amounted to \$221,100 thousand, \$249,300 thousand and \$329,800 thousand as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively. Another government bonds placed as operating deposits amounted to \$330,000 thousand; government bonds placed as reserve fund for trust compensation amounted to \$220,000 thousand; overseas branches' bonds provided as collateral for operations were \$419,431 thousand, \$217,887 thousand and \$221,357 thousand as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively. Government bonds placed at the Central Bank as collateral for treasury operations amounted to \$5,600,000 thousand and \$4,600,000 thousand as of December 31, 2021 and June 30, 2021. Refer to Note 37 for information relating to investments in debt instruments at FVTOCI pledged as security.

## 9. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	June 30, 2022	December 31, 2021	June 30, 2021
Investments in bills	\$ 360,719,119	\$ 360,215,104	\$ 324,173,198
Bank notes	31,604,465	11,339,437	3,011,478
Corporate bonds	4,303,415	3,652,914	4,416,029
Government bonds	10,703,140	11,243,118	7,868,869
Bonds issued by international organizations	5,685,547	5,323,099	-
Beneficiary and asset-based securities	<u>14,267,053</u>	<u>13,482,657</u>	<u>9,681,114</u>
	<u>\$ 427,282,739</u>	<u>\$ 405,256,329</u>	<u>\$ 349,150,688</u>

- a. Refer to Note 10 for information relating to their credit risk management and impairment.
- b. The amounts of the overseas branches' bonds provided as collateral for operations were \$148,675 thousand, \$138,275 thousand and \$139,475 thousand as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively.
- c. Certificates of deposit placed as reserves for clearing at the Central Bank amounted to \$36,000,000 thousand; certificates of deposit which were issued by Central Bank and pledged for call loans from banks amounted to \$5,300,000 thousand as of June 30, 2022, December 31, 2021 and June 30, 2021.
- d. Refer to Note 37 for information relating to investments in debt instruments at amortized cost pledged as security.

## 10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments are classified as at FVTOCI and as at amortized cost.

June 30, 2022

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 204,928,725	\$ 427,290,929	\$ 632,219,654
Less: Allowance for impairment loss	<u>(54,307)</u>	<u>(8,190)</u>	<u>(62,497)</u>
Amortized cost	204,874,418	<u>\$ 427,282,739</u>	632,157,157
Adjustment to fair value	<u>(6,726,669)</u>		<u>(6,726,669)</u>
	<u>\$ 198,147,749</u>		<u>\$ 625,430,488</u>

December 31, 2021

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 147,412,633	\$ 405,260,925	\$ 552,673,558
Less: Allowance for impairment loss	<u>(53,656)</u>	<u>(4,596)</u>	<u>(58,252)</u>
Amortized cost	147,358,977	<u>\$ 405,256,329</u>	552,615,306
Adjustment to fair value	<u>(706,122)</u>		<u>(706,122)</u>
	<u>\$ 146,652,855</u>		<u>\$ 551,909,184</u>

June 30, 2021

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 132,022,545	\$ 349,153,250	\$ 481,175,795
Less: Allowance for impairment loss	<u>(53,641)</u>	<u>(2,562)</u>	<u>(56,203)</u>
Amortized cost	131,968,904	<u>\$ 349,150,688</u>	481,119,592
Adjustment to fair value	<u>65,756</u>		<u>65,756</u>
	<u>\$ 132,034,660</u>		<u>\$ 481,185,348</u>

The Group only invests in debt instruments that are rated as investment grade or higher and are assessed as having low credit impairment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored and assessed for whether there has been a significant increase in credit risk since the last period to the reporting date.

The Group considers the historical default rates of each credit rating supplied by external rating agencies to estimate 12-month or lifetime expected credit losses. The Group's current credit risk grading framework comprises the following categories:

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

Gross carrying amount and applicable expected credit loss rate of investments in debt instruments are as follows:

June 30, 2022

<b>Category</b>	<b>Expected Loss Rate</b>	<b>At FVTOCI</b>	<b>At Amortized Cost</b>
Performing	0%-0.3076%	<u>\$ 204,928,725</u>	<u>\$ 427,290,929</u>

December 31, 2021

<b>Category</b>	<b>Expected Loss Rate</b>	<b>At FVTOCI</b>	<b>At Amortized Cost</b>
Performing	0%-0.3396%	<u>\$ 147,412,633</u>	<u>\$ 405,260,925</u>

June 30, 2021

<b>Category</b>	<b>Expected Loss Rate</b>	<b>At FVTOCI</b>	<b>At Amortized Cost</b>
Performing	0%-0.3396%	<u>\$ 132,022,545</u>	<u>\$ 349,153,250</u>

At FVTOCI

<b>Allowance for Impairment Loss</b>	<b>Credit Rating</b>			<b>Total</b>
	<b>Performing (12-month ECLs)</b>	<b>Doubtful (Lifetime ECLs - Not Credit-impaired)</b>	<b>Defaulted (Lifetime ECLs - Credit-impaired)</b>	
Balance at January 1, 2022	\$ 53,656	\$ -	\$ -	\$ 53,656
Purchase of investments in debt instruments	8,202	-	-	8,202
Derecognition	(2,718)	-	-	(2,718)
Change in exchange rates or others	<u>(4,833)</u>	<u>-</u>	<u>-</u>	<u>(4,833)</u>
Balance at June 30, 2022	<u>\$ 54,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,307</u>
Balance at January 1, 2021	\$ 39,374	\$ -	\$ -	\$ 39,374
Purchase of investments in debt instruments	21,509	-	-	21,509
Derecognition	(4,213)	-	-	(4,213)
Change in exchange rates or others	<u>(3,029)</u>	<u>-</u>	<u>-</u>	<u>(3,029)</u>
Balance at June 30, 2021	<u>\$ 53,641</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,641</u>

At amortized cost

Allowance for Impairment Loss	Credit Rating			Total
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	Defaulted (Lifetime ECLs - Credit-impaired)	
Balance at January 1, 2022	\$ 4,596	\$ -	\$ -	\$ 4,596
Purchase of investments in debt instruments	4,825	-	-	4,825
Change in exchange rates or others	<u>(1,231)</u>	<u>-</u>	<u>-</u>	<u>(1,231)</u>
Balance at June 30, 2022	<u>\$ 8,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,190</u>
Balance at January 1, 2021	\$ 1,787	\$ -	\$ -	\$ 1,787
Purchase of investments in debt instruments	2,527	-	-	2,527
Derecognition	(1,749)	-	-	(1,749)
Change in exchange rates or others	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>(3)</u>
Balance at June 30, 2021	<u>\$ 2,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,562</u>

## 11. RECEIVABLES, NET

### a. Details of receivables

	June 30, 2022	December 31, 2021	June 30, 2021
Accounts receivable	\$ 8,794,639	\$ 9,987,264	\$ 10,500,822
Accrued incomes	6,592	11,666	1,483
Interests receivable	3,541,581	2,987,905	2,971,282
Acceptances receivable	4,417,242	5,033,937	4,188,798
Credit cards accounts receivable	4,237,811	3,565,790	2,095,328
Settlement price	648,742	790,929	1,304,649
Accounts receivable for settlement	1,022,688	606,377	1,276,692
Other receivables	<u>671,658</u>	<u>252,121</u>	<u>1,164,061</u>
	23,340,953	23,235,989	23,503,115
Less: Allowance for bad debts, receivables	<u>(397,353)</u>	<u>(307,253)</u>	<u>(305,331)</u>
	<u>\$ 22,943,600</u>	<u>\$ 22,928,736</u>	<u>\$ 23,197,784</u>

b. Allowance for receivables

1) Movements in the allowance for receivables

	For the Six Months Ended June 30, 2022					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing Loans and Bad Debts	Total
Receivables						
Beginning balance	\$ 10,978	\$ 2,223	\$ 153,817	\$ 167,018	\$ 140,235	\$ 307,253
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(1,558)	1,565	(7)	-	-	-
Transfers to credit-impaired financial assets	(171)	(22)	193	-	-	-
Transfers to 12-month expected credit losses	210	(65)	(145)	-	-	-
Financial assets derecognized for the period	(9,143)	(860)	(138,828)	(148,831)	-	(148,831)
Purchase or originated financial assets	9,423	1,005	126,312	136,740	-	136,740
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	-	-	110,865	110,865
Doubtful debts written off	-	-	(8,914)	(8,914)	-	(8,914)
Changes in exchange rates or others	25	5	210	240	-	240
Ending balance	<u>\$ 9,764</u>	<u>\$ 3,851</u>	<u>\$ 132,638</u>	<u>\$ 146,253</u>	<u>\$ 251,100</u>	<u>\$ 397,353</u>

**For the Six Months Ended June 30, 2021**

	<b>12-Month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Realized Credit Impairment</b>	<b>Loss Recognized Based on IFRS 9</b>	<b>Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing Loans and Bad Debts</b>	<b>Total</b>
Receivables						
Beginning balance	\$ 20,940	\$ 5,234	\$ 28,420	\$ 54,594	\$ 245,993	\$ 300,587
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(239)	287	(48)	-	-	-
Transfers to credit-impaired financial assets	(338)	(31)	369	-	-	-
Transfers to 12-month expected credit losses	199	(191)	(8)	-	-	-
Financial assets derecognized for the period	(19,364)	(2,570)	(14,865)	(36,799)	-	(36,799)
Purchase or originated financial assets	9,103	502	20,413	30,018	-	30,018
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	-	-	19,164	19,164
Doubtful debts written off	-	-	(7,618)	(7,618)	-	(7,618)
Changes in exchange rates or others	(3)	(1)	(17)	(21)	-	(21)
Ending balance	<u>\$ 10,298</u>	<u>\$ 3,230</u>	<u>\$ 26,646</u>	<u>\$ 40,174</u>	<u>\$ 265,157</u>	<u>\$ 305,331</u>

2) Movements in the total carrying amount of receivables

	For the Six Months Ended June 30, 2022			Total
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	
Beginning balance	\$ 22,630,646	\$ 172,155	\$ 433,188	\$ 23,235,989
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(24,668)	24,856	(188)	-
Transfers to credit-impaired financial assets	(4,899)	(941)	5,840	-
Transfers to 12-month expected credit losses	6,094	(3,444)	(2,650)	-
Purchase or originated financial assets	11,978,158	98,183	196,944	12,273,285
Derecognized	(11,645,128)	(135,885)	(392,356)	(12,173,369)
Doubtful debts written off	-	-	(8,914)	(8,914)
Changes in exchange rates or others	<u>13,107</u>	<u>539</u>	<u>316</u>	<u>13,962</u>
Ending balance	<u>\$ 22,953,310</u>	<u>\$ 155,463</u>	<u>\$ 232,180</u>	<u>\$ 23,340,953</u>
	For the Six Months Ended June 30, 2021			Total
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	
Beginning balance	\$ 21,406,829	\$ 253,128	\$ 121,968	\$ 21,781,925
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(3,733)	4,287	(554)	-
Transfers to credit-impaired financial assets	(1,827)	(3,415)	5,242	-
Transfers to 12-month expected credit losses	6,135	(6,012)	(123)	-
Purchase or originated financial assets	13,978,498	41,836	123,825	14,144,159
Derecognized	(12,144,995)	(189,135)	(78,713)	(12,412,843)
Doubtful debts written off	-	-	(7,618)	(7,618)
Changes in exchange rates or others	<u>(2,294)</u>	<u>(188)</u>	<u>(26)</u>	<u>(2,508)</u>
Ending balance	<u>\$ 23,238,613</u>	<u>\$ 100,501</u>	<u>\$ 164,001</u>	<u>\$ 23,503,115</u>



## 12. DISCOUNTS AND LOANS, NET

### a. Details of discounts and loans

	June 30, 2022	December 31, 2021	June 30, 2021
Negotiated and discounted	\$ 2,845,027	\$ 3,844,746	\$ 2,706,370
Overdrafts	1,198,415	1,239,708	1,202,066
Short-term loans	407,557,087	364,723,764	388,516,024
Margin loans receivable	244,761	400,141	433,344
Medium-term loans	535,932,847	461,290,174	444,723,590
Long-term loans	751,295,438	739,420,363	700,369,723
Overdue loans	<u>3,640,239</u>	<u>4,152,236</u>	<u>4,672,131</u>
	1,702,713,814	1,575,071,132	1,542,623,248
Less: Allowance for loan losses	<u>(20,270,440)</u>	<u>(20,296,045)</u>	<u>(19,272,102)</u>
	<u>\$ 1,682,443,374</u>	<u>\$ 1,554,775,087</u>	<u>\$ 1,523,351,146</u>

Loans of which the accrual of interest income was ceased internally as of June 30, 2022, December 31, 2021 and June 30, 2021 were \$3,640,239 thousand, \$4,152,236 thousand and \$4,672,131 thousand, respectively. The amounts of interest income that would have been accrued on these loans for the six months ended June 30, 2022 and 2021 were \$48,597 thousand and \$60,926 thousand, respectively.

The Group did not write off any loans without legal claims process during the six months ended June 30, 2022 and 2021.

### b. Allowance for discounts and loans

#### 1) Movements in the allowance for discounts and loans

	For the Six Months Ended June 30, 2022					
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	Total
Loans						
Beginning balance	\$ 2,104,357	\$ 2,116,708	\$ 5,294,105	\$ 9,515,170	\$ 10,780,875	\$ 20,296,045
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(42,585)	43,324	(739)	-	-	-
Transfers to credit impaired financial assets	(280)	(10,325)	10,605	-	-	-
Transfers to 12-month expected credit losses	101,450	(97,126)	(4,324)	-	-	-
Financial assets derecognized for the period	(542,081)	(755,634)	(674,795)	(1,972,510)	-	(1,972,510)
Purchased or originated financial assets	632,752	1,120,208	865,678	2,618,638	-	2,618,638

(Continued)

**For the Six Months Ended June 30, 2022**

	<b>12-month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Realized Credit Impairment</b>	<b>Loss Recognized Based on IFRS 9</b>	<b>Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts</b>	<b>Total</b>
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	\$ -	\$ -	\$ -	\$ -	\$ 978,033	\$ 978,033
Doubtful debts written off	-	-	(1,756,360)	(1,756,360)	-	(1,756,360)
Change in exchange rates or others	13,305	7,037	86,252	106,594	-	106,594
Ending balance	<u>\$ 2,266,918</u>	<u>\$ 2,424,192</u>	<u>\$ 3,820,422</u>	<u>\$ 8,511,532</u>	<u>\$ 11,758,908</u>	<u>\$ 20,270,440</u>

(Concluded)

**For the Six Months Ended June 30, 2021**

	<b>12-month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Realized Credit Impairment</b>	<b>Loss Recognized Based on IFRS 9</b>	<b>Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts</b>	<b>Total</b>
<b>Loans</b>						
Beginning balance	\$ 1,595,328	\$ 2,099,425	\$ 5,742,200	\$ 9,436,953	\$ 9,511,321	\$ 18,948,274
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(8,492)	9,640	(1,148)	-	-	-
Transfers to credit impaired financial assets	(834)	(19,067)	19,901	-	-	-
Transfers to 12-month expected credit losses	370,856	(368,497)	(2,359)	-	-	-
Financial assets derecognized for the period	(874,664)	(439,718)	(429,492)	(1,743,874)	-	(1,743,874)
Purchased or originated financial assets	872,823	445,460	1,506,730	2,825,013	-	2,825,013
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	-	-	519,101	519,101
Doubtful debts written off	-	-	(1,253,540)	(1,253,540)	-	(1,253,540)
Change in exchange rates or others	(1,864)	(2,323)	(18,685)	(22,872)	-	(22,872)
Ending balance	<u>\$ 1,953,153</u>	<u>\$ 1,724,920</u>	<u>\$ 5,563,607</u>	<u>\$ 9,241,680</u>	<u>\$ 10,030,422</u>	<u>\$ 19,272,102</u>

2) Movements in the total carrying amount of discounts and loans

	For the Six Months Ended June 30, 2022			Total
	12-month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	
Beginning balance	\$ 1,500,208,565	\$ 60,475,732	\$ 14,386,835	\$ 1,575,071,132
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit losses	(12,102,341)	12,110,108	(7,767)	-
Transfers to credit-impaired financial assets	(421,089)	(559,254)	980,343	-
Transfers to 12-month expected credit losses	2,734,491	(2,705,492)	(28,999)	-
Financial assets derecognized for the period	(453,273,037)	(24,351,442)	(4,114,468)	(481,738,947)
Purchase or originated financial assets	575,820,566	27,785,356	1,646,403	605,252,325
Doubtful debts written off	-	-	(1,756,360)	(1,756,360)
Changes in exchange rates or others	<u>5,378,785</u>	<u>369,193</u>	<u>137,686</u>	<u>5,885,664</u>
Ending balance	<u>\$ 1,618,345,940</u>	<u>\$ 73,124,201</u>	<u>\$ 11,243,673</u>	<u>\$ 1,702,713,814</u>
	For the Six Months Ended June 30, 2021			Total
	12-month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	
Beginning balance	\$ 1,412,549,836	\$ 69,691,173	\$ 14,594,110	\$ 1,496,835,119
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit losses	(4,407,247)	4,417,609	(10,362)	-
Transfers to credit-impaired financial assets	(610,545)	(866,947)	1,477,492	-
Transfers to 12-month expected credit losses	4,454,990	(4,435,702)	(19,288)	-
Financial assets derecognized for the period	(432,350,615)	(23,380,997)	(2,822,683)	(458,554,295)
Purchase or originated financial assets	486,683,854	17,882,850	2,674,552	507,241,256
Doubtful debts written off	-	-	(1,253,540)	(1,253,540)
Changes in exchange rates or others	<u>(1,480,526)</u>	<u>(134,335)</u>	<u>(30,431)</u>	<u>(1,645,292)</u>
Ending balance	<u>\$ 1,464,839,747</u>	<u>\$ 63,173,651</u>	<u>\$ 14,609,850</u>	<u>\$ 1,542,623,248</u>

- c. Details of provision for bad debts expense, commitment and guarantee for the three months and the six months ended June 30, 2022 and 2021

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Provision for receivable and loan (including overdue loan) losses	\$ 773,491	\$ 526,668	\$ 1,244,326	\$ 1,092,512
Provision (reversal) for loan commitment	48,089	(122,788)	68,115	(131,155)
(Reversal) provision for guarantee liability	(2,853)	(43,950)	68,694	(29,967)
Provision for others	<u>5,217</u>	<u>3,883</u>	<u>115</u>	<u>7,977</u>
	<u>\$ 823,944</u>	<u>\$ 363,813</u>	<u>\$ 1,381,250</u>	<u>\$ 939,367</u>

### 13. FINANCIAL ASSETS FOR HEDGING

	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets for hedging			
Fair value hedges - interest rate swaps	\$ <u>-</u>	\$ <u>147,321</u>	\$ <u>190,301</u>

The Group used interest rate swaps to minimize its exposure to the fair value fluctuations of its fixed-rate borrowings by entering into fixed-to-floating interest rate swap contracts. The interest swaps and the corresponding borrowings have the same terms, and management believes that the interest rate swaps are highly effective hedging instruments. The respective, nominal principal amount of the Bank's outstanding interest rate swaps as of December 31, 2021 and June 30, 2021 were \$6,000,000 thousand. The maturity period is from April 19, 2021 to September 27, 2026.

The fixed-to-floating interest swaps were designated and effective fair value hedging instruments. During the six months ended June 30, 2021, the swaps were effective in hedging the fair value exposure to interest rate movements, and as a result, the carrying amount of the fixed-rate borrowings were adjusted by \$178,335 thousand and \$217,955 thousand as of December 31, 2021 and June 30, 2021, respectively; these amounts were included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.

The information of hedging transactions is as follows:

- Hedging type: Fair value hedging.
- Hedging objective: To minimize the Group's risks from changes in fair value due to fluctuating interest rates, by converting fixed-rate notes to floating-rate notes.
- Hedging method: By signing interest rate swap contracts, which pay floating rates (interest rate: 0.4799%) and charge fixed rates (interest rate range: 1.2900%-1.6075%).
- Hedging effect: The results of hedging are all within the effective range of hedge accounting as defined by IFRS.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Hedging instrument profit (loss)	\$ -	\$ 8,007	\$ -	\$ (96)
Fair-value hedging profit	\$ -	\$ 6,321	\$ -	\$ 33,078

The realized gains or losses from hedging instruments and the realized gains or losses from fair-value hedging were accounted for as net other non-interest income and loss.

#### 14. OTHER FINANCIAL ASSETS

	June 30, 2022	December 31, 2021	June 30, 2021
Time deposits with original maturities of more than 3 months	\$ 2,662,200	\$ 3,689,850	\$ 20,621,400
Exchange bills negotiated	41,264	21,242	24,129
Overdue receivables	4,958	12,557	174,184
Call loan to security brokers	148,675	138,275	-
Less: Allowance for bad debts	(3,670)	(4,249)	(147,203)
	<u>\$ 2,853,427</u>	<u>\$ 3,857,675</u>	<u>\$ 20,672,510</u>

The market rates of time deposits with original maturities of more than 3 months were ranging from 2.35%-3.15% and 0.70%-3.05% for the six months ended June 30, 2022 and 2021, respectively.

Refer to Note 37 for information relating to other miscellaneous financial assets pledged as security.

#### 15. SUBSIDIARIES

##### Subsidiaries Included in Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership		
			June 30, 2022	December 31, 2021	June 30, 2021
The Bank	Chang Hua Commercial Bank, Ltd.	Banking	100	100	100
The Bank	Chang Hwa Bank Venture Capital Co., Ltd.	Investing	100	100	100

#### 16. PROPERTY AND EQUIPMENT

	June 30, 2022	December 31, 2021	June 30, 2021
Assets used by the Group	\$ 20,890,329	\$ 20,769,319	\$ 20,635,853
Assets leased under operating leases	<u>205,999</u>	<u>210,061</u>	<u>215,918</u>
	<u>\$ 21,096,328</u>	<u>\$ 20,979,380</u>	<u>\$ 20,851,771</u>

a. Asset used by the Group

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvements	Construction in Progress and Prepayment for Buildings and Equipment	Total
<u>Cost</u>								
Balance at January 1, 2022	\$ 14,817,873	\$ 9,335,623	\$ 4,810,890	\$ 738,067	\$ 1,521,271	\$ 991,535	\$ 349,782	\$ 32,565,041
Additions	-	5,567	224,681	10,250	16,403	4,830	145,015	406,746
Disposals	-	-	(34,885)	(6,067)	(13,567)	-	-	(54,519)
Reclassification	-	640	20,445	-	131	6,317	(81,198)	(53,665)
Effect of foreign currency exchange differences	-	15,935	2,989	490	1,532	3,302	564	24,812
Balance at June 30, 2022	<u>\$ 14,817,873</u>	<u>\$ 9,357,765</u>	<u>\$ 5,024,120</u>	<u>\$ 742,740</u>	<u>\$ 1,525,770</u>	<u>\$ 1,005,984</u>	<u>\$ 414,163</u>	<u>\$ 32,888,415</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2022	\$ -	\$ 4,768,940	\$ 4,109,168	\$ 648,891	\$ 1,374,975	\$ 893,748	\$ -	\$ 11,795,722
Disposals	-	-	(34,805)	(6,067)	(13,520)	-	-	(54,392)
Depreciation expense	-	93,433	105,728	12,407	21,831	14,626	-	248,025
Effect of foreign currency exchange differences	-	1,869	1,906	355	1,412	3,189	-	8,731
Balance at June 30, 2022	<u>\$ -</u>	<u>\$ 4,864,242</u>	<u>\$ 4,181,997</u>	<u>\$ 655,586</u>	<u>\$ 1,384,698</u>	<u>\$ 911,563</u>	<u>\$ -</u>	<u>\$ 11,998,086</u>
Carrying amount at June 30, 2022	<u>\$ 14,817,873</u>	<u>\$ 4,493,523</u>	<u>\$ 842,123</u>	<u>\$ 87,154</u>	<u>\$ 141,072</u>	<u>\$ 94,421</u>	<u>\$ 414,163</u>	<u>\$ 20,890,329</u>
Carrying amount at December 31, 2021 and January 1, 2022	<u>\$ 14,817,873</u>	<u>\$ 4,566,683</u>	<u>\$ 701,722</u>	<u>\$ 89,176</u>	<u>\$ 146,296</u>	<u>\$ 97,787</u>	<u>\$ 349,782</u>	<u>\$ 20,769,319</u>
<u>Cost</u>								
Balance at January 1, 2021	\$ 14,814,573	\$ 9,353,976	\$ 4,726,106	\$ 715,939	\$ 1,501,196	\$ 974,085	\$ 110,107	\$ 32,195,982
Additions	-	14,321	28,875	13,707	18,114	1,689	115,406	192,112
Disposals	-	-	(52,608)	(4,633)	(5,459)	(8,780)	-	(71,480)
Transfers to assets leased under operating leases	-	(51,203)	-	-	-	-	-	(51,203)
Reclassification	-	-	1,782	-	369	1,750	(4,715)	(814)
Effect of foreign currency exchange differences	-	(1,494)	(842)	(274)	(426)	(997)	(133)	(4,166)
Balance at June 30, 2021	<u>\$ 14,814,573</u>	<u>\$ 9,315,600</u>	<u>\$ 4,703,313</u>	<u>\$ 724,739</u>	<u>\$ 1,513,794</u>	<u>\$ 967,747</u>	<u>\$ 220,665</u>	<u>\$ 32,260,431</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2021	\$ -	\$ 4,595,870	\$ 4,011,555	\$ 633,634	\$ 1,347,551	\$ 891,421	\$ -	\$ 11,480,031
Disposals	-	-	(52,548)	(4,633)	(5,459)	(8,780)	-	(71,420)
Depreciation expense	-	94,645	100,013	11,530	22,484	13,074	-	241,746
Transfers to assets leased under operating leases	-	(23,892)	-	-	-	-	-	(23,892)
Reclassification	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	(136)	(566)	(183)	(383)	(619)	-	(1,887)
Balance at June 30, 2021	<u>\$ -</u>	<u>\$ 4,666,487</u>	<u>\$ 4,058,454</u>	<u>\$ 640,348</u>	<u>\$ 1,364,193</u>	<u>\$ 895,096</u>	<u>\$ -</u>	<u>\$ 11,624,578</u>
Carrying amount at June 30, 2021	<u>\$ 14,814,573</u>	<u>\$ 4,649,113</u>	<u>\$ 644,859</u>	<u>\$ 84,391</u>	<u>\$ 149,601</u>	<u>\$ 72,651</u>	<u>\$ 220,665</u>	<u>\$ 20,635,853</u>
Carrying amount at December 31, 2020 and January 1, 2021	<u>\$ 14,814,573</u>	<u>\$ 4,758,106</u>	<u>\$ 714,551</u>	<u>\$ 82,305</u>	<u>\$ 153,645</u>	<u>\$ 82,664</u>	<u>\$ 110,107</u>	<u>\$ 20,715,951</u>

b. Assets leased under operating leases

	Buildings
<u>Cost</u>	
Balance at January 1, 2022 and June 30, 2022	<u>\$ 426,505</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2022	\$ 216,444
Depreciation expense	<u>4,062</u>
Balance at June 30, 2022	<u>\$ 220,506</u>
Carrying amounts at June 30, 2022	<u>\$ 205,999</u>
Carrying amounts at December 31, 2021 and January 1, 2022	<u>\$ 210,061</u>

(Continued)

## Buildings

### Cost

Balance at January 1, 2021	\$ 385,210
Transfers from assets used by the Group	<u>51,203</u>

Balance at June 30, 2021	<u>\$ 436,413</u>
--------------------------	-------------------

### Accumulated depreciation and impairment

Balance at January 1, 2021	\$ 192,558
Depreciation expense	4,045
Transfers from assets used by the Group	<u>23,892</u>

Balance at June 30, 2021	<u>\$ 220,495</u>
--------------------------	-------------------

Carrying amounts at June 30, 2021	<u>\$ 215,918</u>
-----------------------------------	-------------------

Carrying amounts at December 31, 2020 and January 1, 2021	<u>\$ 192,652</u> (Concluded)
---	----------------------------------

Operating leases relate to buildings owned by the Group with lease terms between 1 and 20 years without an option to extend lease terms. All operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments for property used by the Group was as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Year 1	\$ 59,436	\$ 58,417	\$ 69,504
Year 2	52,465	52,096	66,133
Year 3	19,389	15,014	36,040
Year 4	12,594	8,060	9,861
Year 5	8,400	6,405	6,692
Year 6 onwards	<u>10,700</u>	<u>13,878</u>	<u>17,120</u>
	<u>\$ 162,984</u>	<u>\$ 153,870</u>	<u>\$ 205,350</u>

The above items of property and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives of the assets:

Buildings	
Main buildings	20-60 years
Air-conditioning units	5-10 years
Machinery equipment	4-16 years
Transportation equipment	2-10 years
Miscellaneous equipment	3-10 years
Leasehold improvements	5 years

## 17. LEASE ARRANGEMENTS

### a. Right-of-use assets

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Carrying amounts</u>			
Land	\$ 2,307	\$ 2,045	\$ 2,505
Buildings	1,823,957	1,854,103	1,898,185
Machinery equipment	-	-	10
Transportation equipment	72,697	71,645	59,979
Miscellaneous equipment	<u>13,055</u>	<u>13,717</u>	<u>12,686</u>
	<u>\$ 1,912,016</u>	<u>\$ 1,941,510</u>	<u>\$ 1,973,365</u>
	<b>For the Three Months Ended June 30</b>	<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>
			<b>2021</b>
Additions to right-of-use assets			<u>\$ 306,931</u>
Depreciation charge for right-of-use assets			<u>\$ 828,765</u>
Land	\$ 196	\$ 236	\$ 393
Buildings	162,942	162,141	325,722
Machinery equipment	-	10	-
Transportation equipment	9,365	9,626	19,122
Miscellaneous equipment	<u>2,139</u>	<u>2,182</u>	<u>4,342</u>
	<u>\$ 174,642</u>	<u>\$ 174,195</u>	<u>\$ 349,579</u>
			<u>\$ 338,216</u>

In addition to the additions and recognition of depreciation expenses mentioned above, the Group's right-of-use assets did not undergo significant sublease and impairment during the six months ended June 30, 2022 and 2021.

### b. Lease liabilities

	June 30, 2022	December 31, 2021	June 30, 2021
Carrying amounts	<u>\$ 1,736,390</u>	<u>\$ 1,770,490</u>	<u>\$ 1,789,064</u>

Range of discount rate for lease liabilities was as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Land	0.30%-1.23%	0.30%-0.91%	0.31%-0.91%
Buildings	0.20%-3.53%	0.20%-3.53%	0.20%-3.53%
Machinery equipment	0.31%-2.89%	0.31%-2.89%	0.20%-2.89%
Transportation equipment	0.26%-3.53%	0.34%-3.53%	0.25%-3.53%
Miscellaneous equipment	0.26%-3.54%	0.26%-2.89%	0.26%-3.40%



c. Material lease-in activities and terms

The Group leases certain buildings for operations of branches with lease terms from 3 to 15 years. The lease contract for offices located in New York specifies that lease payments are subject to 4 modifications during the lease terms and the Group can sublease the underlying assets. The lease contracts for offices located in Hong Kong and Taiwan specify that the premium for lease was \$46,767 thousand and lease payments will be adjusted each year. In addition, the Group was prohibited from subleasing all or any portion of the underlying assets.

The Group did not have significant acquisition of lease contracts during the six months ended June 30, 2022 and 2021.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties and freehold property, plant and equipment are set out in Notes 16 and 18.

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases	<u>\$ 8,070</u>	<u>\$ 13,606</u>	<u>\$ 20,088</u>	<u>\$ 21,729</u>
Expenses relating to low-value asset leases	<u>\$ 4,741</u>	<u>\$ 7,170</u>	<u>\$ 9,764</u>	<u>\$ 11,810</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 44,629</u>	<u>\$ 35,678</u>	<u>\$ 90,792</u>	<u>\$ 92,779</u>
Total cash outflow for leases			<u>\$ (120,644)</u>	<u>\$ (126,318)</u>

The Group's leases of certain land, buildings, transportation equipment and miscellaneous equipment qualify as short-term leases and leases of certain land, machinery equipment and miscellaneous equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

All lease commitments with lease terms commencing after the balance sheet dates are as follows:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Lease commitments	<u>\$ 27,524</u>	<u>\$ 28,083</u>	<u>\$ 21,086</u>

## 18. INVESTMENT PROPERTY

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Completed investment property	<u>\$ 13,848,818</u>	<u>\$ 13,852,096</u>	<u>\$ 13,855,438</u>

Except for depreciation recognized, the Group had no significant additions, disposals, and impairment of investment property during the six months ended June 30, 2022 and 2021.

Operating leases relate to the investment property owned by the Group with lease terms between 1 and 20 years, without an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

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

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Year 1	\$ 175,118	\$ 183,334	\$ 188,910
Year 2	166,837	175,262	174,334
Year 3	119,003	129,046	138,956
Year 4	98,816	103,365	111,278
Year 5	93,789	97,836	97,410
Year 6 onwards	<u>63,994</u>	<u>140,988</u>	<u>180,596</u>
	<u>\$ 717,557</u>	<u>\$ 829,831</u>	<u>\$ 891,484</u>

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings	20-60 years
Air-conditioning units	5-10 years

The investment properties are measured and stated at cost in the consolidated balance sheets. For management's purpose, the Group periodically measures the fair value of investment properties in accordance with the Group's internal rules and procedures. The Group conducts valuation process regularly, which is measured by level 3 inputs. The fair values were \$30,164,147 thousand, \$30,164,147 thousand and \$27,303,772 thousand as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively.

All investment properties are own right and interest.

Rental income and direct operating expenses generated by the investment property for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021 were as follows:

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Rental incomes	<u>\$ 38,109</u>	<u>\$ 41,698</u>	<u>\$ 74,699</u>	<u>\$ 81,130</u>
Direct operating expenses	<u>\$ 30,369</u>	<u>\$ 25,331</u>	<u>\$ 60,798</u>	<u>\$ 50,949</u>

## 19. INTANGIBLE ASSETS

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Computer software	<u>\$ 1,089,149</u>	<u>\$ 595,639</u>	<u>\$ 624,318</u>

	<b>Computer Software</b>
<u>Cost</u>	
Balance at January 1, 2022	\$ 595,639
Additions	602,511
Amortization expense	(163,199)
Reclassification	53,003
Effect of foreign currency exchange differences and others	<u>1,195</u>
Balance at June 30, 2022	<u>\$ 1,089,149</u>

Except for amortization recognized, the Group had no significant additions, disposals, and impairment of intangible assets during the six months ended June 30, 2021.

The intangible asset mentioned above are amortized on a straight-line basis over the estimated useful life of 3 to 5 years.

## 20. OTHER ASSETS

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Refundable deposits	\$ 537,167	\$ 1,325,277	\$ 1,307,497
Assumed collateral and residuals	23,418	23,418	23,418
Less: Accumulated impairment	(23,418)	(23,418)	(23,418)
Prepayments	198,894	138,022	163,504
Others	<u>1,369</u>	<u>754</u>	<u>931</u>
	<u>\$ 737,430</u>	<u>\$ 1,464,053</u>	<u>\$ 1,471,932</u>

## 21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Deposits from the Central Bank	\$ 28,076	\$ 27,112	\$ 25,121
Deposits from banks	379,303	335,965	452,699
Overdrafts on banks	67,259	19,725	549,749
Call loans from banks	90,312,677	71,587,355	91,558,500
Deposits transferred from Chunghwa Post Co., Ltd.	<u>225,603</u>	<u>251,741</u>	<u>293,201</u>
	<u>\$ 91,012,918</u>	<u>\$ 72,221,898</u>	<u>\$ 92,879,270</u>

## 22. PAYABLES

	June 30, 2022	December 31, 2021	June 30, 2021
Checks issued to payees for clearing	\$ 6,933,982	\$ 15,243,021	\$ 6,541,389
Accounts payable	11,877,841	3,721,750	3,157,153
Accrued expenses	1,779,731	2,402,083	1,668,089
Accrued interests	1,948,175	1,416,572	1,576,071
Acceptances	4,727,236	5,248,034	4,555,267
Others	<u>22,060,141</u>	<u>8,738,608</u>	<u>16,211,781</u>
	<u>\$ 49,327,106</u>	<u>\$ 36,770,068</u>	<u>\$ 33,709,750</u>

## 23. DEPOSITS AND REMITTANCES

	June 30, 2022	December 31, 2021	June 30, 2021
Checking account deposits	\$ 38,071,197	\$ 48,561,432	\$ 36,012,787
Demand deposits	607,184,121	601,485,748	547,638,547
Time deposits	589,648,573	488,772,705	442,004,034
Negotiable certificates of deposit	3,388,460	2,793,315	3,134,003
Savings account deposits	1,015,001,840	1,024,182,439	996,117,178
Remittances	<u>1,546,504</u>	<u>1,645,593</u>	<u>1,357,013</u>
	<u>\$ 2,254,840,695</u>	<u>\$ 2,167,441,232</u>	<u>\$ 2,026,263,562</u>

## 24. BANK NOTES PAYABLE

The Group has issued bank notes to enhance its capital adequacy ratio and raise medium to long-term operating funds. The information of the Bank notes is as follows:

The Group issued \$2,200 million subordinated bank notes A 103-1 with 7-year term on April 16, 2014. The bank notes had been redeemed on April 16, 2021.

The Group issued \$5,300 million subordinated bank notes B 103-1 with 10-year term on April 16, 2014.

The Group issued \$2,500 million subordinated bank notes C 103-1 with 10-year term on April 16, 2014.

The Group issued \$3,000 million subordinated bank notes A 105-1 with 7-year term on September 27, 2016.

The Group issued \$3,300 million subordinated bank notes B 105-1 with 10-year term on September 27, 2016.

The Group issued \$1,530 million subordinated bank notes A 106-1 with 7-year term on March 29, 2017.

The Group issued \$8,670 million subordinated bank notes B 106-1 with 10-year term on March 29, 2017.

The Group issued \$7,000 million perpetual subordinated bank notes 107-1 on April 26, 2018. Callable 5 years and 3 months after issue date.

The Group issued \$3,000 million perpetual subordinated bank notes 107-2 on November 8, 2018. Callable 5 years and 1 month after issue date.

The Group issued \$5,960 million perpetual subordinated bank notes 108-1 on June 27, 2019. Callable 5 years and 1 month after issue date.

The Group issued \$4,040 million perpetual subordinated bank notes 109-1 on May 27, 2020. Callable 5 years and 1 month after issue date

The Group issued \$6,800 million perpetual subordinated bank notes 109-2 on December 25, 2020. The bank notes are callable 5 years and 1 month after issue date.

The outstanding balance and details of subordinated bank notes are as follows:

<b>Bank Note, Interest Rate and Maturity Date</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
<u>Hedged financial liabilities at fair value</u>			
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	\$ -	\$ 3,000,000	3,000,000
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	-	1,000,000	1,000,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	-	2,000,000	2,000,000
Valuation adjustment	-	178,335	217,955
	-	6,178,335	6,217,955
<u>Non-hedged bank notes payable</u>			
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	5,300,000	2,300,000	2,300,000
103-1 Note C, 10-year term, interest payable annually, floating rate, maturity date: April 16, 2024	2,500,000	2,500,000	2,500,000
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	3,000,000	2,000,000	2,000,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	3,300,000	1,300,000	1,300,000
106-1 Note A, 7-year term, interest payable annually, interest rate 1.50%, maturity date: March 29, 2024	1,530,000	1,530,000	1,530,000
106-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: March 29, 2027	8,670,000	8,670,000	8,670,000
107-1, no maturity date, interest payable annually, interest rate 2.66%	7,000,000	7,000,000	7,000,000
107-2, no maturity date, interest payable annually, interest rate 2.30%	3,000,000	3,000,000	3,000,000

(Continued)

<b>Bank Note, Interest Rate and Maturity Date</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
108-1, no maturity date, interest payable annually, interest rate 1.90%	\$ 5,960,000	\$ 5,960,000	\$ 5,960,000
109-1, no maturity date, interest payable annually, interest rate 1.40%	4,040,000	4,040,000	4,040,000
109-2, no maturity date, interest payable annually, interest rate 1.25%	6,800,000	6,800,000	6,800,000
Valuation adjustment	<u>148,900</u>	<u>-</u>	<u>-</u>
	<u>51,248,900</u>	<u>45,100,000</u>	<u>45,100,000</u>
	<u>\$ 51,248,900</u>	<u>\$ 51,278,335</u>	<u>\$ 51,317,955</u>

(Concluded)

The Group engaged in derivative transactions as hedging instruments for the 103-1 Note B, 105-1 Note A and 105-1 Note B fixed interest rate bank notes to avoid fair value risks due to changes in interest rates. The nominal principal of interest rate swaps was accounted as hedging derivative financial assets. (Refer to Note 13).

## 25. OTHER FINANCIAL LIABILITIES

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Principal received on structured notes	\$ 608,032	\$ 576,199	\$ 945,457
Appropriations for loans	<u>336,191</u>	<u>425,703</u>	<u>533,851</u>
	<u>\$ 944,223</u>	<u>\$ 1,001,902</u>	<u>\$ 1,479,308</u>

The principal received on structured notes were the hybrid instruments issued at fixed income. The related income of structured notes were determined by the interest rates linked to targets.

## 26. OTHER LIABILITIES

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Advance receipts	\$ 803,130	\$ 634,407	\$ 623,246
Guarantee deposits	10,849,380	2,504,955	2,091,742
Deferred revenue	<u>11,002</u>	<u>9,218</u>	<u>11,438</u>
	<u>\$ 11,663,512</u>	<u>\$ 3,148,580</u>	<u>\$ 2,726,426</u>

## 27. RESERVE FOR LIABILITIES

	June 30, 2022	December 31, 2021	June 30, 2021
Reserve for employee benefits (Note 28)	\$ 3,589,255	\$ 3,769,721	\$ 3,976,051
Reserve for guarantee liabilities	747,075	657,449	648,589
Reserve for loan commitments	223,823	156,217	183,087
Reserve for decommissioning restoration and rehabilitation costs	50,777	49,959	64,675
Reserve for contingencies	92	-	-
Others	<u>31,641</u>	<u>60,780</u>	<u>58,201</u>
	<u>\$ 4,642,663</u>	<u>\$ 4,694,126</u>	<u>\$ 4,930,603</u>

Movements in reserve for guarantee liabilities, reserve for loans commitments and reserve for others were as follows:

For the Six Months Ended June 30, 2022						
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on the Laws	Total
Beginning balance	\$ 361,875	\$ 13,495	\$ 23,531	\$ 398,901	\$ 475,545	\$ 874,446
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(5,005)	5,005	-	-	-	-
Transfers to credit-impaired financial assets	(1)	-	1	-	-	-
Transfers to 12-month expected credit losses	92	(92)	-	-	-	-
Financial assets derecognize for the period	(108,051)	(9,707)	(2,702)	(120,460)	-	(120,460)
Purchase or originated financial assets	153,239	21,281	101	174,621	-	174,621
Recognized impairment difference based on the Laws	-	-	-	-	73,254	73,254
Changes in exchange rates or others	<u>665</u>	<u>13</u>	<u>-</u>	<u>678</u>	<u>-</u>	<u>678</u>
Ending balance	<u>\$ 402,814</u>	<u>\$ 29,995</u>	<u>\$ 20,931</u>	<u>\$ 453,740</u>	<u>\$ 548,799</u>	<u>\$ 1,002,539</u>

For the Six Months Ended June 30, 2021						
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on the Laws	Total
Beginning balance	\$ 416,984	\$ 82,185	\$ 33,457	\$ 532,626	\$ 517,416	\$ 1,050,042
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(391)	391	-	-	-	-
Transfers to 12-month expected credit losses	11,849	(11,849)	-	-	-	-
Financial assets derecognize for the period	(197,633)	(31,818)	(10,510)	(239,961)	-	(239,961)
Purchase or originated financial assets	89,469	4,379	7,668	101,516	-	101,516

(Continued)

For the Six Months Ended June 30, 2021						
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on the Laws	Total
Recognized impairment difference based on the Laws	\$ -	\$ -	\$ -	\$ -	\$ (21,356)	\$ (21,356)
Changes in exchange rates or others	(177)	(182)	(5)	(364)	-	(364)
Ending balance	<u>\$ 320,101</u>	<u>\$ 43,106</u>	<u>\$ 30,610</u>	<u>\$ 393,817</u>	<u>\$ 496,060</u>	<u>\$ 889,877</u>
(Concluded)						

## 28. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined benefit retirement plans was calculated using the prior year's actuarially determined pension cost discount rate as of December 31, 2021 and 2020 and the amounts were \$76,450 thousand, \$73,848 thousand, \$154,389 thousand and \$155,469 thousand for the three months ended and for the six months ended June 30, 2022 and 2021, respectively.

## 29. EQUITY

### a. Capital

#### Common stock

	June 30, 2022	December 31, 2021	June 30, 2021
Shares granted (in thousands)	<u>12,000,000</u>	<u>12,000,000</u>	<u>11,000,000</u>
Capital stock granted	<u>\$ 120,000,000</u>	<u>\$ 120,000,000</u>	<u>\$ 110,000,000</u>
Shares issued and fully paid (in thousands)	<u>10,488,571</u>	<u>10,488,571</u>	<u>10,384,724</u>
Capital stock issued	<u>\$ 104,885,708</u>	<u>\$ 104,885,708</u>	<u>\$ 103,847,236</u>

Fully paid common stock, with a par value at \$10, carry one vote per stock and carry a right to dividends.

As of January 1, 2021, the Bank's authorized and registered capital was \$110,000,000 thousand divided into 11,000,000 thousand shares at \$10 par value; the total paid-in capital was \$103,847,236 thousand. The Bank's authorized capital was increased by \$10,000,000 thousand in August 2021, and completed the capital increase from surplus in September 2021; the paid-in capital increased by \$1,038,472 thousand. As of December 31, 2021, the Bank's authorized capital was \$120,000,000 thousand divided into 12,000,000 thousand shares and, also on that date, the total amounts of paid-in capital amounted to \$104,885,708 thousand divided into 10,488,571 thousand outstanding shares at \$10 par value.

The Bank approved of capitalization of earnings as new stocks be issued in the stockholders' meeting. Capitalization of earnings in the amounts of \$1,048,857 thousand, divided into 104,886 thousand shares on June 17, 2022.



b. Distribution of earnings and dividend policy

Under the dividend policy as set forth in the Bank's amended Articles of Incorporation, where the Bank generates profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Bank's board of directors as the basis for proposing distribution plan, and 30% to 100% of the basis for proposing distribution plan should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of employees' compensation and remuneration of directors after amendment, refer to Note 30 (g) "employees' compensation and remuneration of directors".

To ensure the Bank has sufficient cash for present and future expansion plans and to enhance the profitability, the Bank prefers to distribute more stock dividends, but cash dividends shall not be less than 10% of total dividends distributed. If the cash dividends are less than \$0.1 per share, the Bank will not distribute any cash dividends, unless otherwise adopted in the stockholders' meeting.

Appropriation of earnings to legal reserve shall be made until the balance of legal reserve reaches the Bank's paid-in capital. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash.

The amendments explicitly stipulate that when a special reserve is appropriated for cumulative net debit balance reserves from prior period, the sum of net profit for current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings is not sufficient. Before the amendment of the Articles, the special reserve is appropriated from the prior unappropriated earnings.

Under Rule No. 10510001510 issued by the FSC on May 25, 2016, the Bank should appropriate 0.5%-1.0% net income as a special reserve when distributing surplus earnings for 2016, 2017 and 2018. Since 2017, the Bank should reverse an amount which is the same as the distributed surplus earnings mentioned above for the expense of employees' bridging-over arrangements and settlements caused by the development of financial technology.

The Bank cannot distribute cash dividends or purchase treasury stock if the Bank has any of the situations cited in Item 1, Section 1, Article 44 of the Banking Law.

The maximum amount of cash dividends cannot exceed 15% of the Bank's total capital if the Bank's capital surplus is less than the capital based on Section 1.

The restriction of the cash dividends stated above does not apply if the Bank's capital surplus exceeds the capital or the Bank's financial position satisfied the criteria from the authority and also the Bank appropriates the legal reserve based on the Banking Law.

The appropriations of earnings for 2021 and 2020 were approved in the stockholders' meeting on June 17, 2022 and July 20, 2021, respectively. The appropriations of earnings and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	
	<b>2021</b>	<b>2020</b>
Legal reserve	<u>\$ 2,723,151</u>	<u>\$ 2,053,667</u>
Cash dividends	<u>\$ 5,244,285</u>	<u>\$ 3,738,501</u>
Share dividends	<u>\$ 1,048,857</u>	<u>\$ 1,038,472</u>
Cash dividends per share (NT\$)	\$0.50	\$0.36
Share dividends per share (NT\$)	\$0.10	\$0.10

c. Special reserve

	June 30, 2022	December 31, 2021	June 30, 2021
Initial application of IFRSs	\$ 12,201,590	\$ 12,201,590	\$ 11,778,829
Reversals			
Disposal of investment properties	-	-	(3,058)
Others	<u>-</u>	<u>-</u>	<u>425,819</u>
	<u>\$ 12,201,590</u>	<u>\$ 12,201,590</u>	<u>\$ 12,201,590</u>

The special reserve relating to land may be reversed on the disposal or reclassification of the related asset. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserve and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

### 30. NET INCOME

a. Net income of interest

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Interest income				
Loans	\$ 7,236,706	\$ 5,695,414	\$ 13,302,759	\$ 11,326,503
Due from and call loans to banks	252,451	197,347	426,843	444,166
Investments in marketable securities	1,504,221	817,020	2,543,693	1,586,519
Others	<u>31,417</u>	<u>27,286</u>	<u>56,360</u>	<u>54,153</u>
	<u>9,024,795</u>	<u>6,737,067</u>	<u>16,329,655</u>	<u>13,411,341</u>
Interest expense				
Deposits	(2,373,473)	(1,442,437)	(3,955,112)	(2,990,674)
Due to Central Bank and call loans from banks	(195,335)	(43,561)	(249,800)	(103,659)
Others	<u>(230,557)</u>	<u>(241,383)</u>	<u>(448,061)</u>	<u>(500,329)</u>
	<u>(2,799,365)</u>	<u>(1,727,381)</u>	<u>(4,652,973)</u>	<u>(3,594,662)</u>
Net income of interest	<u>\$ 6,225,430</u>	<u>\$ 5,009,686</u>	<u>\$ 11,676,682</u>	<u>\$ 9,816,679</u>

b. 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 import and export	\$ 63,582	\$ 69,835	\$ 130,664	\$ 138,223
Remittance fees	84,432	86,277	171,587	176,265
Loan fees	248,601	147,342	429,477	271,742
Fees from trust	203,829	251,517	426,801	585,692
Fees from trust business	108,340	110,576	218,789	220,454
Fees from insurance agency	382,831	379,597	882,035	811,226
Others	<u>333,279</u>	<u>290,899</u>	<u>669,995</u>	<u>605,983</u>
	<u>1,424,894</u>	<u>1,336,043</u>	<u>2,929,348</u>	<u>2,809,585</u>
Service charge				
Interbank fees	(39,749)	(34,690)	(80,827)	(75,077)
Charges from trust	(560)	(2,623)	(1,558)	(8,918)
Custodian fees	(32,525)	(32,031)	(63,284)	(64,592)
Charges from insurance agency	(56,467)	(36,125)	(98,717)	(76,366)
Others	<u>(167,305)</u>	<u>(153,527)</u>	<u>(369,209)</u>	<u>(303,844)</u>
	<u>(296,606)</u>	<u>(258,996)</u>	<u>(613,595)</u>	<u>(528,797)</u>
Net service fee income	<u>\$ 1,128,288</u>	<u>\$ 1,077,047</u>	<u>\$ 2,315,753</u>	<u>\$ 2,280,788</u>

c. Gain (loss) on financial assets or liabilities measured at FVTPL

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Realized gain (loss) on financial assets or liabilities measured at FVTPL				
Stock	\$ (5,021)	\$ (15,433)	\$ (6,288)	\$ (3,238)
Bonds	9,803	669	(4,045)	2,817
Bills	4	(69)	(12)	(69)
Derivative financial instruments	442,825	184,233	724,716	468,114
Net interest gain	88,903	35,561	166,324	67,951
Stock dividends and bonus	<u>1,130</u>	<u>-</u>	<u>1,130</u>	<u>253</u>
	<u>537,644</u>	<u>204,961</u>	<u>881,825</u>	<u>535,828</u>
Valuation gain (loss) on financial assets or liabilities measured at FVTPL				
Stock	67,055	(952)	80,427	51,406
Bonds	27,943	106,047	60,085	146,341
Bills	27,953	(202)	8,719	(21,094)
Derivative financial instruments	<u>(256,148)</u>	<u>78,330</u>	<u>(366,603)</u>	<u>(7,906)</u>
	<u>(133,197)</u>	<u>183,223</u>	<u>(217,372)</u>	<u>168,747</u>
	<u>\$ 404,447</u>	<u>\$ 388,184</u>	<u>\$ 664,453</u>	<u>\$ 704,575</u>

d. Realized gain (loss) on financial assets at FVTOCI

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Stock dividends and bonus	\$ 517,294	\$ 223,294	\$ 568,686	\$ 242,149
Disposal gains				
Beneficiary securities	-	2,332	-	6,764
Bonds	25,758	201,023	176,349	472,117
Disposal losses				
Beneficiary securities	-	(734)	-	(3,871)
Bonds	<u>(301,124)</u>	<u>(18,130)</u>	<u>(361,473)</u>	<u>(114,799)</u>
	<u>\$ 241,928</u>	<u>\$ 407,785</u>	<u>\$ 383,562</u>	<u>\$ 602,360</u>

e. Depreciation and amortization expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Property and equipment	\$ 129,491	\$ 122,729	\$ 252,087	\$ 245,791
Investment property	1,637	1,734	3,278	3,472
Right-of-use assets	174,642	174,195	349,579	338,216
Intangible assets and other deferred assets	<u>96,372</u>	<u>64,020</u>	<u>163,434</u>	<u>127,909</u>
	<u>\$ 402,142</u>	<u>\$ 362,678</u>	<u>\$ 768,378</u>	<u>\$ 715,388</u>

f. Employee benefits expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 2,557,573	\$ 2,502,271	\$ 4,913,828	\$ 4,879,664
Post-employment benefits				
Defined contribution plans	58,216	54,023	121,712	113,728
Defined benefit plans (Note 28)	76,450	73,848	154,389	155,469
High-yield savings account for employees	144,686	143,524	286,480	280,644
Other post-employment benefits	28,225	28,432	56,428	56,631
Termination benefits	<u>-</u>	<u>9,552</u>	<u>4,791</u>	<u>13,897</u>
	<u>\$ 2,865,150</u>	<u>\$ 2,811,650</u>	<u>\$ 5,537,628</u>	<u>\$ 5,500,033</u>

g. Employees' compensation and remuneration of directors

The Bank accrued employees' compensation and remuneration of directors at the rates of 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the three months and the six months ended June 30, 2022 and 2021 are as follows:

Accrual rate

	<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Employees' compensation	5.00%	5.00%
Remuneration of directors	0.40%	0.40%

Amount

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>
Employees' compensation	<u>\$ 185,000</u>	<u>\$ 174,000</u>	<u>\$ 324,500</u>	<u>\$ 257,000</u>
Remuneration of directors	<u>\$ 15,000</u>	<u>\$ 13,500</u>	<u>\$ 26,400</u>	<u>\$ 20,500</u>

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

The appropriations of employees' compensation and remuneration of directors for 2021 and 2020 having been resolved by the board of directors on March 29, 2022 and March 26, 2021, respectively, were as below:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 534,849	\$ 360,242
Remuneration of directors	42,788	28,995

Due to changes in accounting estimates, the actual amount of employees' compensation and directors' remuneration, which was resolved in the meeting of the board of directors dated on March 29, 2022 and March 26, 2021, differs from what was accrued in the consolidation financial statements for 2021 and 2020. The difference was adjusted to profit and loss for 2022 and 2021.

	<b>For the Year Ended December 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Employees' Compensation</b>	<b>Remuneration of Directors</b>	<b>Employees' Compensation</b>	<b>Remuneration of Directors</b>
Amounts approved in the board of directors' meeting	<u>\$ 534,849</u>	<u>\$ 42,788</u>	<u>\$ 360,242</u>	<u>\$ 28,995</u>
Amounts recognized in the annual consolidated financial statements	<u>\$ 537,415</u>	<u>\$ 42,707</u>	<u>\$ 447,199</u>	<u>\$ 35,200</u>
Differences	<u>\$ (2,566)</u>	<u>\$ 81</u>	<u>\$ (86,957)</u>	<u>\$ (6,205)</u>

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

### 31. INCOME TAX

a. Major components of tax expense recognized in profit or loss

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Current income tax				
In respect of the current period	\$ 428,666	\$ 401,360	\$ 708,833	\$ 662,424
Income tax on unappropriated earnings	650	618	3,044	746
Deferred income tax				
In respect of the current period	<u>(20,671)</u>	<u>(123,216)</u>	<u>138,022</u>	<u>48,101</u>
Income tax expense recognized in profit or loss	<u>\$ 408,645</u>	<u>\$ 278,762</u>	<u>\$ 849,899</u>	<u>\$ 711,271</u>

b. Income tax recognized in other comprehensive income

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<u>Deferred tax</u>				
In respect of the current year:				
Exchange differences on translation	\$ 30,081	\$ (40,150)	\$ 78,150	\$ (30,954)
Unrealized (losses) gains of financial assets at FVTOCI	<u>(40,240)</u>	<u>12,001</u>	<u>(110,911)</u>	<u>1,449</u>
Total income tax benefit (loss) recognized in other comprehensive income	<u>\$ (10,159)</u>	<u>\$ (28,149)</u>	<u>\$ (32,761)</u>	<u>\$ (29,505)</u>

c. Income tax assessments

The Bank's income tax returns through 2019 had been examined and cleared by the tax authority.

The income tax returns of Chang Hwa Bank Venture Capital Co., Ltd. through 2020 had been examined and cleared by the tax authority.

## 32. EARNINGS PER SHARE

The computation of earnings per share was retrospectively adjusted for the effects of adjustments resulting from bonus stock issues on August 17, 2022. The basic and diluted after-tax earnings per stock of three months and six months ended June 30, 2021 were adjusted retrospectively as follows:

Unit: NT\$ Per Share

	<b>Before Adjusted Retrospectively</b>		<b>After Adjusted Retrospectively</b>	
	<b>For the Three Months Ended June 30, 2021</b>	<b>For the Six Months Ended June 30, 2021</b>	<b>For the Three Months Ended June 30, 2021</b>	<b>For the Six Months Ended June 30, 2021</b>
Basic earnings per stock	<u>\$ 0.21</u>	<u>\$ 0.40</u>	<u>\$ 0.21</u>	<u>\$ 0.39</u>
Diluted earnings per stock	<u>\$ 0.21</u>	<u>\$ 0.40</u>	<u>\$ 0.21</u>	<u>\$ 0.39</u>

The earnings and weighted average number of common stock outstanding in the computation of earnings per stock were as follows:

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Net profit for the period	<u>\$ 2,942,715</u>	<u>\$ 2,221,545</u>	<u>\$ 5,319,857</u>	<u>\$ 4,167,450</u>

The weighted average number of common stock outstanding (in thousands of stock) is as follows:

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Weighted average number of common stock used in computation of basic earnings per share	10,593,457	10,593,457	10,593,457	10,593,457
Effect of potentially dilutive common stock:				
Employees' compensation issued	<u>18,703</u>	<u>15,913</u>	<u>32,407</u>	<u>27,980</u>
Weighted average number of common stock used in the computation of diluted earnings per share	<u>10,612,160</u>	<u>10,609,370</u>	<u>10,625,864</u>	<u>10,621,437</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or stock, the Group assumed the entire amount of the compensation or bonus would be settled in stock and the resulting potential stock were included in the weighted average number of stock outstanding used in the computation of diluted earnings per stock, as the effect is dilutive. Such dilutive effect of the potential stock is included in the computation of diluted earnings per stock until the number of stock to be distributed to employees is resolved in the following year.

### 33. CAPITAL RISK MANAGEMENT

The description of the goals and procedures of the capital risk management of the Group is the same as the description in the Group's consolidated financial statements for the year ended December 31, 2021.

The following table illustrates the Group's self-owned capital, risk-weighted assets and calculated capital adequacy. The Group has conformed to the capital management regulation in the local authority for the six months ended June 30, 2022 and 2021.

Item		Period (Note 2)	June 30, 2022	December 31, 2021	June 30, 2021
Self-owned capital	Common equity Tier I		\$ 146,405,979	\$ 150,992,088	\$ 149,833,362
	Other Tier I capital		26,800,000	26,415,100	26,415,400
	Tier II capital		45,965,591	47,630,296	47,396,731
	Self-owned capital		219,171,570	225,037,484	223,645,493
Risk-weighted assets	Credit risk	Standardized approach	1,497,062,597	1,356,082,940	1,282,440,330
		IRB	-	-	-
		Securitization	3,767,672	3,727,948	3,309,457
	Operation risk	Basic indicator approach	-	-	-
		Standardized approach/optional standard	51,808,367	51,808,367	55,422,259
		Advanced internal rating based approach	-	-	-
	Market price risk	Standardized approach	30,094,842	22,422,633	17,692,680
		Internal model approach	-	-	-
	Total		1,582,733,478	1,434,041,888	1,358,864,726
Capital adequacy ratio			13.85%	15.69%	16.46%
Common equity Tier I to risk-weighted assets ratio			9.25%	10.53%	11.03%
Tier I capital to risk-weighted assets ratio			10.94%	12.37%	12.97%
Leverage ratio			6.10%	6.51%	6.83%

Note 1: The ratios are calculated in accordance with the Regulations Governing the Capital Adequacy and Capital Category of Banks.

Note 2: Annual financial statements should include the capital adequacy ratio in current and previous period. Besides, semiannual report should disclose the ratio as of the end of last year.

Note 3: Formula:

- Self-owned capital = Common equity Tier I + Other Tier I capital + Tier II capital
- Risk-weighted assets = Credit risk-weighted assets + (Operation risk capital + Market price risk capital) x 12.5
- Capital adequacy = Self-owned capital ÷ Risk-weighted assets
- Common equity Tier I capital to risk-weighted assets ratio = Common equity Tier I capital ÷ Risk-weighted assets
- Tier I capital to risk-weighted assets ratio = (Common equity Tier I + Other Tier I capital) ÷ Risk-weighted assets
- Leverage ratio = Tier I capital ÷ Adjusted average assets



### 34. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments that are not measured at fair value

##### Fair value of financial instruments not measured at fair value

##### June 30, 2022

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 427,282,739	\$ 49,110,963	\$ 370,410,155	\$ -	\$ 419,521,118
<u>Financial liabilities</u>					
Bank notes payable	51,248,900	-	148,900	51,551,087	51,699,987

##### December 31, 2021

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 405,256,329	\$ 38,553,326	\$ 366,213,556	\$ -	\$ 404,766,882
<u>Financial liabilities</u>					
Bank notes payable	51,278,335	-	6,178,335	46,595,019	52,773,354

##### June 30, 2021

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 349,150,688	\$ 20,649,615	\$ 328,526,159	\$ -	\$ 349,175,774
<u>Financial liabilities</u>					
Bank notes payable	51,317,955	-	6,217,955	46,877,354	53,095,309

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

June 30, 2022

<b>Fair Value Measurement of Financial Instruments</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ 51,513	\$ 29,914,897	\$ 226,244	\$ 30,192,654
Financial assets mandatorily measured at FVTPL				
Stock and fund investments	51,513	292,001	226,244	569,758
Bond investments	-	2,654,944	-	2,654,944
Others	-	26,967,952	-	26,967,952
Financial assets at FVTOCI	137,581,985	78,067,306	10,792,050	226,441,341
Stock investments	17,270,917	-	10,792,050	28,062,967
Bond investments	114,864,238	78,067,306	-	192,931,544
Others	5,446,830	-	-	5,446,830
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	904,517	17,541,630	-	18,446,147
Liabilities				
Financial liabilities at FVTPL	-	8,237,001	-	8,237,001

December 31, 2021

<b>Fair Value Measurement of Financial Instruments</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ 1,416,228	\$ 52,828,375	\$ 231,515	\$ 54,476,118
Financial assets mandatorily measured at FVTPL				
Stock and fund investments	122,247	13,085	231,515	366,847
Bond investments	1,293,981	2,275,484	-	3,569,465
Others	-	50,539,806	-	50,539,806
Financial assets at FVTOCI	101,558,129	61,184,018	11,452,856	174,195,003
Stock investments	15,856,192	-	11,452,856	27,309,048
Bond investments	79,700,684	61,184,018	-	140,884,702
Others	6,001,253	-	-	6,001,253
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	159,609	1,976,002	-	2,135,611
Other financial assets				
Financial assets for hedging	-	147,321	-	147,321
Liabilities				
Financial liabilities at FVTPL	-	3,150,309	-	3,150,309

June 30, 2021

<b>Fair Value Measurement of Financial Instruments</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ 78,768	\$ 48,769,588	\$ 115,837	\$ 48,964,193
Financial assets mandatorily measured at FVTPL				
Stock and fund investments	78,768	55,738	115,837	250,343
Bond investments	-	2,607,343	-	2,607,343
Others	-	46,106,507	-	46,106,507
Financial assets at FVTOCI	96,902,748	49,524,066	10,011,741	156,438,555
Stock investments	14,364,174	27,980	10,011,741	24,403,895
Bond investments	74,547,638	49,496,086	-	124,043,724
Others	7,990,936	-	-	7,990,936
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	157,916	3,743,915	-	3,901,831
Other financial assets				
Financial assets for hedging	-	190,301	-	190,301
Liabilities				
Financial liabilities at FVTPL	-	3,470,280	-	3,470,280

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the six months ended June 30, 2022

<b>Financial Assets</b>	<b>Financial Assets at FVTPL Equity Instrument</b>	<b>Financial Assets at FVTOCI Equity Instrument</b>
Beginning balance	\$ 231,515	\$ 11,452,856
Recognized in profit or loss (gain on financial assets or liabilities at FVTPL)	6,974	-
Recognized in other comprehensive income (unrealized loss on financial assets at FVTOCI)	-	(640,266)
Purchase	93,755	-
Sell	-	(20,540)
Transfer out of Level 3	(106,000)	-
Ending balance	<u>\$ 226,244</u>	<u>\$ 10,792,050</u>

For the six months ended June 30, 2021

	<b>Financial Assets at FVTPL</b>	<b>Financial Assets at FVTOCI</b>
<b>Financial Assets</b>	<b>Equity Instrument</b>	<b>Equity Instrument</b>
Beginning balance	\$ 110,525	\$ 8,830,725
Recognized in profit or loss (loss on financial assets or liabilities at FVTPL)	(17,238)	-
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	1,149,372
Purchase	52,500	31,644
Transfer out of Level 3	<u>(29,950)</u>	<u>-</u>
Ending balance	<u>\$ 115,837</u>	<u>\$ 10,011,741</u>

3) Definition for the hierarchy classifications of fair value measurements

a) Level 1

Level 1 inputs are quoted prices unadjusted in active markets for identical financial instruments. An active market indicates the market that is in conformity with all of the following conditions: The products in the market are identical; it is easy to find a knowledgeable and willing transaction counterparty; and price information is available to the public.

The fair values of the Group investments in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices are included in Level 1.

b) Level 2

Level 2 inputs are inputs other than quoted prices with reference to an active market that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair values of the Group's investments in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative bank debentures issued by the Group are included in Level 2.

c) Level 3

The input parameters used are not based on observable market data (unobservable input parameters are those such as option pricing models using historical volatility which cannot represent the expected value of all market participants). The fair values of the Group's investments in derivatives and equity investments without an active market are included in Level 3.

4) Valuation techniques and assumptions applied for the purpose of measuring fair value

a) Determination of fair value

A quoted market price is used as the fair value when a financial instrument has an active market. Such market prices are provided by the Stock Exchange Corporation, Bloomberg and Reuters, which are all the foundation of fair values for listed equity securities and debt instruments with a quoted market price in an active market.

If the market quotation from the Stock Exchange Corporation, commission merchants, underwriters or pricing service institutions can be frequently and readily obtained and the price represents actual and frequent at arm's length transactions, then a financial instrument is deemed to have an active market. If the above conditions are not met, the market is deemed inactive. In general, a significant price variance between the purchase price and selling price or a significantly increasing price variance are both indicators of an inactive market.

In addition to the above financial instruments with an active market, other financial instruments at fair value are assessed by valuation techniques or by referencing counterparties with other financial instruments at fair value with similar conditions and characteristics in actual practice, including market information obtained by exercising valuation models at the balance sheet date (such as yield curves used by TPEX and TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation).

When a financial instrument has no standardized valuation and has a greater level of complexity, such as interest rate swaps, currency swaps and options, the Group usually adopts the valuation generally accepted by market users. The inputs used for these financial instruments' valuations are usually observable information in the market.

For financial instruments with greater complexity, the fair value is assessed through the valuation model developed by valuation methods and techniques generally accepted by competitors. These kinds of valuation models are usually applicable for derivative instruments, debt instruments without quoted market price (including debt instruments of embedded derivatives) or other debt instruments with low market liquidity. Certain inputs used in these valuation models are not observable in the market, and the Group needs to make appropriate estimates based on assumptions.

- b) The types and nature of the valuation methods for financial instruments used by the Bank and its subsidiaries are as follows:
- i. NTD central government bonds: The bond market rate and theoretical interest rate are price-per-hundred conversions announced by TPEX.
  - ii. NTD corporate bonds and bank notes: The corporate bond reference rate is announced by TPEX, and the Group uses the appropriate credit rate and the remaining period to calculate the yield rate and convert it to price-per-hundred.
  - iii. NTD convertible corporate bonds: The closing prices of outright purchase/sale trading are listed on TPEX on the valuation day. If the price is not available, the price is referenced from the outright purchase/sale trading information listed on TPEX.
  - iv. Securitization instruments: Prices are those quoted from Bloomberg.
  - v. NTD short-term bills: The TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation are discounted from future cash flows.
  - vi. Foreign securities: The latest prices quoted from Bloomberg, Reuters or other systems on the valuation day are used, if there is no available price or valuation, then the price used is that which is quoted from counterparties.
  - vii. Listed stock, call/put warrants and depositary receipts: The closing price listed on TWSE or TPEX is adopted.
  - viii. Unlisted stock: The fair value is referenced from related financial information or estimated using the price and parameters of listed companies which have similar service attributes.

- ix. Beneficiary certificates: Closed-end funds use the closing price in an active market as the fair value and open-end funds use the net asset value of the fund as the fair value.
- x. Derivatives:
  - i) Call/put warrants and stock index futures: Prices quoted from an active market are deemed the fair values.
  - ii) Foreign currency forward contracts, currency swaps, interest rate swaps, cross currency swaps and operating deposits of transactions: Discounted future cash flows are adopted.
  - iii) Options: The Black-Scholes model, binomial tree model and Monte Carlo method are mainly adopted for valuation.
  - iv) Certain derivatives use the quoted price from counterparties.
- xi. Mixing Tools: The price from the active market, deal brokers and valuation models is used.
- c) Adjustments for credit risks and the definitions are as follows:

Credit valuation adjustment (CVA) is a measurement for derivatives which are not transacted through the stock market, or for over-the-counter derivatives. CVA reflects the fair value should a counterparty default and the possibility of not collecting the derivative's full market value.

CVA is calculated by applying the loss given default (LGD) to the exposure at default (EAD), along with the consideration of the counterparty's probability of default (PD) (assuming the condition that the Group does not default).

c. The impact of the interest rate benchmark reform

The financial instruments of the Group affected by the interest rate benchmark reform include loan, floating-rate bonds and asset exchanges. The link of interest rate benchmark is London Interbank Offered Rate (LIBOR). It is expected that LIBOR will be replaced by the alternative interest rate recommended by the interest rate reform group of various countries; the differences of the two rates are discussed in the next paragraph.

LIBOR is a forward-looking interest rate indicator that implies market expectations for future interest rate trends, and includes inter-bank credit discounts. The alternative interest rate recommended by the interest rate reform group of various countries is Overnight Financing Rate (secured or unsecured), which is a retrospective interest rate indicator calculated using actual transaction data, and does not include credit discounts. Therefore, when an existing contract is modified from a linked LIBOR to a linked Overnight Financing Rate, additional adjustments must be made to the aforementioned differences to ensure that the interest rate basis before and after the modification is economically equivalent.

The Group has formulated a plan for LIBOR conversion and exit and has handled risk management policy adjustments, internal process adjustments, information system updates, financial instrument evaluation model adjustments, and related accounting or tax issues required to match the interest benchmark reform. The Group has identified all the information systems and internal processes that need to be updated, and has updated some of them. The Group has started to discuss with the counterparties of the financial instruments how to amend the affected contracts, which is expected to be completed by December 31, 2021 for the position other than U.S. dollars and by December 31, 2022 for U.S. dollars.

Due to the interest benchmark reform, the Group faces interest rate basis risks. If the Group fails to complete the negotiation with the counterparty in the financial instrument, it will bring about material uncertainty, and trigger exposure to interest rate risk that the Group had not expected.

#### June 30, 2022

	Projects Affected by Interest Rate Benchmark Reform Indicators							
	USD LIBOR		GBP LIBOR		JPY LIBOR		EUR LIBOR	
	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts
Non-derivative								
financial assets								
Loans - syndicated								
loans	\$ 125,982,734	283	\$ -	-	\$ -	-	\$ -	-
Loans - other loans	15,291,149	37	-	-	-	-	-	-
Holding bonds	6,404,713	28	-	-	-	-	-	-
Derivative financial								
assets								
ECB asset								
exchange and								
structured								
products	2,378,800	1	-	-	-	-	-	-

#### June 30, 2021

	Projects Affected by Interest Rate Benchmark Reform Indicators							
	USD LIBOR		GBP LIBOR		JPY LIBOR		EUR LIBOR	
	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts
Non-derivative								
financial assets								
Loans - syndicated								
loans	\$ 86,899,943	254	\$ 1,353,479	2	\$ -	-	\$ 340,533	2
Loans - other loans	14,414,413	47	-	-	32,065	3	85,242	2
Holding bonds	13,898,707	64	-	-	-	-	-	-
Derivative financial								
assets								
ECB asset								
exchange and								
structured								
products	2,510,550	2	-	-	-	-	-	-

#### d. Financial risk management objectives and policies

##### 1) Market risk

##### a) The source and definition of market risk

Market risk is the uncertainty of changes in fair value of on- and off-balance sheet financial instruments due to changes in market risk factors. Market risk factors include interest rates, exchange rates, equity security prices and commodity prices.

The major market risks of the Group are equity securities price risks, interest rate risks, and exchange rate risks. The majority of equity securities risk includes domestic public stock, over-the-counter stock, emerging market stock, domestic stock index options and stock index futures. The main position of interest rate risk includes bonds and interest derivative instruments, such as interest rate swap. The main position of exchange rate risk includes the Group's investments denominated in foreign currencies, such as foreign currency spots, currency futures and foreign currency options.

b) Market risk management policy

The Group classifies the financial instruments held by the Group as trading book and banking book, and determines the market risk as interest rate risk, exchange rate risk, and equity security price risk. The Group establishes “Market Risk Management Regulation”, “Derivative Financial Trading Process” and various financial instrument related regulations to manage the market risk of overall foreign exchange position, normal position, interest rate position of trading book and equity security position. The overall interest rate risk management of banking book belongs to assets and liabilities management committee.

The market risk management regulations are as follows:

- i. Establish the market risk management process to ensure the risk would be identified, measured, monitored and reported.
- ii. Measure and monitor the market risk and keep it under the risk limit and minimize unexpected loss from market risk.
- iii. Follow the regulations of Basel Accord.
- iv. Establish the market risk management system and economic capital allocation process.
- v. Monitor the credit line management of financial instrument, sensitivity analysis, stress testing and the calculation of VaR. Report the result of market risk monitoring to Risk Management Committee periodically and Board of Director quarterly.

c) Market risk management procedures

According to “Whole Risk Management Policy”, risk management department is the second line of defense against the market risk. Risk management department performs the market risk management, establishes related management process, and reports to the appropriate level of the management. Besides, risk management department establishes independent risk management process and ensures its effectiveness.

i. Identifying and measuring

The effective market risk management process begins with identifying the inherent risk of operating activities and financial instruments. The Group reviews the risk identifying method timely when the market environment changes and makes necessary adjustment to ensure the effective operation of the market risk management process. The Group’s risk management department identifies market risk factors and measures the market risk. The market risk factors refer to the factors which affect the interest rate, exchange rate or the fair value of equity instruments. The market risk factors include the position, profits and loss, loss from stress testing, PVO1, Delta, VaR, etc.

ii. Monitoring and reporting

The Group controls market risk by managing risk limits. The risk management department sets various trading limits, such as position limits, stop-loss limits, and maximum potential loss. The trading limits are implemented only after they are reported to and approved by the board of directors.



The risk management department calculates exposures and estimated gains and losses on positions daily to make sure that the positions held and losses do not exceed the limits approved by the board of directors and prepares reports to the high-level management and the board of directors periodically for their sufficient understanding of the implementation of the market risk management and, if necessary, issuance of additional guidance.

The risk management department reports important market risk issues, such as discovery of possible loss on positions in each trading book or identification of weakness in the market risk management system, to the Risk Management Committee in order to improve the effectiveness of the market risk management.

iii. Stress testing

The stress testing is one of the important tools for risk management. It is used for verifying effects on the investment portfolio due to some extremely disadvantageous but possible stressful events and for analyzing exposure level and risk tolerance in such situations and furthermore evaluating the portfolio loss or the impact on the capital. Chang Hwa Bank performs stress testing for forecasting risk and for assessment and reinforcement of statistical models or historical data limitations.

d) Trading book market risk management

The trading book refers to the position of financial instruments held for trading or hedging. The position of financial instruments held for trading refers to the position which earns profits from actual or expected short-term price fluctuations.

i. Strategy

The Group determines the risk limitation of the investment portfolio of trading book by evaluating trading strategy, trading category, and annual performance.

ii. Management policy and procedures

The Group follows “Market Risk Management Rules”, “Derivative Financial Trading Process” and various financial instrument related regulations as the important management rules of trading book.

iii. Valuation policy

The trading positions are valued on a real time or daily basis. The hedging derivatives are valued at least twice a month. The resources of fair value of financial instruments are categorized as: (1) those derived from quoted prices in active markets; (2) the latest price without active market; (3) valuation without active market.

iv. Risk measuring methods

- i) The sensitivity of the interest rate changes of investment portfolio is measured by DVO1. The sensitivity of the foreign exchange derivatives is measured by the sensitivity factors (Delta, Gamma, and Vega).
- ii) With regard to the Group’s Value at Risk assumptions and calculation methods, refer to item i.
- iii) The Group performs the stress test quarterly and report the result to Risk Management Committee periodically.

e) Trading book interest rate risk management

i. Definition of interest rate risk

Interest rate risk is fair value changes in interest rate risk position held by the Group due to interest rate changes. The risks are mainly in debt securities and interest rate derivatives.

ii. Management procedures on trading book interest rate risk

The Group defines the trading limit of trading book and the stop-loss limit of different financial instruments by assessing the credit and the financial position of the issuers.

iii. Measuring methods

The interest rate factor sensitivity of debt securities and interest rate derivatives is measured by DVO1. With regard to the Group's Value at Risk assumptions and calculation methods, refer to Item i.

f) Banking book interest rate risk management

i. Definition of banking book interest rate risk

The Group's banking book interest rate risk means the unfavorable change of interest rate of non-trading-book interest rate position which changes the present value of revenues and costs or assets and liabilities and causes decrease of earnings or impairment of economic value.

ii. Management strategy on banking book interest rate risk

According to the Group's interest rate risk management policy, the Group has set various measurement indicators and limits on banking book interest rate risk. To pursue profits and steady growth of stockholder value without exposure to extreme loss risks, the Group applies appropriate management strategy including on- and off-balance sheet adjustments and maintains appropriate amounts of assets and liabilities.

iii. Banking book interest rate risk report/range of measuring system

The Group mainly applies standard method for interest rate risk sensitivity gap analysis to measure banking book interest rate risks. The responsible department periodically measures banking book interest rate risks and reports to related departments and to the asset and liability management committee in order to adopt appropriate strategies for adjusting banking book interest rate risk combinations. Assessment information of banking book interest rate risk would be presented to the board of directors periodically to let the high-level management controls such risks.

g) Exchange rate risk management

i. Definition of exchange rate risk

Exchange rate risk is the gain or loss resulting from exchange or translation of two different foreign currencies at different times. The Group's exchange rate risk mainly comes from spot and forward exchange positions.

ii. Exchange rate risk management policy, procedures and measuring methods

The risk management department sets the position limit and stop-loss limit of trading book investment combinations in order to control exchange rate risk. If the losses reach the stop-loss limit, the trading department should decrease risk exposure positions so as to control losses.

The risk management department applies sensitivity analysis or Value at Risk to measure exchange rate risk and calculates stress loss of risk position held. In sensitivity analysis, Delta is applied to measure the exchange rate risk of the first order change and Gamma is applied to measure the exchange rate risk of the second order change. In addition, Vega is used to measure the first order risk of implied volatility rate. With regard to the Group's Value at Risk assumptions and calculation methods, refer to Item i.

h) Equity security price risk management

i. Definition of equity security price risk

Equity security price risk is the valuation effect on the position held by the Group when the equity security price changes. The Group's equity security price risk mainly comes from public and over-the-counter stock, index futures and options.

ii. Equity security price risk management purpose

To avoid drastic fluctuations in the price of equity securities, which may adversely affect the Bank's financial position or suffer loss of earnings, the Group improves the efficiency of capital utilization and business operations.

iii. Equity security price risk management procedures

The Group sets restrictions on credit extensions with the same person, the same concerned party or the same affiliate to control the risk concentration. Risk management department monitors unrealized gain or loss of the holding position daily. If unrealized loss is over the stop-loss threshold, risk management department would notice the department which holds the position to subject to the related regulations. The department which holds the position should report to risk management committee if unrealized loss is over the stop-loss threshold but the department still holds the position.

iv. Measuring methods

The equity security price risk of trading book is monitored and controlled by VaR, please refer to item i.

The Group would perform stress testing for the equity security price risk of non-trading position and report the result to risk management committee.

i) Market risk measuring method

i. Value at Risk, “VaR”

The Group uses VaR model and stress testing to evaluate the risk of trading portfolio the market risk and the maximum expected loss of positions held through assumptions of changing market situation. VaR is the statistical estimation of potential losses of existing positions arising from unfavorable market changes. VaR refers to the maximum potential loss that Chang Hwa Bank might be exposed to within the confidence interval (99%), which means there is a certain probability (1%) that the actual loss would exceed VaR. Significant loss caused by excessive market volatility could not be avoided by using VaR.

The Group has been using historical simulation method to calculate VaR. The historical simulation method is based on historical data to estimate the future cash flow and assess the market risk of financial instrument. There are more and more financial institutions using the historical simulation method. However, there are some limitations for using the method. One of the limitations is that the assumption used in the method may not reflect the real situation. Besides, the simulation result may not be representative if the historical data used are too small. The Group would use proxy to respond to the limitations mentioned above.

According to the Group’s “Risk Management Committee Establishment Points”, the risk appetite of trading book market risk, operating limits and VaR limits should be approved by the risk management committee. VaR is an important internal risk control in the Group. The VaR limits of investment portfolio are approved annually by the risk management committee and reported to the board of directors. In addition, the daily actual VaR is monitored by the Group’s risk management department.

ii. As of June 30, 2022 and 2021, the Bank’s VaR factors based on historical simulation method were as follows:

	<b>For the Six Months Ended June 30, 2022</b>			
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Ending Balance</b>
Exchange VaR	\$ 133,892	\$ 194,006	\$ 109,264	\$ 186,062
Interest rate VaR	8,398	18,405	3,583	5,441
Equity securities VaR	<u>2,639</u>	<u>3,865</u>	<u>952</u>	<u>952</u>
Value at risk	<u>\$ 144,929</u>	<u>\$ 216,276</u>	<u>\$ 113,799</u>	<u>\$ 192,455</u>
	<b>For the Six Months Ended June 30, 2021</b>			
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Ending Balance</b>
Exchange VaR	\$ 144,785	\$ 194,225	\$ 103,236	\$ 187,956
Interest rate VaR	5,491	9,998	2,049	5,067
Equity securities VaR	<u>2,728</u>	<u>8,165</u>	<u>-</u>	<u>-</u>
Value at risk	<u>\$ 153,004</u>	<u>\$ 212,388</u>	<u>\$ 105,285</u>	<u>\$ 193,023</u>

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of June 30, 2022, December 31, 2021 and June 30, 2021 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	<b>June 30, 2022</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,274,656	29.7350	\$ 246,046,896
GBP	92,981	36.0500	3,351,965
AUD	2,495,117	20.4500	51,025,143
HKD	951,678	3.7890	3,605,908
CAD	147,882	23.0600	3,410,159
ZAR	4,397,588	1.8280	8,038,791
JPY	93,755,882	0.2177	20,410,656
EUR	909,907	31.0400	28,243,513
NZD	229,122	18.4800	4,234,175
RMB	10,682,208	4.4370	47,396,957
<u>Financial liabilities</u>			
Monetary items			
USD	15,841,999	29.7350	471,061,840
GBP	81,440	36.0500	2,935,912
AUD	1,460,403	20.4500	29,865,241
HKD	750,336	3.7890	2,843,023
CAD	118,300	23.0600	2,727,998
ZAR	4,141,222	1.8280	7,570,154
JPY	120,644,071	0.2177	26,264,214
EUR	1,000,312	31.0400	31,049,684
NZD	155,650	18.4800	2,876,412
RMB	11,240,629	4.4370	49,874,671

**(In Thousands of Foreign Currencies/New Taiwan Dollars)**

<b>December 31, 2021</b>			
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,390,390	27.6550	\$ 232,036,235
GBP	59,616	37.3600	2,227,254
AUD	1,732,166	20.0900	34,799,215
HKD	962,619	3.5460	3,413,447
CAD	107,092	21.6600	2,319,613
ZAR	4,358,966	1.7340	7,558,447
JPY	101,770,867	0.2405	24,475,894
EUR	776,810	31.3800	24,376,298
RMB	10,750,297	4.3410	46,667,039

Financial liabilities

Monetary items			
USD	14,943,696	27.6550	413,267,913
GBP	61,173	37.3600	2,285,423
AUD	1,147,194	20.0900	23,047,127
HKD	755,514	3.5460	2,679,053
CAD	105,834	21.6600	2,292,364
ZAR	4,139,630	1.7340	7,178,118
JPY	96,515,340	0.2405	23,211,939
EUR	805,792	31.3800	25,285,753
RMB	11,735,341	4.3410	50,943,115

**(In Thousands of Foreign Currencies/New Taiwan Dollars)**

<b>June 30, 2021</b>			
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,556,093	27.8950	\$ 238,672,214
GBP	51,598	38.6700	1,995,295
AUD	1,097,956	20.9700	23,024,137
HKD	571,969	3.5920	2,054,513
CAD	86,217	22.5100	1,940,745
ZAR	4,217,103	1.9460	8,206,482
JPY	75,304,863	0.2526	19,022,008
EUR	588,728	33.2200	19,557,544
NZD	16,841	19.5300	328,905
RMB	11,337,639	4.3160	48,933,250

(Continued)

	June 30, 2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 13,097,655	27.8950	\$ 365,359,086
GBP	45,960	38.6700	1,777,273
AUD	837,253	20.9700	17,557,195
HKD	562,948	3.5920	2,022,109
CAD	85,820	22.5100	1,931,808
ZAR	4,032,201	1.9460	7,846,663
JPY	80,972,271	0.2526	20,453,596
EUR	598,757	33.2200	19,890,708
NZD	53,070	19.5300	1,036,457
RMB	12,524,915	4.3160	54,057,533
			(Concluded)

For the three months ended June 30, 2022 and 2021, net foreign exchange gains were \$448,343 thousand and \$59,266 thousand, respectively. For the six months ended June 30, 2022 and 2021, net foreign exchange gains were \$781,165 thousand and \$242,204 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Bank and entities under its control.

### 3) Credit risk

#### a) Credit risk source and definition

Credit risk means the possible loss due to failure of debtors or counterparties to fulfill their contractual obligations or their ability to fulfill contractual obligations is impaired. Credit risk arises from the operation, on- and off-balance sheet items, including credit loans, derivatives transactions and securities investment, etc. Because the business becomes more complex, the credit risk is often generated with other risks that affect one another. For example, exchange rate risk also exists in foreign currency debt investment. Secured loans will be affected by the price volatility of the collateral and market liquidity risk of the collateral.

#### b) Credit risk management policy

- i. The Group continuously improves its credit risk management technology and its efficiency to meet the requirements of internal operations, business scale and management objectives and buildup the risk management system that fits the requirement of accuracy and completeness of the Group's risk management technology.
- ii. The Group is building a complete monitoring mechanism, setting up a loan early warning system to track down bad indications and risk changes of high-risk credits, setting up "corporate clients' risk exposure and credit risk quick-search system" to understand the negative reporting and transactions with the Group in order to enhance the credit risk's identification, measurement and monitoring and improve the quality of risk management.
- iii. The new "Chang Hwa Bank Customer Credit Deterioration Notice and Control Indicators Notice" has been developed. In addition to the relevant provisions of the "Customer Credit Deterioration Notice System", the "control indicators", improve the timeliness of operations and implement the first line defense function and responsibilities.

- iv. To control concentration risk, the Company sets limits for single creditors, related/group companies, industries, real estate, the Group's stakeholders, and high-risk industries in mainland China to monitor and control the overall credit risk.
- v. The Group actively utilizes the database system and related risk quantification tools to identify, measure and monitor risks. It also adjusts risk management policies and procedures in a timely manner to implement an independent and professional risk management mechanism, which enhances risk management effectiveness.
- vi. The Group implements strict and forward-looking credit risk stress testing to respond to the events or changes which may be unfavorable to the Group and in compliance with the requirements of the competent authority supervising risk management.
- vii. The Group is holding sessions and training in risk management to strengthen risk management intelligence and increase the Group's financial institution of loan.
- viii. Information on credit risk would be presented to the high-level management periodically.

The Group's credit risk management procedures and measuring methods for major business are described as follows:

- i. Credit business (including loan commitments and guarantees)

The various types credit assets of the Group are classified as follows based on credit quality and internal and external ratings.

- i) A determined signification increase in credit risk since initial recognition.

At the end of every reporting period, the Group evaluates the risk of default on credit assets occurring over their expected lifetime to determine whether the credit risk has increased significantly since their initial recognition.

For this credit risk evaluation, the Group corroborate information (including forward-looking information) which indicates a significant increase in credit risk since initial recognition of the credit assets. The key indicators include:

- Quantitative indicators

A change in internal credit rating

A financial instrument is determined as having a significant increase in credit risk since initial recognition if its internal credit rating is at the level of 16-18 or if the scoring of a housing loan debtor is lower than 340.

- Qualitative indicators

A credit account is rated as ordinary-overdue in accordance with the Group's "Detailed Rules for the Processing of Ordinary-overdue Accounts".

The result of the credit review shows that the credit application and the loan application are inconsistent.

The listed early warning accounts and the latest financial statements show a net worth of less than three-fourths of the share capital.



ii) Definition of the credit-impaired financial assets

A credit account that meets one of the following conditions is classified under Stage 3 (Credit impaired):

- The debtor's payment of the principal or interest is past due for more than 3 months from the end of the credit term; or the Group has already petitioned or withdrawn the debtor's collateral.
- The case has been agreed to be repaid in installments and is exempt from being listed as an overdue loan.
- The case was negotiated and adopted in accordance with the debt negotiation mechanism set by the Association of Banks in 2006.
- The case has been negotiated and agreed upon in accordance with "The Statute for Consumer Debt Clearance" (excluding secured debt fulfilled under the original contractual conditions).
- The case is ruled to undergo restructuring or liquidation by the court.
- The case is ruled to be restricted by the court.
- The case is declared bankrupt by the court.
- The case involves credit accounts of a debtor, excluding credit card accounts, which is partly transferred to class A and B non-performing loans (excluding the sixth item of class B: The credit account is totally guaranteed and the interest payment is not past due during the inheritance period after the death of the debtor and the collateral provider), as well as overdue loans or bad debt loans.
- Enterprises apply to the Ministry of Economic Affairs for credit and debt negotiation in accordance with the "Operating Guidelines for Assisting Enterprises in Bank Credit and Debt Negotiation by the Ministry of Economic Affairs".
- The case involves a credit account which has an internal credit rating at the level of 19-21.
- The case is a mortgage loan credit account of the Group which has no rating score.
- The case is a credit account which is determined as Stage 3 by the internal or external auditors, or the risk management department of the Group.

iii) Expected credit loss measurement

The Group classifies credit assets into the following nine categories by the credit risk characteristics of the respective debtor's industry and organization size:

<b>Business</b>	<b>Combination</b>
Corporate banking loans	Government
	Large enterprise
	Small enterprise
	legal person/group
	Overseas credit account
	Other groups
Individual banking loans	Individual-residential loan group
	Individual-other groups (unsecured)
	Individual-other groups (secured)

The Group measures the expected credit loss as follows:

- Stage 1, no significant increase in credit risk

The Group measures the loss allowance for Stage 1 financial instruments at an amount equal to the 12-month ECLs based on past loss experience. The ECLs is the difference between the respective asset's EAD carrying amount and the present value of its estimated future cash flows, estimated at the forward-looking adjusted PD and discounted at the effective interest rate.

- Stage 2, significant increase in credit risk

The Group measures the loss allowance for Stage 2 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the respective asset's EAD carrying amount and the present value of its computed outcome which is discounted at the effective interest rate. The computed outcome is the product of the unpaid principal for each year end over instruments expected lifetime, the forward-looking adjusted PD, and the LGD.

- Stage 3, credit impairment

The Group measures the loss allowance for Stage 3 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the asset's EAD carrying amount and the present value of its estimated future cash flows, estimated assuming the credit impairment situation is given and discounted at effective interest rate.

The PD and EAD and LGD are used to measure the impairment loss for financial assets in the credit business:

- PD is meaning of using past credit-impaired situations to predict the probability of credit impairment in normal situation in a year. The PD for Stage 3 financial instruments is determined as 100%. The PD for Stages 1 and 2 are based on the categories and the remaining lifetime for each credit account. The credit accounts are divided into groups by remaining lifetimes. The PD of each group is determined as the PD of each credit quality stage. The Group shall update the probability of default at least once a year.
- The EAD is the total expected exposure amount of default which includes the unsecured line of credit.

- The exposure amount of impairment-tested off-balance sheet assets (i.e., guarantees, letters of credit issued yet unused, irrevocable loan commitments issued, and revocable loan commitments issued) is converted into the equivalent exposure amount of on-balance sheet assets through a credit conversion factor (CCF). The CCF is determined according to the standardized approach of the credit risk Ratio as either 0%, 20%, 50% or 100% by referring to the respective off-balance sheet item's characteristics.
- The LGD is one minus the present value of the annual recovery rate. The annual recovery rate refers to the annual recovery amount of principal (including litigation expenses) and interest over non-performing loans plus accrued interest and litigation expenses.

iv) Forward-looking information

The Group classifies credit assets as either corporate banking - domestic, corporate banking - overseas and individual banking business. Macroeconomic indicators for each the above categories are estimated using the domestic economic growth rate, global economic growth rate and the domestic unemployment rate, respectively, and are updated at least once a year.

Macroeconomic indicators include the actual statistical value of the past five years and predicted value of the current year and the next five years at the time of calculation. The forward-looking adjusted PD is adjusted based on the reasonableness of each value's predicted trend.

The total amount of undiscounted ECLs at the time of initial recognition of the credit impaired financial assets - loans which were purchased or originated is as follows:

	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>
Discounts and loans	<u>\$ 1,646,403</u>	<u>\$ 2,674,552</u>

ii. Call loans to banks

The Group evaluates the credit status of counterparties before deals are closed. The Group grants different limits to counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating agencies. The Group assesses the credit limits of counterparties by level and financial status; the Group efficiently manages counterparties' credit risks through regular and special reviews, monitoring and reporting. Additionally, in accordance with the application of IFRS 9, the Group performs credit impairment assessments for call loans to banks, transfers the related credit losses to each of the three stages of credit impairment, and measures the related expected credit loss, so as to ensure adequate allowance for losses, in accordance with regulations.

### iii. Debt instruments

The Group identifies and manages the credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

A change in an external credit rating announced by international credit rating institutions (e.g., S&P and Moody's) is one of the quantitative indicators for judging a significant increase in the credit risk of financial assets at amortized cost and investments in debt instruments at FVTOCI. The measurement of ECLs is calculated using the PD and LGD announced periodically by international credit rating institutions. The international credit rating institutions consider forward-looking information when establishing credit ratings. Thus, when the Group measures ECLs using such credit ratings it holds that an adequate evaluation of the forward-looking information, which was used by the institutions for establishing such credit rating, is inherent therein.

### c) Credit risk hedging or mitigation policies

#### i. Collateral

The Group has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collateral from the borrowers. To secure the loans, the Group manages and assesses the collateral following the procedures that suggest the scope of collateralization and valuation of collateral and the process of disposition. In credit contracts, the Group stipulates the security mechanism for loans and the conditions and terms for collateral offsetting to state clearly that the Group reserves the right to reduce granted limit, to reduce repayment period, to demand immediate settlement or to offset the debts of the borrowers with their deposits in the Group in order to reduce the Group's credit risks.

#### ii. Credit line credit risks and control over concentration of credit risks

To avoid the concentration of credit risks, the Group has included credit limits for an individual (entity) and for related enterprises (group) in the guidelines for investment and regulations for risk control on equity investments. To manage the concentration risk on the assets, the Group has set credit limits by industry, conglomerate, real estate loan and high-risk industries in China to supervise concentration of credit risk in these categories, and control single counterparties, related companies, industries, and ultimate risks concentration of various types of credit risk by country. Various credit limits are regularly evaluated and revised in a timely manner based on the economic circumstances, financial environment and business development strategies, etc.

The table below analyzes the collateral held as security and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Group's consolidated balance sheets:

June 30, 2022

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	\$ 1,702,713,814	\$ 1,171,279,544	\$ -	\$ -	\$ 1,171,279,544
Financial assets at FVTPL	48,638,801	10,690,535	-	-	10,690,535
Investments in debt instruments at FVTOCI	198,147,749	6,361,037	-	-	6,361,037
Investments in debt instruments at amortized cost	427,282,739	-	-	-	-

## December 31, 2021

Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	\$ 1,147,138,609	\$ -	\$ -	\$ 1,147,138,609
Financial assets at FVTPL	5,463,610	-	-	5,463,610
Investments in debt instruments at FVTOCI	5,673,099	-	-	5,673,099
Investments in debt instruments at amortized cost	-	-	-	-

## June 30, 2021

Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	\$ 1,097,560,498	\$ -	\$ -	\$ 1,097,560,498
Financial assets at FVTPL	8,914,538	-	-	8,914,538
Investments in debt instruments at FVTOCI	4,761,148	-	-	4,761,148
Investments in debt instruments at amortized cost	-	-	-	-

The carrying amount of financial assets with maximum exposure is as follows:

Discounts and Loans				
June 30, 2022				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Credit rating				
Levels 1-15	\$ 950,565,555	\$ 15,823,548	\$ 3,137	\$ 966,392,240
Levels 16-18	-	53,722,200	1,318,106	55,040,306
Levels 19-21	-	-	7,862,820	7,862,820
No rating	667,780,385	3,578,453	2,059,610	673,418,448
Total carrying amount	<u>\$ 1,618,345,940</u>	<u>\$ 73,124,201</u>	<u>\$ 11,243,673</u>	<u>\$ 1,702,713,814</u>
Expected credit losses	\$ 2,266,918	\$ 2,424,192	\$ 3,820,422	\$ 8,511,532
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				11,758,908
				<u>\$ 20,270,440</u>

Discounts and Loans				
December 31, 2021				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Credit rating				
Levels 1-15	\$ 859,314,140	\$ 1,400,133	\$ 7,218	\$ 860,721,491
Levels 16-18	-	55,738,866	2,358,013	58,096,879
Levels 19-21	-	-	9,938,976	9,938,976
No rating	640,894,425	3,336,733	2,082,628	646,313,786
Total carrying amount	<u>\$ 1,500,208,565</u>	<u>\$ 60,475,732</u>	<u>\$ 14,386,835</u>	<u>\$ 1,575,071,132</u>
Expected credit losses	\$ 2,104,357	\$ 2,116,708	\$ 5,294,105	\$ 9,515,170
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				10,780,875
				<u>\$ 20,296,045</u>

Discounts and Loans				
June 30, 2021				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Credit rating				
Levels 1-15	\$ 821,335,599	\$ 1,138,225	\$ 36,680	\$ 822,510,504
Levels 16-18	-	60,649,233	1,678,883	62,328,116
Levels 19-21	-	-	11,200,281	11,200,281
No rating	<u>643,504,148</u>	<u>1,386,193</u>	<u>1,694,006</u>	<u>646,584,347</u>
Total carrying amount	<u>\$ 1,464,839,747</u>	<u>\$ 63,173,651</u>	<u>\$ 14,609,850</u>	<u>\$ 1,542,623,248</u>
Expected credit losses	\$ 1,953,153	\$ 1,724,920	\$ 5,563,607	\$ 9,241,680
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				<u>10,030,422</u>
				<u>\$ 19,272,102</u>

Guarantees in Guarantee Business				
June 30, 2022				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 63,511,212	\$ 869,204	\$ 87,114	\$ 64,467,530
Expected credit losses	195,052	5,124	20,831	221,007

Guarantees in Guarantee Business				
December 31, 2021				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 57,101,978	\$ 209,997	\$ 96,777	\$ 57,408,752
Expected credit losses	210,090	2,198	22,221	234,509

Guarantees in Guarantee Business				
June 30, 2021				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 55,952,404	\$ 356,249	\$ 97,519	\$ 56,406,172
Expected credit losses	172,291	2,574	22,294	197,159

Loan Commitments				
June 30, 2022				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carry amount - non-cancellable	\$ 85,857,511	\$ 4,734,195	\$ 366	\$ 90,592,072
Carry amount - cancellable	<u>610,816,084</u>	<u>14,613,518</u>	<u>57,985</u>	<u>625,487,587</u>
	<u>\$ 696,673,595</u>	<u>\$ 19,347,713</u>	<u>\$ 58,351</u>	<u>\$ 716,079,659</u>
Expected credit losses - non-cancellable	\$ 68,915	\$ 24,261	\$ 100	\$ 93,276
Expected credit losses - cancellable	<u>128,740</u>	<u>576</u>	<u>120</u>	<u>129,436</u>
	<u>\$ 197,655</u>	<u>\$ 24,837</u>	<u>\$ 220</u>	<u>\$ 222,712</u>

<b>Loan Commitments</b>				
<b>December 31, 2021</b>				
	<b>Stage 1 12-month Expected Credit Losses</b>	<b>Stage 2 Lifetime Expected Credit Losses</b>	<b>Stage 3 Lifetime Expected Credit Losses</b>	<b>Total</b>
Carry amount - non-cancellable	\$ 86,074,519	\$ 1,837,912	\$ -	\$ 87,912,431
Carry amount - cancellable	<u>625,444,091</u>	<u>9,699,276</u>	<u>697,165</u>	<u>635,840,532</u>
	<u>\$ 711,518,610</u>	<u>\$ 11,537,188</u>	<u>\$ 697,165</u>	<u>\$ 723,752,963</u>
Expected credit losses - non-cancellable	\$ 48,862	\$ 10,757	\$ -	\$ 59,619
Expected credit losses - cancellable	<u>94,487</u>	<u>121</u>	<u>136</u>	<u>94,744</u>
	<u>\$ 143,349</u>	<u>\$ 10,878</u>	<u>\$ 136</u>	<u>\$ 154,363</u>

  

<b>Loan Commitments</b>				
<b>June 30, 2021</b>				
	<b>Stage 1 12-month Expected Credit Losses</b>	<b>Stage 2 Lifetime Expected Credit Losses</b>	<b>Stage 3 Lifetime Expected Credit Losses</b>	<b>Total</b>
Carry amount - non-cancellable	\$ 71,902,380	\$ 3,124,968	\$ 1,290	\$ 75,028,638
Carry amount - cancellable	<u>548,859,928</u>	<u>10,118,600</u>	<u>87,438</u>	<u>559,065,966</u>
	<u>\$ 620,762,308</u>	<u>\$ 13,243,568</u>	<u>\$ 88,728</u>	<u>\$ 634,094,604</u>
Expected credit losses - non-cancellable	\$ 53,644	\$ 38,895	\$ 430	\$ 92,969
Expected credit losses - cancellable	<u>87,564</u>	<u>548</u>	<u>142</u>	<u>88,254</u>
	<u>\$ 141,208</u>	<u>\$ 39,443</u>	<u>\$ 572</u>	<u>\$ 181,223</u>

d) Maximum exposure to credit risk

The maximum credit risk exposures of various financial instruments held by the Group are the same as per book amounts. Refer to the notes to the consolidated financial statements.

As of June 30, 2022, December 31, 2021 and June 30, 2021, the maximum exposures to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrepealably maximum amount of exposure) were as follows:

<b>Financial Instrument Type</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Unused loan commitments (excluding credit card)	\$ 90,592,072	\$ 87,912,431	\$ 75,028,638
Credit card commitments	340,184	206,280	354,836
Unused issued letters of credit	32,566,779	27,312,727	27,942,080
Guarantees in guarantee business	64,467,530	57,408,752	56,406,172

e) Situation of credit risk concentration

Prominent concentration of credit risks occurs when transaction parties for financial instruments prominently concentrate on one party, or on a few that are in similar business lines or exhibit similar economic characteristics. The characteristics of concentration of credit risks include the nature of business activities engaged by debtors. The Group has not engaged in transactions that involved a prominent concentration to one client or one transaction party, but has engaged in transaction parties of similar industry type or from similar region.

The Group's information on prominent concentration of credit risk was as follows:

Industry Type	June 30, 2022	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 96,832,078	6
Manufacturing	439,124,445	26
Wholesale and retail	154,281,895	9
Real estate and leasing	131,065,795	8
Service	39,923,287	2
Individuals	617,674,993	36
Others	223,811,321	13
	<u>\$ 1,702,713,814</u>	

Industry Type	December 31, 2021	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 68,761,893	4
Manufacturing	396,095,884	25
Wholesale and retail	146,156,913	9
Real estate and leasing	116,101,807	8
Service	36,760,527	2
Individuals	614,841,150	39
Others	196,352,958	13
	<u>\$ 1,575,071,132</u>	

Industry Type	June 30, 2021	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 52,629,322	3
Manufacturing	394,652,142	26
Wholesale and retail	132,472,094	9
Real estate and leasing	101,186,918	7
Service	44,025,608	3
Individuals	582,656,703	37
Others	235,000,461	15
	<u>\$ 1,542,623,248</u>	



<b>Geographic Location</b>	<b>June 30, 2022</b>	
	<b>Carrying Amount</b>	<b>Percentage of Item (%)</b>
Asia	\$ 1,593,245,619	94
America	66,547,885	4
Europe	25,114,287	1
Others	<u>17,806,023</u>	1
	<u>\$ 1,702,713,814</u>	

<b>Geographic Location</b>	<b>December 31, 2021</b>	
	<b>Carrying Amount</b>	<b>Percentage of Item (%)</b>
Asia	\$ 1,487,827,087	94
America	59,710,639	4
Europe	15,729,593	1
Others	<u>11,803,813</u>	1
	<u>\$ 1,575,071,132</u>	

<b>Geographic Location</b>	<b>June 30, 2021</b>	
	<b>Carrying Amount</b>	<b>Percentage of Item (%)</b>
Asia	\$ 1,452,651,750	94
America	65,346,078	4
Europe	15,392,002	1
Others	<u>9,233,418</u>	1
	<u>\$ 1,542,623,248</u>	

<b>Securities Type</b>	<b>June 30, 2022</b>	
	<b>Carrying Amount</b>	<b>Percentage of Item (%)</b>
Unsecured	\$ 531,434,270	31
Secured		
Properties	1,004,598,542	59
Others	<u>166,681,002</u>	10
	<u>\$ 1,702,713,814</u>	

Securities Type	December 31, 2021	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 427,932,523	27
Secured		
Properties	976,753,243	62
Others	<u>170,385,366</u>	11
	<u>\$ 1,575,071,132</u>	
Securities Type	June 30, 2021	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 445,062,750	29
Secured		
Properties	928,366,033	60
Others	<u>169,194,465</u>	11
	<u>\$ 1,542,623,248</u>	

f) Financial assets credit quality and non-performing impairment analysis

A portion of financial assets held by the Group, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at FVTPL, securities investments purchased under resell agreements, refundable deposits, operating deposits, and settlement deposits are exposed to low credit risks because the counterparties have rather high credit ratings

4) Liquidity risk management

a) The definition of liquidity risk

Liquidity risk is the potential loss that the Group may suffer due to inability to liquidate assets or raise enough funds in reasonable time to perform obligations when due and to meet the demands of assets growth.

b) Liquidity risk management procedures

According to the Group's liquidity risk management policy, the Group clearly sets various indicators and limits for liquidity risk. The responsible department should implement operation procedures for funding liquidity, monitor and prepare maturity analysis periodically to assess liquidity risk. In addition, the responsible department should also report to related departments and Asset and Liability Committee to enable them to make appropriate adjustments to meet the needs of liquidity. Related information about the liquidity risk assessment should be reported to the board of directors to let the high-level management understand the Group's funding liquidity.

As of June 30, 2022 and 2021, the ratio of the liquidity reserve were 25.06% and 24.70%, respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.

c) Maturity analysis of non-derivative financial assets and liabilities

The Group adopted appropriate grouping methods, which are based on the nature of non-derivative financial assets and liabilities, to do maturity analysis in order to assess liquidity. The maturity analysis is presented as follows:

(In Thousands of New Taiwan Dollars)

Item	June 30, 2022					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 16,036,198	\$ -	\$ -	\$ -	\$ -	\$ 16,036,198
Due from the Central Bank and call loans to banks	41,445,727	5,575,525	5,240,992	8,903,140	32,022,556	93,187,940
Financial assets at FVTPL	27,542,616	-	-	-	-	27,542,616
Receivables	20,927,830	742,226	509,560	303,606	72,345	22,555,567
Discounts and loans	92,594,794	127,640,069	146,025,207	195,779,114	867,881,147	1,429,920,331
Investments in equity instruments designated at FVTOCI	-	-	-	-	28,293,592	28,293,592
Investments in debt instruments at FVTOCI	-	434,950	299,660	-	84,517,433	85,252,043
Investments in debt instruments at amortized cost	251,745,000	21,954,062	6,130,000	30,990,000	18,605,506	329,424,568
Other maturity funds inflow items	-	-	-	-	14,116,104	14,116,104
	<u>450,292,165</u>	<u>156,346,832</u>	<u>158,205,419</u>	<u>235,975,860</u>	<u>1,045,508,683</u>	<u>2,046,328,959</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	283,795	79,444	108,571	51,458	-	523,268
Due to the Central Bank and banks	2,310,000	20,000	-	-	-	2,330,000
Securities sold under repurchase agreements	743,011	325,065	10,226	-	-	1,078,302
Payables	38,508,399	6,277,671	867,081	586,480	1,555,727	47,795,358
Deposits and remittances	149,273,967	160,615,255	151,804,828	257,878,600	927,070,345	1,646,642,995
Bank notes payable	-	-	-	-	51,100,000	51,100,000
Other maturity fund outflow items	20,463	162,905	45,606	335,563	4,963,425	5,527,962
	<u>191,139,635</u>	<u>167,480,340</u>	<u>152,836,312</u>	<u>258,852,101</u>	<u>984,689,497</u>	<u>1,754,997,885</u>
Gap	<u>\$ 259,152,530</u>	<u>\$ (11,133,508)</u>	<u>\$ 5,369,107</u>	<u>\$ (22,876,241)</u>	<u>\$ 60,819,186</u>	<u>\$ 291,331,074</u>

Note: The amounts listed above were the position in N.T. dollars of the Bank.

(In Thousands of New Taiwan Dollars)

Item	December 31, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 26,699,287	\$ -	\$ -	\$ -	\$ -	\$ 26,699,287
Due from the Central Bank and call loans to banks	75,976,832	5,901,721	4,675,895	8,091,754	30,672,032	125,318,234
Financial assets at FVTPL	51,347,171	-	-	-	-	51,347,171
Receivables	25,145,289	905,208	500,264	196,204	87,743	26,834,708
Discounts and loans	76,529,787	108,388,729	139,624,212	212,658,856	822,413,018	1,359,614,602
Investments in equity instruments designated at FVTOCI	-	-	-	-	27,542,148	27,542,148
Investments in debt instruments at FVTOCI	-	-	-	728,190	69,964,173	70,692,363
Investments in debt instruments at amortized cost	235,800,000	22,710,509	7,441,118	30,844,596	30,988,164	327,784,387
Other maturity funds inflow items	-	-	-	-	14,131,062	14,131,062
	<u>491,498,366</u>	<u>137,906,167</u>	<u>152,241,489</u>	<u>252,519,600</u>	<u>995,798,340</u>	<u>2,029,963,962</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	254,509	82,463	8,527	174,145	-	519,644
Due to the Central Bank and banks	10,000	20,000	-	27,667,470	-	27,697,470
Securities sold under repurchase agreements	641,099	731,761	-	-	-	1,372,860
Payables	29,998,625	701,412	1,568,020	1,218,942	822,588	34,309,587
Deposits and remittances	157,824,466	167,767,198	140,541,223	243,210,099	921,455,085	1,630,798,071
Bank notes payable	-	-	-	-	51,100,000	51,100,000
Other maturity fund outflow items	15,723	70,013	100,269	341,186	5,205,669	5,732,860
	<u>188,744,422</u>	<u>169,372,847</u>	<u>142,218,039</u>	<u>272,611,842</u>	<u>978,583,342</u>	<u>1,751,530,492</u>
Gap	<u>\$ 302,753,944</u>	<u>\$ (31,466,680)</u>	<u>\$ 10,023,450</u>	<u>\$ (20,092,242)</u>	<u>\$ 17,214,998</u>	<u>\$ 278,433,470</u>

Note: The amounts listed above were the position in N.T. dollars of the Bank

(In Thousands of New Taiwan Dollars)

Item	June 30, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 15,195,103	\$ -	\$ -	\$ -	\$ -	\$ 15,195,103
Due from the Central Bank and call loans to banks	71,766,016	4,671,744	6,229,729	8,842,000	29,391,936	120,901,425
Financial assets at FVTPL	46,411,148	-	-	-	-	46,411,148
Receivables	23,079,832	714,554	511,933	1,228,995	234,024	25,769,338
Discounts and loans	73,566,273	108,896,032	163,176,373	198,249,919	784,947,311	1,328,835,908
Investments in equity instruments designated at FVTOCI	-	-	-	-	24,403,895	24,403,895
Investments in debt instruments at FVTOCI	-	25,029	-	-	51,503,228	51,528,257
Investments in debt instruments at amortized cost	215,660,000	21,445,000	9,630,000	19,154,514	24,784,124	290,673,638
Other maturity funds inflow items	-	-	-	-	14,178,508	14,178,508
	<u>445,678,372</u>	<u>135,752,359</u>	<u>179,548,035</u>	<u>227,475,428</u>	<u>929,443,026</u>	<u>1,917,897,220</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	372,369	116,444	111,571	77,596	-	677,980
Due to the Central Bank and banks	1,015,000	10,000	-	19,032,740	-	20,057,740
Securities sold under repurchase agreements	720,335	702,582	10,211	-	-	1,433,128
Payables	32,654,413	1,148,877	833,080	685,003	1,058,067	36,379,440
Deposits and remittances	110,064,565	137,716,466	184,037,623	261,208,912	867,734,734	1,560,762,300
Bank notes payable	-	-	-	-	51,100,000	51,100,000
Other maturity fund outflow items	35,701	55,878	71,947	296,855	5,481,477	5,941,858
	<u>144,862,383</u>	<u>139,750,247</u>	<u>185,064,432</u>	<u>281,301,106</u>	<u>925,374,278</u>	<u>1,676,352,446</u>
Gap	<u>\$ 300,815,989</u>	<u>\$ (3,997,888)</u>	<u>\$ (5,516,397)</u>	<u>\$ (53,825,678)</u>	<u>\$ 4,068,748</u>	<u>\$ 241,544,774</u>

Note: The amounts listed above were the position in N.T. dollars of the Bank.

(In Thousands of United States Dollars)

Item	June 30, 2022					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 148,513	\$ -	\$ -	\$ -	\$ -	\$ 148,513
Due from the Central Bank and call loans to banks	1,581,599	278,732	128,061	90,657	19,757	2,098,806
Financial assets at FVTPL	89,122	-	-	-	-	89,122
Receivables	465,032	84,337	136,393	20,430	4,412	710,604
Discounts and loans	1,143,738	980,824	754,569	311,191	3,718,758	6,909,080
Investments in debt instruments at FVTOCI	7,981	45,988	37,996	146,628	2,355,971	2,594,564
Investments in debt instruments at amortized cost	-	-	-	15,377	1,434,811	1,450,188
Other maturity fund inflow items	5,000	-	-	-	7,985	12,985
	<u>3,440,985</u>	<u>1,389,881</u>	<u>1,057,019</u>	<u>584,283</u>	<u>7,541,694</u>	<u>14,013,862</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	28,416	547	820	1,640	340	31,763
Due to the Central Bank and banks	2,027,067	310,000	38,000	-	-	2,375,067
Payables	717,012	59,790	4,967	2,973	230	784,972
Deposits and remittances	4,497,387	4,459,365	1,860,060	1,945,636	4,313,735	17,076,183
Other maturity fund outflow items	49,154	57	29	10	284,736	333,986
	<u>7,319,036</u>	<u>4,829,759</u>	<u>1,903,876</u>	<u>1,950,259</u>	<u>4,599,041</u>	<u>20,601,971</u>
Gap	<u>\$ (3,878,051)</u>	<u>\$ (3,439,878)</u>	<u>\$ (846,857)</u>	<u>\$ (1,365,976)</u>	<u>\$ 2,942,653</u>	<u>\$ (6,588,109)</u>

Note: The amounts listed above were the position in U.S. dollars of the Bank.

(In Thousands of United States Dollars)

Item	December 31, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 189,655	\$ -	\$ -	\$ -	\$ -	\$ 189,655
Due from the Central Bank and call loans to banks	3,190,050	511,972	22,785	118,873	14,937	3,858,617
Financial assets at FVTPL	82,081	-	-	-	-	82,081
Receivables	495,116	139,575	127,593	35,442	3,172	800,898
Discounts and loans	940,466	728,238	616,712	439,866	3,203,118	5,928,400
Investments in debt instruments at FVTOCI	-	26,038	34,043	87,208	1,375,585	1,522,874
Investments in debt instruments at amortized cost	-	-	-	-	1,006,044	1,006,044
Other maturity fund inflow items	5,000	-	-	-	33,391	38,391
	<u>4,902,368</u>	<u>1,405,823</u>	<u>801,133</u>	<u>681,389</u>	<u>5,636,247</u>	<u>13,426,960</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	8,169	502	753	1,506	340	11,270
Due to the Central Bank and banks	2,050,652	170,000	10,000	-	-	2,230,652
Payables	826,434	73,019	3,515	820	1	903,789
Deposits and remittances	3,548,363	2,533,875	2,362,091	2,457,608	5,034,632	15,936,569
Other maturity fund outflow items	63,949	2,169	581	189	10,210	77,098
	<u>6,497,567</u>	<u>2,779,565</u>	<u>2,376,940</u>	<u>2,460,123</u>	<u>5,045,183</u>	<u>19,159,378</u>
Gap	<u>\$ (1,595,199)</u>	<u>\$ (1,373,742)</u>	<u>\$ (1,575,807)</u>	<u>\$ (1,778,734)</u>	<u>\$ 591,064</u>	<u>\$ (5,732,418)</u>

Note: The amounts listed above were the position in U.S. dollars of the Bank.

(In Thousands of United States Dollars)

Item	June 30, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 223,471	\$ 500,000	\$ -	\$ -	\$ -	\$ 723,471
Due from the Central Bank and call loans to banks	1,953,651	1,066,105	112,651	22,696	5,191	3,160,294
Financial assets at FVTPL	91,523	-	-	-	-	91,523
Receivables	532,850	100,642	177,546	22,878	3,071	836,987
Discounts and loans	961,300	900,777	838,935	289,102	2,961,315	5,951,429
Investments in debt instruments at FVTOCI	8,005	-	30,342	70,489	1,684,520	1,793,356
Investments in debt instruments at amortized cost	-	-	3,000	-	494,995	497,995
Other maturity fund inflow items	-	-	-	-	39,172	39,172
	<u>3,770,800</u>	<u>2,567,524</u>	<u>1,162,474</u>	<u>405,165</u>	<u>5,188,264</u>	<u>13,094,227</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	14,276	462	693	1,386	340	17,157
Due to the Central Bank and banks	2,443,595	385,000	10,000	-	-	2,838,595
Payables	870,637	48,369	10,222	3,884	2,349	935,461
Deposits and remittances	2,368,434	2,480,862	2,179,667	2,249,373	4,255,210	13,533,546
Other maturity fund outflow items	50,835	7,650	753	5,545	14,399	79,182
	<u>5,747,777</u>	<u>2,922,343</u>	<u>2,201,335</u>	<u>2,260,188</u>	<u>4,272,298</u>	<u>17,403,941</u>
Gap	<u>\$ (1,976,977)</u>	<u>\$ (354,819)</u>	<u>\$ (1,038,861)</u>	<u>\$ (1,855,023)</u>	<u>\$ 915,966</u>	<u>\$ (4,309,714)</u>

Note: The amounts listed above were the position in U.S. dollars of the Bank.

d) Maturity analysis of derivative financial assets and liabilities

The derivative instruments held by the Group, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have very low liquidity risks.

(New Taiwan Dollars and Foreign Currencies Combined In Thousands of New Taiwan Dollars)

Item	June 30, 2022					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 157,746,286	\$ 226,653,962	\$ 188,587,361	\$ 125,186,507	\$ 191,498	\$ 698,365,614
Inflows	159,469,355	229,438,897	192,525,463	127,244,543	192,225	708,870,483
Interest rate derivative instruments						
Outflows	-	-	-	-	148,900	148,900
Inflows	864,998	-	-	-	-	864,998
Others						
Outflows	-	-	-	-	-	-
Inflows	18,124	-	-	-	-	18,124
Total outflows	\$ 157,746,286	\$ 226,653,962	\$ 188,587,361	\$ 125,186,507	\$ 340,398	\$ 698,514,514
Total inflows	\$ 160,352,477	\$ 229,438,897	\$ 192,525,463	\$ 127,244,543	\$ 192,225	\$ 709,753,605

(New Taiwan Dollars and Foreign Currencies Combined In Thousands of New Taiwan Dollars)

Item	December 31, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 183,810,946	\$ 228,568,500	\$ 138,358,458	\$ 131,047,484	\$ 1,382,750	\$ 683,168,138
Inflows	183,006,206	228,316,604	138,273,044	131,266,791	1,376,650	682,239,295
Interest rate derivative instruments						
Outflows	413	-	-	-	30,762	31,175
Inflows	116,609	-	-	-	-	116,609
Others						
Outflows	-	-	-	-	-	-
Inflows	18,843	-	-	-	-	18,843
Total outflows	\$ 183,311,359	\$ 228,568,500	\$ 138,358,458	\$ 131,047,484	\$ 1,413,512	\$ 683,199,313
Total inflows	\$ 183,141,658	\$ 228,316,604	\$ 138,273,044	\$ 131,266,791	\$ 1,376,650	\$ 682,374,747

(New Taiwan Dollars and Foreign Currencies Combined In Thousands of New Taiwan Dollars)

Item	June 30, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 181,683,561	\$ 271,945,043	\$ 97,566,619	\$ 85,914,632	\$ -	\$ 637,109,855
Inflows	181,511,742	272,190,073	97,810,083	85,961,184	-	637,473,082
Interest rate derivative instruments						
Outflows	-	-	-	-	27,152	27,152
Inflows	115,810	-	-	-	-	115,810
Others						
Outflows	-	-	-	-	-	-
Inflows	21,249	-	-	-	-	21,249
Total outflows	\$ 181,683,561	\$ 271,945,043	\$ 97,566,619	\$ 85,914,632	\$ 27,152	\$ 637,137,007
Total inflows	\$ 181,648,801	\$ 272,190,073	\$ 97,810,083	\$ 85,961,184	\$ -	\$ 637,610,141

e) Maturity analysis of off-balance-sheet items

Bank's off-balance-sheet items - irrevocable loans, guarantees, and letters of credit presented based on the residual time from the balance sheet date to the maturity date were as follows:

(In Thousands of New Taiwan Dollars)

Item	June 30, 2022					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Unused loan commitments (excluding credit cards)	\$ 78,226,637	\$ 697,323	\$ 585,022	\$ 3,201,607	\$ 7,881,483	\$ 90,592,072
Credit card commitments	12	92	105	543	339,432	340,184
Unused issued letters of credit	31,855,394	334,570	209,999	166,816	-	32,566,779
Guarantees in guarantee business	64,178,060	-	115,766	109,160	64,544	64,467,530
	\$ 174,260,103	\$ 1,031,985	\$ 910,892	\$ 3,478,126	\$ 8,285,459	\$ 187,966,565

(In Thousands of New Taiwan Dollars)

Item	December 31, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Unused loan commitments (excluding credit cards)	\$ 74,143,110	\$ 1,193,361	\$ 2,275,181	\$ 2,774,392	\$ 7,526,387	\$ 87,912,431
Credit card commitments	12	154	129	687	205,298	206,280
Unused issued letters of credit	27,144,214	168,513	-	-	-	27,312,727
Guarantees in guarantee business	57,044,232	60,495	79,816	149,765	74,444	57,408,752
	\$ 158,331,568	\$ 1,422,523	\$ 2,355,126	\$ 2,924,844	\$ 7,806,129	\$ 172,840,190

(In Thousands of New Taiwan Dollars)

Item	June 30, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Unused loan commitments (excluding credit cards)	\$ 61,059,184	\$ 655,194	\$ 1,841,265	\$ 4,198,275	\$ 7,274,720	\$ 75,028,638
Credit card commitments	13	199	493	910	353,221	354,836
Unused issued letters of credit	27,795,286	117,866	28,928	-	-	27,942,080
Guarantees in guarantee business	55,849,240	77,359	309,168	84,022	86,383	56,406,172
	\$ 144,703,723	\$ 850,618	\$ 2,179,854	\$ 4,283,207	\$ 7,714,324	\$ 159,731,726

### 35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

#### a. Asset quality

Item		June 30, 2022					June 30, 2021					
		Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)	
Business Type												
Corporate finance	Secured	\$ 2,775,501	\$ 554,052,142	0.50%	\$ 6,170,581	222.32%	\$ 3,364,821	\$ 514,774,140	0.65%	\$ 6,141,643	182.53%	
	Unsecured	220,141	511,940,857	0.04%	5,607,852	2,547.39%	381,170	430,133,853	0.09%	5,112,823	1,341.35%	
Consumer finance	Mortgage loans (Note d)		395,288	390,408,971	0.10%	5,885,165	1,488.83%	358,690	360,742,585	0.10%	5,443,717	1,517.67%
	Cash cards (Note h)		-	-	-	-	-	-	-	-	-	
	Credit loans (Note e)		2,385	3,458,085	0.07%	39,996	1,676.98%	3,559	2,475,741	0.14%	29,883	839.65%
	Others (Note f)	Secured	561,974	222,311,337	0.25%	2,265,369	403.11%	856,734	218,022,814	0.39%	2,230,327	260.33%
		Unsecured	159	1,496,601	0.01%	15,790	9,930.82%	2,727	1,415,562	0.19%	15,968	585.55%
Total		3,955,448	1,683,667,993	0.23%	19,984,753	505.25%	4,967,701	1,527,564,695	0.33%	18,974,361	381.95%	

Item		June 30, 2022					June 30, 2021				
		Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)
Credit card		\$ 4,773	\$ 2,219,313	0.22%	\$ 21,814	457.03%	\$ 5,578	\$ 1,711,559	0.33%	\$ 22,454	402.55%
No recourse receivable factoring (Note g)		-	7,196,830	-	121,968	-	-	8,636,554	-	136,366	-

Note a: Non-performing loans are classified in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by the MOF. Non-performing loans of credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005 (Ref. No. Jin-Guan-Yin (4) 0944000378).

Note b: Non-performing loans ratio = Non-performing loan ÷ Loans  
Non-performing loans of credit card ratio = Non-performing loans of credit cards ÷ Accounts receivable

Note c: Coverage ratio of allowances for loan losses = Allowances for loan losses ÷ Non-performing loans  
Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card ÷ Non-performing loans of credit cards

Note d: Mortgage loans are for borrowers to build or repair buildings, allowing the borrowers, their spouses or their minor children to fully use their buildings as collateral and to mortgage their rights to financial institutions.

Note e: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) 09440010950), excluding credit loans of credit cards and cash cards.

Note f: The other consumer financial businesses are defined as secured or unsecured consumer financial businesses, excluding mortgage loans, cash cards, credit loans and credit cards.

Note g: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5) 094000494) non-recourse receivable factorings are not defined as non-performing loans until compensation from factors or insurance companies are ascertained to be non-recoverable.

Note h: The Group does not engage in cash cards business.



Item  Business Type	June 30, 2022		June 30, 2021	
	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting
Negotiated loans transacted in accordance with the agreement and exempted from reporting as non-performing loans (Note a)	\$ -	\$ 355	\$ -	\$ 560
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	421	19,273	120	20,576
Total	421	19,628	120	21,136

Note a: Negotiated loans and accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing loans are disclosed in accordance with the Letter issued by Banking Bureau on April 25, 2006 (Ref. No. Jin-Guan-Yin (1) 09510001270).

Note b: Loans and receivables transacted in accordance with debt clearance and renewal regulation and exempted from reporting as non-performing loans or receivables are disclosed in accordance with the Letter issued by Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1) 09700318940).

b. Concentration of credit risk

June 30, 2022			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%) (Note d)
1	A Corporation (railway transportation industry)	\$ 20,367,758	12.29
2	B Group (steel smelting industry)	18,094,291	10.92
3	C Group (uncategorized other financial service industry)	17,510,000	10.56
4	D Group (other holdings industry)	17,002,444	10.26
5	E Group (airline industry)	16,173,993	9.76
6	F Group (chemical materials manufacturing industry)	11,305,497	6.82
7	G Group (uncategorized other electronic components industry)	9,147,104	5.52
8	H Group (integrated circuit manufacturing industry)	8,726,590	5.26
9	I Group (computer manufacturing industry)	8,199,373	4.95
10	J Group (steel manufacturing industry)	7,889,794	4.76

June 30, 2021			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%) (Note d)
1	E Group (airline industry)	\$ 25,446,281	14.98
2	A Corporation (railway transportation industry)	24,053,576	14.16
3	C Group (synthesis construction industry)	17,080,000	10.06
4	B Group (steel smelting industry)	15,621,799	9.20
5	D Group (enterprise general management agency)	12,115,683	7.13
6	F Group (concrete manufacturing industry)	10,165,456	5.99
7	J Group (steel manufacturing industry)	8,164,771	4.81
8	K Group (computer manufacturing industry)	6,171,853	3.63
9	L Group (real estate development industry)	6,000,000	3.53
10	M Group (liquid crystal panel and components manufacturing industry)	5,739,647	3.38

Note a: Sorted by the balance of loans on June 30, 2022 and 2021, excluding government or state-run business. The number of transaction party which belongs to a group business was included in the balance of group business.

Note b: Transaction party is in accordance with article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note c: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, accounts receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, inward remittances, factoring without recourse, acceptance, and guarantee.

Note d: The percentage of loans to equity for the period: Domestic banks should use bank equity to calculate; the Taiwan branch of foreign banks should use branch's equity to calculate.

c. Interest rate sensitivity

(In Thousands of New Taiwan Dollars; %)

Item	June 30, 2022				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,714,989,483	\$ 22,753,213	\$ 48,408,235	\$ 185,103,460	\$ 1,971,254,391
Interest-sensitive liabilities	402,181,348	1,129,160,253	78,444,967	54,996,556	1,664,783,124
Interest sensitivity gap	1,312,808,135	(1,106,407,040)	(30,036,732)	130,106,904	306,471,267
Net equity					143,483,107
Ratio of interest-sensitive assets to liabilities					118.41%
Ratio of interest sensitivity gap to net equity					213.59%

(In Thousands of New Taiwan Dollars; %)

Item	June 30, 2021				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,588,611,887	\$ 47,774,795	\$ 72,869,171	\$ 131,064,023	\$ 1,840,319,876
Interest-sensitive liabilities	307,083,149	1,102,251,838	131,638,413	58,238,513	1,599,211,913
Interest sensitivity gap	1,281,528,738	(1,054,477,043)	(58,769,242)	72,825,510	241,107,963
Net equity					147,958,992
Ratio of interest-sensitive assets to liabilities					115.08%
Ratio of interest sensitivity gap to net equity					162.96%

Note a: The amounts listed above include accounts in N.T. dollars only (i.e. excluding foreign currency) for both head office and domestic branches.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

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

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities =  $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$   
(N.T. dollars only)

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

Item	June 30, 2022				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 13,028,306	\$ 937,352	\$ 164,458	\$ 3,308,212	\$ 17,438,328
Interest-sensitive liabilities	20,771,131	1,555,881	1,347,177	-	23,674,189
Interest sensitivity gap	(7,742,825)	(618,529)	(1,182,719)	3,308,212	(6,235,861)
Net equity					580,385
Ratio of interest-sensitive assets to liabilities					73.66%
Ratio of interest sensitivity gap to net equity					(1,074.44%)

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

Item	June 30, 2021				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 13,350,946	\$ 953,385	\$ 107,594	\$ 1,564,654	\$ 15,976,579
Interest-sensitive liabilities	16,622,163	1,870,453	1,640,464	4	20,133,084
Interest sensitivity gap	(3,271,217)	(917,068)	(1,532,870)	1,564,650	(4,156,505)
Net equity					592,363
Ratio of interest-sensitive assets to liabilities					79.35%
Ratio of interest sensitivity gap to net equity					(701.68%)

Note a: The amounts listed above include accounts in U.S. dollars only for domestic branches, offshore banking unit (OBU), and overseas branches, excluding contingent assets and contingent liabilities.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

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

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities =  $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$   
(U.S. dollars only)

d. Profitability

Item		June 30, 2022	June 30, 2021
Return on total assets	Pretax	0.24%	0.21%
	After tax	0.20%	0.18%
Return on net equity	Pretax	3.66%	2.91%
	After tax	3.16%	2.49%
Profit margin		33.33%	30.01%

Note a: Return on total assets =  $\frac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net equity =  $\frac{\text{Income before (after) tax}}{\text{Average net equity}}$

Note c: Profit margin =  $\frac{\text{Income after tax}}{\text{Net revenue and gains}}$

Note d: Profitability presented above is cumulative from January 1 to June 30 of 2022 and 2021, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	June 30, 2022					
		Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 2,324,830,280	\$ 258,340,697	\$ 233,318,867	\$ 265,591,463	\$ 218,472,371	\$ 268,257,258	\$ 1,080,849,624
Major maturity cash outflows	2,886,497,482	124,650,281	208,489,121	399,872,401	402,505,886	607,710,944	1,143,268,849
Gap	(561,667,202)	133,690,416	24,829,746	(134,280,938)	(184,033,515)	(339,453,686)	(62,419,225)

(In Thousands of New Taiwan Dollars)

	Total	June 30, 2021					
		Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 2,198,307,785	\$ 270,676,928	\$ 220,805,899	\$ 272,430,638	\$ 214,860,165	\$ 256,128,709	\$ 963,405,446
Major maturity cash outflows	2,720,516,648	126,458,007	171,516,257	420,878,582	348,379,375	566,245,224	1,087,039,203
Gap	(522,208,863)	144,218,921	49,289,642	(148,447,944)	(133,519,210)	(310,116,515)	(123,633,757)

Note: The amounts listed above include accounts in N.T. dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

(In Thousands of U.S. Dollars)

	Total	June 30, 2022				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 33,072,143	\$ 11,026,224	\$ 5,153,912	\$ 5,375,727	\$ 3,987,186	\$ 7,529,094
Major maturity cash outflows	38,301,120	13,249,546	7,795,189	5,124,592	5,490,491	6,641,302
Gap	(5,228,977)	(2,223,322)	(2,641,277)	251,135	(1,503,305)	887,792

(In Thousands of U.S. Dollars)

	Total	June 30, 2021				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 29,316,090	\$ 11,682,874	\$ 7,168,040	\$ 2,829,980	\$ 2,086,159	\$ 5,549,037
Major maturity cash outflows	33,528,644	11,363,086	5,745,640	4,822,579	5,172,728	6,424,611
Gap	(4,212,554)	319,788	1,422,400	(1,992,599)	(3,086,569)	(875,574)

Note: The amounts listed above include accounts in U.S. dollars for head office, domestic branches, and OBU.

f. Trust accounts

Under Article 3 of the Trust Law, the Bank can offer trust services. The items and amounts of trust accounts as of June 30, 2022 and 2021 were as follows:

	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>
Special purpose trust accounts - domestic	\$ 36,821,680	\$ 30,396,624
Special purpose trust accounts - foreign	71,896,326	72,022,294
Insurance trust	9,816	9,773
Retirement and breeds trust	529,203	415,735
Umbilical cord blood trust	14,103,435	12,900,398
Money claim and guarantee trust	51,800	54,800
Marketable securities trust	3,777,840	1,463,407
Real estate trust	22,682,709	19,065,303
Securities under custody	284,791,200	258,556,615
Other money trust	<u>3,685,996</u>	<u>4,645,389</u>
	<u><b>\$ 438,350,005</b></u>	<u><b>\$ 399,530,338</b></u>

g. Disclosures on trust assets and liabilities and assets register as required by Enforcement Rules of ROC Trust Law Article 17 were as follows:

<b>Balance Sheet of Trust</b>					
<b>Trust Assets</b>	<b>June 30</b>		<b>Trust Liabilities</b>	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>		<b>2022</b>	<b>2021</b>
Bank deposits	\$ 6,123,220	\$ 6,206,206	Trust capital		
Insurance claims	51,800	54,800	Money trust	\$ 126,641,705	\$ 120,067,105
Financial assets			Insurance claims	51,800	54,800
Common stock	7,229,428	3,985,363	Marketable securities trust	3,765,659	1,461,933
Mutual funds	117,249,815	110,312,852	Real estate trust	22,683,470	19,065,302
Bonds	3,048,389	2,395,539	Securities under custody		
Interest receivable	440	256	payable	284,791,200	258,556,615
Land	13,820,428	13,047,953	Withholding tax	44	-
Buildings	543,815	543,815	Profit and loss	78,194	13,283
Construction in progress	5,491,470	4,426,939	Unappropriated retained earnings - realized capital gain/loss	(8,470)	2,079
Securities under custody	<u>284,791,200</u>	<u>258,556,615</u>	Unappropriated retained earnings - gain on revenue/expense investment	1,387,632	1,221,126
			Unappropriated retained earning	<u>(1,041,229)</u>	<u>(911,905)</u>
Total trust assets	<u><b>\$ 438,350,005</b></u>	<u><b>\$ 399,530,338</b></u>	Total trust liabilities	<u><b>\$ 438,350,005</b></u>	<u><b>\$ 399,530,338</b></u>

### Trust Assets Register

Investments	June 30	
	2022	2021
Bank deposits	\$ 6,123,220	\$ 6,206,206
Insurance claims	51,800	54,800
Financial assets		
Common stock	7,229,428	3,985,363
Mutual funds	117,249,815	110,312,852
Bonds	3,048,389	2,395,539
Land	13,820,428	13,047,953
Buildings	543,815	543,815
Construction in progress	5,491,470	4,426,939
Others	440	256
Securities under custody	<u>284,791,200</u>	<u>258,556,615</u>
Total trust assets	<u>\$ 438,350,005</u>	<u>\$ 399,530,338</u>

### Income Statement of Trust

Investments	For the Six Months Ended June 30	
	2022	2021
Revenue		
Interest income	\$ 22,829	\$ 27,626
Dividends	33,119	13,551
Gain on mutual funds	12,586	12,160
Foreign exchange gains	911,553	856,434
Realized capital gain - mutual funds	<u>4,653</u>	<u>2,942</u>
	<u>984,740</u>	<u>912,713</u>
Expense		
Maintenance	(1,569)	(1,144)
Tax expense	(2,109)	(1,857)
Others	(64)	(50)
Foreign exchange losses	(901,118)	(882,831)
Realized capital loss - bonds	(1,554)	(13,510)
Realized capital loss - mutual funds	(132)	(19)
Realized capital losses - quoted stock	<u>-</u>	<u>(19)</u>
	<u>(906,546)</u>	<u>(899,430)</u>
	<u>\$ 78,194</u>	<u>\$ 13,283</u>

### 36. RELATED-PARTY TRANSACTIONS

#### a. Related parties and their relationships with the Bank

Name	Relationship
Director and managers	The Bank's director and managers
Taishin Financial Holding	The Bank's related party in substance
Taishin International Bank	The subsidiary of Bank's related party in substance
Chunghwa Post Co., Ltd.	The Bank's corporate director
The Export-Import Bank	Its director is the Bank's corporate director
Land Bank	Its director is the Bank's corporate director
Taiwan Business Bank	Its director is the Bank's corporate director
Taichung Commercial Bank Co., Ltd.	Its director is the spouse of the Bank's manager
Taiwan High Speed Rail Corporation	Its director is the Bank's corporate director
Yang Ming Marine Transport Corporation	Its director is the Bank's corporate director
CSBC Corporation	Its director is the Bank's corporate director
China Airlines, Ltd.	Its director is the Bank's corporate director
Unity OPTO Technology Co., Ltd.	Its director is the Bank's corporate director
Powertec Electronical Corporation	Its director is the Bank's corporate director
United Renewable Energy Co., Ltd.	Its director is the Bank's corporate director
EirGenix, Inc.	Its director is the Bank's corporate director
Lungteh Shipbuilding Co., Ltd.	Its director is the Bank's corporate director
Kaohsiung Rapid Transit Corporation	Its director is the Bank's corporate director
Taiwan Biotech Co., Ltd.	Its director is the Bank's corporate director
Other	Other related parties (IAS 24 "Related Party Disclosures)

#### b. Significant transactions with related parties

##### 1) Loans

	Balance	Percentage of Loans (%)
Balance as of June 30, 2022	\$ 24,932,212	1.48
Balance as of December 31, 2021	26,534,553	1.71
Balance as of June 30, 2021	30,859,982	2.03

For the six months ended June 30, 2022 and 2021, interest rates ranged from 0.88% to 3.66% and from 0.57% to 3.57%, and interest income was \$235,860 thousand and \$256,965 thousand, respectively.

For the three months ended June 30, 2022 and 2021, interest income was \$122,776 thousand and \$127,967 thousand, respectively.

June 30, 2022							Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral		
<u>Consumer loans</u>							
51 accounts	\$ 24,614	\$ 26,174	\$ 24,614	\$ -	Credit	None	
<u>Self-use residential mortgage loans</u>							
253 accounts	1,677,403	1,815,188	1,677,403	-	Real estate	None	
<u>Others</u>							
Taiwan High Speed Rail Corporation	20,237,161	22,629,035	20,237,161	-	Credit and station equipment	None	
CSBC Corporation	1,157,792	2,757,763	1,157,792	-	Credit	None	
China Airlines, Ltd.	750,000	750,000	750,000	-	Credit and fund guarantee	None	
Unity OPTO Technology Co., Ltd.	631,187	631,833	631,187	-	Credit and land and plant	None	
Lungteh Shipbuilding Co., Ltd.	154,282	157,059	154,282	-	Credit and land and plant	None	
Other - corporation 9 accounts (Note 1)	299,755	646,210	289,755	10,000	Credit and fund guarantee and real estate	None	
Other - individual 6 accounts (Note 2)	18	1,383	18	-	Deposit	None	
December 31, 2021							
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties	
<u>Consumer loans</u>							
48 accounts	\$ 26,060	\$ 26,998	\$ 26,060	\$ -	Credit	None	
<u>Self-use residential mortgage loans</u>							
253 accounts	1,606,401	1,646,420	1,606,401	-	Real estate	None	
<u>Others</u>							
Taiwan High Speed Rail Corporation	22,559,661	23,962,050	22,559,661	-	Credit and station equipment	None	
China Airlines, Ltd.	1,000,000	1,000,000	1,000,000	-	Credit and fund guarantee	None	
Unity OPTO Technology Co., Ltd.	628,471	629,593	628,471	-	Credit and land and plant	None	
Powertec Electronical Corporation	266,512	466,027	-	266,512	Plant	None	
Lungteh Shipbuilding Co., Ltd.	108,899	168,705	108,899	-	Credit and land and plant	None	
Other - corporation 11 accounts (Note 1)	338,342	1,765,235	338,342	-	Credit and fund guarantee and real estate	None	
Other - individual 5 accounts (Note 2)	207	414	207	-	Deposit	None	



	June 30, 2021						Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral		
<u>Consumer loans</u>							
50 accounts	\$ 27,313	\$ 28,610	\$ 27,313	\$ -	Credit	None	
<u>Self-use residential mortgage loans</u>							
255 accounts	1,617,767	1,678,874	1,617,767	-	Real estate	None	
<u>Others</u>							
Taiwan High Speed Rail Corporation	23,957,626	23,990,375	23,957,626	-	Credit and station equipment	None	
Yang Ming Marine Transport Corporation	2,314,500	2,473,500	2,314,500	-	Credit and ship	None	
China Airlines, Ltd.	1,000,000	1,000,000	1,000,000	-	Credit and fund guarantee	None	
Unity OPTO Technology Co., Ltd.	629,228	630,488	629,228	-	Credit and land and plant	None	
United Renewable Energy Co., Ltd.	385,597	497,109	385,597	-	Credit	None	
Powertec Electronical Corporation	266,512	466,027	-	266,512	Plant	None	
Taiwan Biotech Co., Ltd.	124,973	125,645	124,973	-	Credit	None	
Lungteh Shipbuilding Co., Ltd.	115,933	137,801	115,933	-	Credit and land and plant	None	
EirGenix, Inc.	101,658	108,675	101,658	-	Plant	None	
Other - corporation 8 accounts (Note 1)	317,018	1,461,304	317,018	-	Credit and fund guarantee and real estate	None	
Other - individual 7 accounts (Note 2)	1,857	2,445	1,857	-	Deposit	None	

Note 1: The balance of every corporate entity is not over \$1 billion.

Note 2: The balance of every single entity does not exceed 1% of the total ending balance.

Loans to managers for mortgage within \$8,000 thousand and credit loans within \$800 thousand per person all bore interests at 1.39%, 1.01% and 1.01% on June 30, 2022, December 31, 2021 and June 30, 2021, respectively. The interest rates and other terms provided to the other related parties are the same as those offered to the public.

## 2) Guaranteed loans

June 30, 2022					
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
CSBC Corporation	\$ 2,116,261	\$ 2,116,261	\$ 21,163	0.50-0.65	None
Yang Ming Marine Transport Corporation	1,514,475	1,514,475	15,145	0.80-1.00	None
Lungteh Shipbuilding Co., Ltd.	127,162	127,162	1,272	1.00	None
Kaohsiung Rapid Transit Corporation	6,000	6,000	60	0.50	None

December 31, 2021					
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
CSBC Corporation	\$ 2,116,261	\$ 2,136,516	\$ 21,163	0.50-0.65	None
Yang Ming Marine Transport Corporation	1,514,475	1,514,475	15,145	0.80-1.00	None
Lungteh Shipbuilding Co., Ltd.	128,642	131,447	1,286	1.00	None
Kaohsiung Rapid Transit Corporation	6,000	6,000	60	0.50	None
June 30, 2021					
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
CSBC Corporation	\$ 2,301,416	\$ 2,325,416	\$ 23,014	0.50-0.65	None
Yang Ming Marine Transport Corporation	1,514,475	1,514,475	15,145	0.80-1.00	None
Kaohsiung Rapid Transit Corporation	6,000	6,000	60	0.50	None

### 3) Deposits

	Balance	Percentage of Loans (%)
Balance as of June 30, 2022	\$ 58,144,394	2.58
Balance as of December 31, 2021	52,360,143	2.42
Balance as of June 30, 2021	39,539,542	1.95

For the six months ended June 30, 2022 and 2021, the interest rate intervals were between 0.00% and 13.00%, the interest expense was \$156,765 thousand and \$40,491 thousand, respectively. For the three months ended June 30, 2022 and 2021, the interest expense was \$109,122 thousand and \$23,809 thousand, respectively.

The interest rate for managers' deposits amounting to \$480 thousand per person was 13% per annum. The part of deposit exceeding \$480 thousand will earn interest calculated at the demand savings rate. The interest rates and others terms provided to the other related parties are the same as those offered to general public.

### 4) Transactions of derivative financial products

(In Thousands of New Taiwan Dollars)

June 30, 2022						
Name	Contract	Duration	Nominal Principle Amount	Current Valuation Gain (Loss)	Balance Sheet	
					Subject	Amount
Chunghwa Post Co., Ltd.	Currency swaps	2021.7.22-2023.2.24	\$ 17,246,300	\$ 294,948	Financial assets at fair value through profit or loss	\$ 274,277

(In Thousands of New Taiwan Dollars)

December 31, 2021						
Name	Contract	Duration	Nominal Principle Amount	Current Valuation Gain (Loss)	Balance Sheet	
					Subject	Amount
Chunghwa Post Co., Ltd.	Currency swaps	2021.7.22-2022.7.22	\$ 13,274,400	\$ (88,984)	Financial liabilities at fair value through profit or loss	\$ 88,984

(In Thousands of New Taiwan Dollars)

June 30, 2021						
Name	Contract	Duration	Nominal Principle Amount	Current Valuation Gain (Loss)	Balance Sheet	
					Subject	Amount
Chunghwa Post Co., Ltd.	Currency swaps	2021.3.31-2021.12.24	\$ 13,389,600	\$ (88,824)	Financial liabilities at fair value through profit or loss	\$ 88,824

## 5) Call loans to banks and call loans from banks

Call loans to banks

(In Thousands of Original Currencies)

June 30, 2022						
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2022
					Interest Income	Interest Income
Chunghwa Post Co., Ltd.	DBU	NTD	\$ 15,000	0.08-0.78	\$ 26	\$ 103
Land Bank	DBU	NTD	10,000	0.08-0.87	1,431	1,847
	OBU	USD	167,000	0.05-1.57	41	149
	OBU	AUD	45,000	0.70-1.38	63	63
	Hong Kong Branch	USD	75,000	0.23-1.52	188	238
Taiwan Business Bank	Tokyo Branch	USD	15,000	0.13-1.74	32	39
	London Branch	USD	20,000	2.35	13	13
	Hong Kong Branch	USD	20,000	1.05-2.58	74	75

December 31, 2021						
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Income	
Chunghwa Post Co., Ltd.	DBU	NTD	\$ 15,000	0.08-0.62	\$	89
Land Bank	DBU	NTD	10,000	0.08-0.47		1,583
	OBU	USD	116,000	0.06-0.33		203
	London Branch	USD	20,000	0.18-0.29		19
	Hong Kong Branch	USD	25,000	0.08-0.48		214
Taiwan Business Bank	OBU	USD	30,000	0.06-0.32		22
	Tokyo Branch	USD	15,000	0.13-0.53		29
Taichung Commercial Bank	DBU	NTD	900,000	0.15-0.31		1,787

June 30, 2021						
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	For the Three Months Ended June 30, 2021 Interest Income	For the Six Months Ended June 30, 2021 Interest Income
Chunghwa Post Co., Ltd.	DBU	NTD	\$ 15,000	0.08-0.62	\$ 23	\$ 42
Land Bank	DBU	NTD	5,000	0.08-0.47	158	1,487
	OBU	USD	100,000	0.06-0.33	24	93
	OBU	AUD	45,000	0.01-0.24	3	31
	OBU	NZD	7,500	0.22-0.25	4	4
	Singapore Branch	USD	20,000	0.29-0.33	21	35
	London Branch	USD	20,000	0.19-0.26	7	8
	Hong Kong Branch	USD	40,000	0.15-0.35	63	94
	Hong Kong Branch	HKD	50,000	0.02	-	-
Taiwan Business Bank	OBU	AUD	10,000	0.05-0.07	-	-
	Tokyo Branch	USD	15,000	0.14-0.25	7	14
	Hong Kong Branch	USD	30,000	0.09-0.34	17	35
Taichung Commercial Bank	DBU	NTD	500,000	0.17-0.23	200	635

### Call loans from banks

(In Thousands of Original Currencies)

June 30, 2022						
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	For the Three Months Ended June 30, 2022 Interest Expense	For the Six Months Ended June 30, 2022 Interest Expense
Land Bank	DBU	NTD	\$ 50,000	0.08-0.73	\$ 8	\$ 20
	New York Branch	USD	20,000	0.09-1.57	11	14
	Los Angeles Branch	USD	20,000	0.10-1.85	10	10
Taiwan Business Bank	Singapore Branch	SGD	8,500	0.28-1.05	9	14

December 31, 2021					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Land Bank	DBU	NTD	\$ 5,000	0.08-0.48	\$ 136
	OBU	ZAR	20,000	4.30-5.45	2,133
Taiwan Business Bank	Singapore Branch	SGD	8,000	0.19-0.35	12
Taichung Commercial Bank	OBU	ZAR	30,000	3.70-6.00	558

June 30, 2021						
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	For the Three Months Ended June 30, 2021 Interest Expense	For the Six Months Ended June 30, 2021 Interest Expense
Land Bank	DBU	NTD	\$ 5,000	0.48	\$ 6	\$ 12
Taiwan Business Bank	Singapore Branch	SGD	6,000	0.20-0.28	4	5

6) Due from banks and deposits from banks

Due from banks

(In Thousands of New Taiwan Dollars)

Name	Department	Currency	June 30, 2022	December 31, 2021	June 30, 2021
			Ending Balance	Ending Balance	Ending Balance
Land Bank	DBU	NTD	\$ 4	\$ 4	\$ 4
Taiwan Business Bank	DBU	NTD	4	11	10
Chunghwa Post Co., Ltd.	DBU	NTD	140	227	119

Deposits from banks

(In Thousands of Original Currencies)

Name	Department	Currency	June 30, 2022	December 31, 2021	June 30, 2021
			Ending Balance	Ending Balance	Ending Balance
Land Bank	DBU	NTD	\$ 277	\$ 277	\$ 277
The Export-Import Bank	DBU	NTD	2,258	1,972	1,527
Chunghwa Post Co., Ltd.	DBU	NTD	290,793	312,843	360,968
Taishin International Bank	New York Branch	USD	68	68	68

c. Compensation of directors and management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 10,427	\$ 10,300	\$ 24,430	\$ 22,549
Post-employment benefits	<u>435</u>	<u>397</u>	<u>11,505</u>	<u>815</u>
	<u>\$ 10,862</u>	<u>\$ 10,697</u>	<u>\$ 35,935</u>	<u>\$ 23,364</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

d. Others

The Bank signed two-year information system service contracts in the amounts of \$2,000 thousand and \$46 thousand on April 8, 2020 and April 30, 2020, with its subsidiaries Chang Hua Commercial Bank, Ltd. and Chang Hwa Bank Venture Capital Co., Ltd., respectively and recognized other income in the amount of \$1,250 thousand in 2022.

The Bank signed three-year legal advice service contract with its subsidiary, Chang Hwa Bank Venture Capital Co., Ltd., on November 26, 2020. Under the contract, the annual service fee is \$68 thousand.

The Bank signed three-year information system service contracts with its subsidiaries Chang Hua Commercial Bank, Ltd. and Chang Hwa Bank Venture Capital Co., Ltd. on April 6, 2022 and February 15, 2022. Under the contract, the annual service fee is \$4,410 thousand and \$68 thousand, respectively.

### 37. PLEDGED ASSETS

The summary of the Group's pledged assets as of June 30, 2022, December 31, 2021 and June 30, 2021 is as follows:

Pledged Assets	Description	June 30, 2022	December 31, 2021	June 30, 2021
Investments in debt instruments at FVTOCI	Bonds	\$ 1,190,531	\$ 6,617,187	\$ 5,701,157
Investments in debt instruments at amortized cost	Bonds and time deposits	41,448,675	41,438,275	41,439,475
Time deposits with original maturities of more than 3 months	Time deposits	-	-	2,805,400
Refundable deposits	Cash	537,167	1,325,277	1,307,497
Reserve account B	Cash	-	35,000,000	30,000,000

### 38. CONTINGENT LIABILITIES AND COMMITMENTS

- a. In addition to those mentioned in Note 7, the Group had the following contingent liabilities and commitments as of June 30, 2022, December 31, 2021 and June 30, 2021:

	June 30, 2022	December 31, 2021	June 30, 2021
Trust liabilities	\$ 438,350,005	\$ 410,135,442	\$ 399,530,388
Unused loan commitments (excluding credit cards)	90,592,072	87,912,431	75,028,638
Credit card commitments	340,184	206,280	354,836
Unused issued letters of credit	32,566,779	27,312,727	27,942,080
Guarantees issued in guarantee business	64,467,530	57,408,752	56,406,172
Repayment notes and times deposit held for custody	18,256,157	14,130,756	14,993,623
Liabilities on joint loans	344,772	434,699	529,126

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction, appointment and security as of June 30, 2022 were \$601,620 thousand, \$100,607 thousand, \$791,078 thousand and \$68,655 thousand, respectively. The unrecognized refundable deposits for national financing guarantee promotion plan were \$67,875 thousand.

- b. TDK Corporation filed a legal proceeding against the Bank for damages in the amount of \$45,794 thousand. On April 19, 2017, the Taiwan Superior Court passed a verdict partially in favor of and partially against the Bank, and the Bank shall compensate the damages in the amount of \$11,448 thousand. The Bank had appealed to the Supreme Court. The Supreme Court held hearings on September 3, 2019, November 4, 2019, January 14, 2020, May 11, 2020, July 16, 2020, September 30, 2020, November 25, 2020, January 25, 2021, April 12, 2021 and July 26, 2021. On September 7, 2021, the Taiwan Superior Court ruled in favor of the Bank without damages, but on October 26, 2021, TDK Corporation appealed to the Taiwan Superior Court. The Supreme Court had convened a mediation session on February 8, 2022 and the Court rendered a judgment in favor of the Bank in the form of Supreme Court Judgment No. 1307 of 2022 on July 7, 2022.

- c. The Bank's North Taichung branch was fined due to the misappropriation of customers' deposits. The customers filed a lawsuit against the Bank in the Taichung District Court for misappropriation of deposit amount and loss of financial products on June 25, 2021 amounted to \$369,778 thousand. The third trial was held on July 21, 2022, and another trial will be held on October 4, 2022.

### 39. DISCLOSURES UNDER STATUTORY REQUIREMENTS

a. Material transactions

No.	Item	Explanation
1	Accumulated purchases and sales balance of specific investees' marketable security over NT\$300 million or 10% of outstanding capital for the six months ended June 30, 2022	None
2	Acquisition of fixed assets over NT\$300 million or 10% of outstanding capital for the six months ended June 30, 2022	None
3	Disposal of fixed assets over NT\$300 million or 10% of outstanding capital for the six months ended June 30, 2022	None
4	Discount on fees income from related parties over NT\$5 million	None
5	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of June 30, 2022	None
6	Sale of NPL	None
7	Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
8	Other significant transactions which may affect decisions of the users of the financial statements	None

b. Information on the Bank's Investees

No.	Item	Explanation
1	Investees' names, locations, etc.	Table 1
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of June 30, 2022	Table 2
5	Accumulated purchases and sales balance of specific marketable security over NT\$300 million or 10% of outstanding capital for the six months ended June 30, 2022	None
6	Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the six months ended June 30, 2022	None
7	Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the six months ended June 30, 2022	None
8	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of June 30, 2022	None
9	Derivative instrument	None
10	Discount on fees income from related parties over NT\$5 million	None
11	Sale of NPL by subsidiary	None
12	Other significant transactions which may affect decisions of the users of the financial statements	None

c. Investment in mainland China: Table 3.

d. Intercompany relationships and significant intercompany transactions: Table 4.

e. Information of major shareholders: The name of the shareholder, shareholding amount and ratio of shareholders with a shareholding ratio more than 5%. (Table 5)

#### 40. INFORMATION ON THE BANK'S INVESTEEES

Investees' Names (Note a)	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Carrying Amount	Recognized Investment Income (Loss) of Current Period	Sum of Ownership (Note a)			
						Current Stock	Imputed Stock (Note b)	Stock	Ownership Interest (%)
Asia Pacific Broadband Telecom Co.	Taipei City	Type I & type II telecommunications business	0.23	\$ 71,770	\$ -	\$ 9,831,471	\$ -	\$ 9,831,471	0.23
Taiwan High Speed Rail Corporation	Taipei City	High speed rail road	0.79	1,248,225	-	44,500,000	-	44,500,000	0.79
Taiwan Stock Exchange Co.	Taipei City	Securities brokerage, margin lending, and underwriting financial products	3.66	3,678,540	-	30,764,737	-	30,764,737	3.66
Taiwan Sugar Co.	Tainan City	Manufacture correlative products of sugar and crop	0.41	1,643,039	-	23,246,159	-	23,246,159	0.41
Taiwan Power Co.	Taipei City	Generate electric power, power distribution, and cable assemble	0.71	2,317,192	-	235,726,532	-	235,726,532	0.71
Taipei Foreign Exchange Inc.	Taipei City	Exchange trading, DEPOS, and Swap	3.53	34,622	-	700,000	-	700,000	3.53
Lieu-An Service Co., Ltd.	Taipei City	ATM purchase, rental, and repair or maintenance	5.00	1,711	-	125,000	-	125,000	5.00
CDIB & Partners Investment Holding Co.	Taipei City	Investment	4.95	572,400	-	54,000,000	-	54,000,000	4.95
Nomura Asset Management Taiwan Ltd.	Taipei City	Securities investment trust	4.09	92,557	-	1,413,725	-	1,413,725	4.09
Financial Information Service Co., Ltd.	Taipei City	Type II telecommunications business	1.26	185,421	-	6,589,242	-	6,589,242	1.26
Taiwan Futures Exchange	Taipei City	Futures exchange	1.14	469,838	-	4,786,449	-	4,786,449	1.14
Taiwan Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	11.35	1,605,600	-	120,000,000	-	120,000,000	11.35
Taiwan Financial Asset Service Co.	Taipei City	Auction assets of the recognition of an impartial third party	2.94	48,550	-	5,000,000	-	5,000,000	2.94
Financial Esolution Co., Ltd.	Taipei City	Financial information systems development	4.12	8,566	-	905,475	-	905,475	4.12
Taiwan Depository & Clearing Corporation	Taipei City	Provide book-entry of securities transactions	0.11	68,515	-	484,550	-	484,550	0.11
Sunlight Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	0.70	535	-	41,768	-	41,768	0.70
Taiwan Mobile Payment Corporation	Taipei City	Electronic Information provider	3.00	9,504	-	1,800,000	-	1,800,000	3.00
Taiwan Urban Regeneration & Financial Services Co., Ltd.	Taipei City	Urban renewal and reconstruction industry	5.00	13,100	-	2,500,000	-	2,500,000	5.00

Note a: The investees' voting shares, and imputed stock were owned by the Bank and related parties.

Note b: 1) Imputed stock refers to the purchase of securities with equity or derivative commodity contracts (not yet converted into equity holding), which is linked to the equity of the reinvestment business according to the agreed transaction conditions and the bank's commitment to be used as Article 74 of The Banking Act of The Republic of China stipulates that for the purpose of reinvestment, under the assumption of conversion, the shares acquired as a result of the conversion.

2) The above-mentioned "securities with equity" refers to the securities stipulated in the first paragraph of Article 11 of Securities and Exchange Act Enforcement Rules, such as convertible corporate bonds and call warrants.

3) The above-mentioned "derivative commodity contract" refers to those who meet the definition of derivative instruments in IFRS 9, such as stock options.



## 41. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of services provided.

### a. Segment revenue and results

For the Six Months Ended June 30, 2022							
	Loans	Deposits	Financial Instruments and Investments	Wealth Management	Overseas Branch and Subsidiaries	Others	Total
Net income of interest	\$ 6,825,159	\$ 3,612,451	\$ (241,036)	\$ -	\$ 1,487,714	\$ (7,606)	\$ 11,676,682
Net service fee income	816,547	130,223	(20,071)	1,339,434	49,620	-	2,315,753
Net income on financial instrument	-	-	1,646,532	-	178,332	-	1,824,864
Others	<u>4,911</u>	<u>-</u>	<u>2,251</u>	<u>-</u>	<u>2,453</u>	<u>134,967</u>	<u>144,582</u>
Net revenue and gains	<u>7,646,617</u>	<u>3,742,674</u>	<u>1,387,676</u>	<u>1,339,434</u>	<u>1,718,119</u>	<u>127,361</u>	<u>15,961,881</u>
Bad debts expense and commitment and guarantee liability provision	(687,730)	-	17	-	(693,537)	-	(1,381,250)
Operating expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,410,875)</u>
Income before income tax	<u>\$ 6,958,887</u>	<u>\$ 3,742,674</u>	<u>\$ 1,387,693</u>	<u>\$ 1,339,434</u>	<u>\$ 1,024,582</u>	<u>\$ 127,361</u>	<u>\$ 6,169,756</u>

  

For the Six Months Ended June 30, 2021							
	Loans	Deposits	Financial Instruments and Investments	Wealth Management	Overseas Branch and Subsidiaries	Others	Total
Net income of interest	\$ 6,384,916	\$ 2,343,039	\$ (176,232)	\$ -	\$ 1,272,844	\$ (7,888)	\$ 9,816,679
Net service fee income	689,614	116,751	(14,013)	1,439,635	48,801	-	2,280,788
Net income on financial instrument	-	-	1,480,818	-	86,067	-	1,566,885
Others	<u>46,567</u>	<u>-</u>	<u>2,121</u>	<u>-</u>	<u>4,099</u>	<u>168,221</u>	<u>221,008</u>
Net revenue and gains	<u>7,121,097</u>	<u>2,459,790</u>	<u>1,292,694</u>	<u>1,439,635</u>	<u>1,411,811</u>	<u>160,333</u>	<u>13,885,360</u>
Bad debts expense and commitment and guarantee liability provision	(212,319)	-	293	-	(727,341)	-	(939,367)
Operating expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,067,272)</u>
Income before income tax	<u>\$ 6,908,778</u>	<u>\$ 2,459,790</u>	<u>\$ 1,292,987</u>	<u>\$ 1,439,635</u>	<u>\$ 684,470</u>	<u>\$ 160,333</u>	<u>\$ 4,878,221</u>

The reported revenue and results on the segment information reported did not include inter-segment revenue, for the six months ended June 30, 2022 and 2021.

This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

### b. Segment total assets and liabilities

June 30, 2022						
	Loans	Deposits	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiary	Total
Assets	<u>\$ 1,573,305,049</u>	<u>\$ -</u>	<u>\$ 792,501,896</u>	<u>\$ -</u>	<u>\$ 200,079,826</u>	<u>\$ 2,651,459,941</u>
Liabilities	<u>\$ 2,526,366</u>	<u>\$ 2,191,676,843</u>	<u>\$ 85,168,816</u>	<u>\$ -</u>	<u>\$ 130,505,758</u>	<u>\$ 2,485,693,206</u>

  

December 31, 2021						
	Loans	Deposits	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiary	Total
Assets	<u>\$ 1,472,353,653</u>	<u>\$ -</u>	<u>\$ 813,923,901</u>	<u>\$ -</u>	<u>\$ 171,319,335</u>	<u>\$ 2,551,106,497</u>
Liabilities	<u>\$ 2,759,647</u>	<u>\$ 2,116,226,758</u>	<u>\$ 75,078,516</u>	<u>\$ -</u>	<u>\$ 108,235,008</u>	<u>\$ 2,379,654,042</u>

  

June 30, 2021						
	Loans	Deposits	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiary	Total
Assets	<u>\$ 1,440,005,233</u>	<u>\$ -</u>	<u>\$ 724,446,183</u>	<u>\$ -</u>	<u>\$ 170,352,662</u>	<u>\$ 2,417,921,905</u>
Liabilities	<u>\$ 2,547,578</u>	<u>\$ 1,982,709,820</u>	<u>\$ 181,753,129</u>	<u>\$ -</u>	<u>\$ 115,787,534</u>	<u>\$ 2,248,105,555</u>

**TABLE 1**

**CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES’ NAMES AND LOCATIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 2022**

**(In Thousands of New Taiwan Dollars, Except for Percentage and Shares)**

Investor	Investees’ Names	Investees’ Location	Line of Business	Original Investment Amount		Ending Balance			Net Income (Loss) of Current Period	Recognized Income (Loss) of Current Period	Note
				End of June 30, 2022	End of December 31, 2021	Number of Shares	Percentage of Ownership (%)	Book Value			
Chang Hwa Bank	Chang Hua Commercial Bank, Ltd. Chang Hwa Bank Venture Capital Co., Ltd.	Mainland China Taiwan	Banking Venture capital	\$ 12,117,288 1,000,000	\$ 12,117,288 600,000	Note 100,000,000	100 100	\$ 13,615,313 1,150,360	\$ 139,869 76,440	\$ 139,869 76,440	

Note: Limited company organization.

**TABLE 2**

**CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**

**JUNE 30, 2022**

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

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company (Note 2)	Financial Statement Account	June 30, 2022				Note
				Number of Shares	Carrying Amount (Note 3)	Percentage of Ownership (%)	Fair Value	
Chang Hwa Bank Venture Capital Co., Ltd.	Tigerair Taiwan Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,340,000	\$ 53,225	0.3	\$ 53,225	
	Jada International Development Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,919,378	42,360	8.5	42,360	
	Sunway Energy Co., Ltd.	-	Financial assets at fair value through profit or loss	100,000	9,370	0.1	9,370	
	Yuh Shan Environmental Engineering Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	10,340	2.0	10,340	
	Acer E-enabling Service Business Inc.	-	Financial assets at fair value through profit or loss	405,813	75,189	1.1	75,189	
	Advanced Wireless & Antenna Inc.	-	Financial assets at fair value through profit or loss	250,000	7,150	1.0	7,150	
	Huang Chieh Metal Composite Material Tech. Co., Ltd.	-	Financial assets at fair value through profit or loss	350,000	6,654	0.6	6,654	
	Ina Energy Corporation	-	Financial assets at fair value through profit or loss	2,000,000	49,480	1.0	49,480	
	Imedtac Co., Ltd.	-	Financial assets at fair value through profit or loss	300,000	20,286	2.1	20,286	
	Locus Cell Co., Ltd.	-	Financial assets at fair value through profit or loss	3,433,000	137,354	1.7	137,354	
	Great Giant Fibre Garment Co., Ltd.	-	Financial assets at fair value through profit or loss	365,318	32,477	0.6	32,477	
	MegaPro Biomedical Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	9,935	0.9	9,935	
	Ace Medical Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000,000	18,910	4.9	18,910	
	Mesh Cooperative Ventures, Inc.	-	Financial assets at fair value through profit or loss	-	18,000	-	18,000	
	Minima Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	570,000	14,820	1.5	14,820	
	Evergreen Aviation Technologies Corporation	-	Financial assets at fair value through profit or loss	485,000	27,684	0.1	27,684	
	PlayNitride Display Co., Ltd.	-	Financial assets at fair value through profit or loss	380,000	40,936	0.4	40,936	

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company (Note 2)	Financial Statement Account	June 30, 2022				Note
				Number of Shares	Carrying Amount (Note 3)	Percentage of Ownership (%)	Fair Value	
	Sunpower Energy Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,112,456	\$ 32,518	4.7	\$ 32,518	
	Outstanding Management Consultants Co., Ltd.	-	Financial assets at fair value through profit or loss	990	10	9.9	10	
	G-YEN HUTONG Co., Ltd.	-	Financial assets at fair value through profit or loss	47,000	1,673	0.3	1,673	
	Gamamobi Taiwan Co., Ltd.	-	Financial assets at fair value through profit or loss	400,000	10,000	2.0	10,000	
	Outstanding Capital Limited Partnership	-	Financial assets at fair value through profit or loss	-	470	-	470	
	Hongde Energy Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	120,000	8,382	0.1	8,382	
	Etian Cool Co., Ltd.	-	Financial assets at fair value through profit or loss	119,313	2,148	0.4	2,148	

Note 1: The securities referred to in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of IFRS 9 “Financial Instruments”.

Note 2: If the issuer of securities is not a related party, this column is exempt.

Note 3: As measured by fair value, fill in the balance of book value after adjustment of the fair value evaluation and deduct the allowance loss. If not measured by fair value, fill in the amortized cost (after allowance loss has been deducted) of the book balance.

(Concluded)

**TABLE 3****CHANG HWA COMMERCIAL BANK, LTD.****INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE SIX MONTHS ENDED JUNE 30, 2022**

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

1.

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2022	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2022	Accumulated Repatriation of Investment Income as of June 30, 2022	Note
					Outflow	Inflow							
Chang Hua Commercial Bank, Ltd.	Banking	\$ 12,117,288 (US\$ 399,558)	Note 1.c.	\$ 12,117,288 (US\$ 399,558)	\$ -	\$ -	\$ 12,117,288 (US\$ 399,558)	\$ 139,869	100	\$ 139,869	\$ 13,615,313	\$ -	

2.

Accumulated Outward Remittance for Investment in Mainland China June 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$ 12,117,288 (US\$ 399,558)	\$ 12,117,288 (US\$ 399,433)	\$ 24,865,010

Note 1: The three methods of investment are as follows:

- Direct investment in mainland China.
- Investment in mainland China through reinvestment in existing enterprise in a third area.
- Others.

Note 2: Equity in the profit (loss):

- If the entity is still in the preparation stage and there is no equity in profit (loss), the condition should be noted.
- The basis of recognizing equity in profit (loss) is categorized in the following three types and each entity should be noted according to its condition.
  - Financial statements audited (reviewed) by international accounting firms that cooperate with the accounting firms in the ROC.
  - Financial statements audited (reviewed) by the Taiwan-based parent company's CPA.
  - Others.

Note 3: In accordance with the "Bank, Financial Holding Corporation and Related Party Invest China Business Rules" announced by the FSC, the accumulated outflow of operating funds and investment from the following parties may not exceed 15% of net assets while they applied:

- Banks in Taiwan (or subsidiaries in a third area) which establish branches, establish/acquire subsidiaries or acquire stock or capital contributions from local stockholders in mainland China.
- The subsidiaries whose issued stock with voting rights or more than 50% of capital held by banks in Taiwan that have investments in mainland China.

**TABLE 4**

**CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES**

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

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
0	The Bank	Chang Hua Commercial Bank, Ltd.	a.	Due from the Central Bank and call loans to bank	\$ 39,352	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Cash and cash equivalents	105,101	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Receivables	390,954	Same as normal customers	0.01
		Chang Hua Commercial Bank, Ltd.	a.	Other financial assets	8,874,000	Same as normal customers	0.33
		Chang Hua Commercial Bank, Ltd.	a.	Interest income	122,174	Same as normal customers	0.77
		Chang Hua Commercial Bank, Ltd.	a.	Net non-interest income	1,250	Same as normal customers	0.01
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Deposits and remittances	467,464	Same as normal customers	0.02
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Other liabilities	5	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Interest expense	241	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Net non-interest income	1,206	Same as normal customers	0.01

Note 1: Transaction details: Methods of numbering are as follows:

- a. 0 for parent company.
- b. In accordance with subsidiary number starts from 1.

Note 2: Relationships are as follows:

- a. Parent company to subsidiary.
- b. Subsidiary to parent company.
- c. Subsidiary to subsidiary.

Note 3: Transactions amounts are calculated as percentage of accrued amounts of total income or ending balance of total assets.

**TABLE 5****CHANG HWA COMMERCIAL BANK, LTD.****INFORMATION OF MAJOR SHAREHOLDERS****JUNE 30, 2022**

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Taishin Financial Holdings Co., Ltd.	2,140,267,826	20.40
Ministry of Finance	1,278,869,918	12.19
Chunghwa Post Co., Ltd.	629,358,864	6.00

Note: The main shareholder information in this table is calculated by the insurance company on the last business day at the end of the quarter, and the total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the Bank without physical registration (including treasury shares) is more than 5%. The share capital recorded in the Bank's consolidated financial statements and the actual number of shares delivered without physical registration may be different due to the basis of preparation and calculation.