

Stock code: 5876
Taiwan Stock Exchange

**The Shanghai Commercial & Savings
Bank, Ltd.**

**Standalone Financial Statements for the
Six Months Ended June 30, 2023 and 2022
and Independent Auditors' Report**

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INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of The Shanghai Commercial & Savings Bank, Ltd.

Opinion

We have audited the accompanying balance sheets of The Shanghai Commercial & Savings Bank, Ltd. (the "Bank") as at June 30, 2023, and the related statements of comprehensive income, changes in equity and cash flows for the six months ended June 30, 2023, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at June 30, 2023, and its financial performance and its cash flows for the six months ended June 30, 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Jin-Guan-Yin-Fa-Zi Letter No.10802731571 and Standards on Auditing of Taiwan. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the Norm of Professional Ethics for Certified Public Accountant of Taiwan, 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matter for the Bank's financial statements of the current period is stated as follows:

Allowance for credit losses of discounts and loans

Description

The core business of the Bank is granting loans, which is significant to the accompanying financial statements for the current period. The impairment assessment of discounts and loans is conducted in accordance with International Financial Reporting Standards 9 (“IFRS 9”) ‘Financial instruments’ and relevant regulations of allowance for credit losses promulgated by competent authorities. Management evaluates the impairment of discounts and loans using the expected credit loss model, with assumptions made based on past events, current market conditions and forward-looking information, to assess whether there is significant increase of credit risk since initial recognition to measure allowance of credit losses. In addition, credit losses for credit-impaired loans are evaluated based on recoverable amounts. Please refer to Notes 4, 5, 14 and 39 of the financial statements for relevant information on impairment of discounts and loans. The evaluation of allowance for credit losses of discounts and loans involves significant judgments such as accounting estimates and management’s assumptions, and shall comply with relevant regulations and interpretations. The measurement results would impact the amount recognized directly. Thus, we have determined the allowance of credit losses of discounts and loans as the key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the key audit matter mentioned above:

1. Obtained an understanding and performed sample tests to internal controls as well as operation procedures related to management’s evaluation of credit losses.
2. Sampled and tested whether parameter assumptions adopted in the expected credit loss model including probability of default, loss given default and exposure at default are in accordance with existing policies.
3. Sampled and tested whether credit-impaired cases with material amounts were assessed individually.
4. Assessed whether the allowance for credit losses of discounts and loans is in compliance with relevant regulations of the competent authorities.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34, “Interim Financial Reporting” that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank’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 Bank 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 Bank's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with the Standards on Auditing of Taiwan, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 Bank'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 Bank'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the 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 financial statements of the current period 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.

Other matter – Prior period financial statements audited by other auditors

The parent company only financial statements of the Bank for the six months ended June 30, 2022 were audited by other auditors who expressed an unqualified opinion on those statements on August 13, 2022.

Puo-Ju Kuo Wei-Tai Wu
For and on behalf of PricewaterhouseCoopers, Taiwan
August 11, 2023

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than Taiwan. The standards, procedures and practices in Taiwan governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than Taiwan. Accordingly, the accompanying financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in Taiwan, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Balance Sheets
June 30, 2023, December 31, 2022 and June 30, 2022
(Expressed in Thousands of New Taiwan Dollars)

Codes	ASSETS	June 30, 2023		December 31, 2022		June 30, 2022	
		Amount	%	Amount	%	Amount	%
11000	Cash and cash equivalents (Note 6)	\$ 21,283,612	1	\$ 30,624,554	2	\$ 30,084,529	2
11500	Due from the Central Bank and call loans to banks (Note 7)	91,263,765	6	119,437,332	8	116,067,672	8
12000	Financial assets measured at fair value through profit or loss (Note 8)	2,019,073	-	1,986,652	-	2,175,536	-
12100	Financial assets measured at fair value through other comprehensive income (Notes 9 and 11)	232,465,408	15	199,170,985	13	220,339,265	16
12200	Investments in debt instruments measured at amortized cost (Notes 10 and 11)	241,765,381	15	195,275,787	13	111,411,420	8
12500	Securities purchased under resell agreements (Note 12)	350,000	-	-	-	376,912	-
13000	Receivables, net (Notes 13)	10,941,749	1	8,790,407	1	9,258,548	1
13200	Current income tax assets	143	-	143	-	138	-
13500	Discounts and loans, net (Notes 14)	862,916,233	54	840,002,195	56	790,209,698	57
15000	Investments under the equity method, net (Note 15)	87,598,954	6	83,599,886	5	79,233,330	6
15500	Other financial assets, net (Note 16)	3,235	-	-	-	-	-
18500	Properties, net (Note 17)	13,819,395	1	12,994,755	1	12,610,385	1
18600	Right-of-use assets, net (Note 18)	797,157	-	764,585	-	748,418	-
19000	Intangible assets, net (Note 19)	334,796	-	315,822	-	192,575	-
19300	Deferred income tax assets	2,542,802	-	2,022,262	-	1,390,924	-
19500	Other assets, net (Note 20)	8,877,227	1	8,520,247	1	8,603,875	1
10000	Total assets	<u>\$ 1,576,978,930</u>	<u>100</u>	<u>\$ 1,503,505,612</u>	<u>100</u>	<u>\$ 1,382,703,225</u>	<u>100</u>
Codes	LIABILITIES AND EQUITY						
21000	Deposits from the central bank and other banks (Note 21)	\$ 16,161,830	1	\$ 12,109,095	1	\$ 11,297,824	1
22000	Financial liabilities measured at fair value through profit or loss (Note 8)	3,962,510	-	3,435,146	-	3,137,431	-
22500	Securities sold under repurchase agreements (Note 22)	716,763	-	781,568	-	2,168,166	-
23000	Payables (Notes 23)	33,456,577	2	25,714,122	2	30,593,220	2
23200	Current income tax liabilities	569,758	-	1,245,964	-	804,990	-
23500	Deposits and remittances (Notes 24)	1,272,374,338	81	1,218,395,510	81	1,105,436,749	80
24000	Bank debentures (Note 25)	56,692,740	4	56,070,000	4	64,800,000	5
25500	Other financial liabilities (Note 26)	4,722,563	-	2,499,732	-	2,387,167	-
25600	Provisions (Note 27 and 29)	1,769,313	-	1,617,087	-	1,811,844	-
26000	Lease liabilities (Note 18)	807,807	-	772,365	-	757,943	-
29300	Deferred income tax liabilities	10,937,924	1	10,155,644	1	9,476,557	1
29500	Other liabilities (Notes 28)	822,256	-	928,471	-	1,026,479	-
20000	Total liabilities	<u>\$ 1,402,994,379</u>	<u>89</u>	<u>\$ 1,333,724,704</u>	<u>89</u>	<u>\$ 1,233,698,370</u>	<u>89</u>
	Equity (Note 30)						
	Share capital						
31101	Ordinary shares	48,616,031	3	48,616,031	3	44,816,031	3
31500	Capital surplus	27,405,763	2	27,405,763	2	16,666,144	1
	Retained earnings						
32001	Legal reserve	64,476,033	4	64,476,033	4	64,476,033	5
32003	Special reserve	13,252,879	1	7,669,374	1	7,669,374	-
32005	Unappropriated earnings	24,263,163	1	28,537,216	2	21,731,089	2
32000	Total retained earnings	101,992,075	6	100,682,623	7	93,876,496	7
32500	Other equity	(3,946,174)	-	(6,840,365)	(1)	(6,270,672)	-
32600	Treasury shares	(83,144)	-	(83,144)	-	(83,144)	-
30000	Total equity	<u>173,984,551</u>	<u>11</u>	<u>169,780,908</u>	<u>11</u>	<u>149,004,855</u>	<u>11</u>
	Total liabilities and equity	<u>\$ 1,576,978,930</u>	<u>100</u>	<u>\$ 1,503,505,612</u>	<u>100</u>	<u>\$ 1,382,703,225</u>	<u>100</u>

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Statements of Comprehensive Income
For the six months ended June 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, except Earnings Per Share)

<u>Codes</u>	<u>For the Six Months Ended June 30</u>			
	<u>2023</u>		<u>2022</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
41000 Interest income	\$ 18,507,891	117	\$ 9,341,837	73
51000 Interest expenses	8,733,199	55	2,419,888	19
49010 Net interest income (Notes 31)	9,774,692	62	6,921,949	54
Non-interest income				
49100 Service fee income, net (Note 31)	1,593,026	10	1,900,708	15
49200 Gain on financial assets and liabilities measured at fair value through profit or loss (Note 31)	(1,095,706)	(7)	(1,631,479)	(13)
49310 Realized gain on financial assets measured at fair value through other comprehensive income (Note 31)	807,912	5	469,941	4
49600 Foreign exchange gain, net	1,466,912	9	2,042,286	16
49700 Impairment gain (loss) on assets	37,337	-	(50,286)	-
49750 Proportionate share of profit of associates under the equity method (Note 31)	3,244,634	20	2,828,101	22
49800 Other non-interest income, net (Note 31)	56,064	-	265,173	2
49020 Total non-interest income	6,110,179	38	5,824,444	46
4xxxx Consolidated net revenue	15,884,871	100	12,746,393	100
58200 Provisions for bad-debt expense, commitment and guarantee liability (Note 14)	600,570	4	450,000	4
Operating expenses				
58500 Employee benefits (Notes 31)	2,640,209	17	2,417,860	19
59000 Depreciation and amortization (Note 31)	382,206	2	326,582	2
59500 Other general and administrative (Note 31)	1,494,673	9	1,244,477	10
58400 Total operating expenses	4,517,088	28	3,988,919	31
61001 Profit before income tax	10,767,213	68	8,307,474	65
61003 Income tax expense (Note 32)	(997,452)	(5)	(1,050,901)	(8)
64000 Consolidated net income	9,769,761	62	7,256,573	57
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss:				
65204 Gain on investments in equity instruments measured at fair value through other comprehensive income	1,476,312	(9)	(1,854,347)	(15)
65205 Financial liabilities designated at FVTPL which the amount of change derived from credit risk (Note 8)	11,275	-	(24,830)	-
65207 Proportionate share of other comprehensive income of associates under the equity method	(301,280)	(2)	(979,584)	(8)
65220 Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 32)	15,487	-	1,691	-
65200 Subtotal of items that will not be reclassified subsequently to profit or loss	1,201,794	8	(2,857,070)	(23)
Items that may be reclassified subsequently to profit or loss:				
65301 Exchange differences on translating foreign operations	1,201,531	8	5,877,176	46
65307 Share of the other comprehensive income of associates accounted for using the equity method	569,059	4	(4,236,254)	(33)
65309 Gain on debt instruments measured at fair value through other comprehensive income	343,383	2	(6,739,138)	(53)
65310 Loss allowance for debt instruments measured at fair value through other comprehensive income (Note 11)	(39,533)	-	49,385	1
65320 Income tax relating to items that may be reclassified subsequently to profit or loss (Note 32)	(91,466)	(1)	(80,747)	(1)
65300 Subtotal of items that may be reclassified subsequently to profit or loss	1,982,974	12	(5,129,578)	(40)
65000 Other comprehensive income for the period, net of income tax	3,184,768	20	(7,986,648)	(63)
66000 Total comprehensive income for the period	<u>\$ 12,954,529</u>	<u>82</u>	<u>\$ (730,075)</u>	<u>(6)</u>
Earnings per share (Note 33)				
67500 Basic	<u>2.01</u>		<u>1.62</u>	
67700 Diluted	<u>2.01</u>		<u>1.62</u>	

The accompanying notes are an integral part of the standalone financial statements

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Statements of Changes in Equity
For the six months ended June 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, except Earnings Per Share)

		Share Capital		Retained Earnings (Note 30)			Other Equity				
		Ordinary	Capital			Unappropriated	Exchange	Change in	Change in Credit		
		Shares	Surplus			Earnings	Differences on	Financial Assets	Risk From	Treasury Shares	Total Equity
Codes		(Note 30)	(Note 30)	Legal Reserve	Special Reserve		Translating	at FVTOCI	Financial Liabilities	(Note 30)	
							Foreign		Designated		
							Operations		at FVTPL		
A1	Balance on January 1, 2022	\$ 44,816,031	\$ 16,666,144	\$ 60,224,639	\$ 7,669,374	\$ 27,585,920	\$ (6,863,788)	\$ 7,762,578	\$ 24,062	\$ (83,144)	\$ 157,801,816
B1	Appropriation of 2021 earnings										
B5	Legal reserve	-	-	4,251,394	-	(4,251,394)	-	-	-	-	-
	Cash dividends	-	-	-	-	(8,066,886)	-	-	-	-	(8,066,886)
D1	Net profit for the six months ended June 30, 2022	-	-	-	-	7,256,573	-	-	-	-	7,256,573
D3	Other comprehensive income (loss) for the six months ended June 30, 2022, net of income tax	-	-	-	-	-	4,281,712	(12,243,530)	(24,830)	-	(7,986,648)
D5	Total comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	7,256,573	4,281,712	(12,243,530)	(24,830)	-	(730,075)
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(793,124)	-	793,124	-	-	-
Z1	Balance on June 30, 2022	<u>\$ 44,816,031</u>	<u>\$ 16,666,144</u>	<u>\$ 64,476,033</u>	<u>\$ 7,669,374</u>	<u>\$ 21,731,089</u>	<u>\$ (2,582,076)</u>	<u>\$ (3,687,828)</u>	<u>\$ (768)</u>	<u>\$ (83,144)</u>	<u>\$ 149,004,855</u>
A1	Balance on January 1, 2023	\$ 48,616,031	\$ 27,405,763	\$ 64,476,033	\$ 7,669,374	\$ 28,537,216	\$ (126,464)	\$ (6,677,607)	\$ (36,294)	\$ (83,144)	\$ 169,780,908
B3	Appropriation of 2022 earnings										
B5	Special reserve	-	-	-	5,583,505	(5,583,505)	-	-	-	-	-
	Cash dividends	-	-	-	-	(8,750,886)	-	-	-	-	(8,750,886)
D1	Net profit for the six months ended June 30, 2023	-	-	-	-	9,769,761	-	-	-	-	9,769,761
D3	Other comprehensive income (loss) for the six months ended June 30, 2023, net of income tax	-	-	-	-	3,889	544,131	2,625,473	11,275	-	3,184,768
D5	Total comprehensive income (loss) for the six months ended June 30, 2023	-	-	-	-	9,773,650	544,131	2,625,473	11,275	-	12,954,529
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	286,688	-	(286,688)	-	-	-
Z1	Balance on June 30, 2023	<u>\$ 48,616,031</u>	<u>\$ 27,405,763</u>	<u>\$ 64,476,033</u>	<u>\$ 13,252,879</u>	<u>\$ 24,263,163</u>	<u>\$ 417,667</u>	<u>\$ (4,338,822)</u>	<u>\$ (25,019)</u>	<u>\$ (83,144)</u>	<u>\$ 173,984,551</u>

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

Statements of Cash Flows

For the six months ended June 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Codes		For the Six Months Ended June 30	
		2023	2022
	Cash flows from operating activities		
A00010	Net profit before income tax	\$ 10,767,213	\$ 8,307,474
A20010	Adjustments to reconcile net profit to net cash provided by operating activities		
A20100	Depreciation expenses	266,267	245,602
A20200	Amortization expenses	115,939	80,980
A20300	Provisions for bad debt expense, commitment and guarantee liability	600,570	450,000
A20400	Gain (loss) on financial assets and liabilities at fair value through profit or loss	1,159,396	802,492
A20900	Interest expenses	8,733,199	2,419,888
A21200	Interest revenue	(18,507,891)	(9,341,837)
A21300	Dividend income	(758,945)	(85,922)
A22400	Proportionate share of profit of subsidiaries	(3,244,634)	(2,828,101)
A22500	Gain on disposal of properties and equipment, net	(48)	(207,549)
A23500	(Reversal of) loss on financial asset impairment	(37,337)	50,461
A23800	Reversal of impairment on non-financial assets	-	(175)
A29900	Others	(267,901)	(859,041)
A40000	Changes in operating assets and liabilities		
A41110	Due from the central bank and call loans to banks	16,693,978	(12,665,035)
A41120	Financial assets measured at fair value through profit or loss	(470,653)	(39,960)
A41123	Financial assets measured at fair value through other comprehensive income	(31,480,605)	2,135,443
A41125	Investment in debt instruments measured at amortized cost	(46,494,958)	42,324,661
A41150	Receivables	(1,642,617)	(1,326,885)
A41160	Discounts and loans	(23,454,601)	(30,882,274)
A41190	Other financial assets	(3,266)	5,037
A41990	Other assets	(386,960)	(1,427,090)
A42110	Deposits from the central bank and other banks	4,052,735	(4,806,920)
A42120	Financial liabilities at fair value through profit or loss	(182,524)	(594,480)
A42140	Securities sold under repurchase agreements	(64,805)	(12,336,858)
A42150	Payables	(2,175,172)	(1,631,477)
A42160	Deposits and remittances	53,978,828	54,997,187
A42170	Other financial liabilities	2,222,831	(436,072)
A42180	Employee benefit provisions	15,000	1,760
A42990	Other liabilities	(106,177)	(141,443)
A33000	Cash from (used in) operations	(30,673,138)	32,209,866
A33100	Interest received	17,976,044	8,971,329
A33200	Dividends received	1,428,266	764,575
A33300	Interest paid	(7,562,748)	(2,121,316)
A33500	Income tax paid	(1,135,093)	(652,328)
AAAA	Net cash from (used in) operating activities	(19,966,669)	39,172,126

(Continued)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Statements of Cash Flows
For the six months ended June 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

<u>Codes</u>		<u>For the Six Months Ended June 30</u>	
		<u>2023</u>	<u>2022</u>
	Cash flows from investing activities		
B02700	Acquisition of properties	\$ (929,962)	\$ (463,869)
B02800	Proceeds from disposal of properties	2,238	326,576
B04500	Acquisition of intangible assets	(104,877)	(67,242)
BBBB	Net cash from (used in) investing activities	(1,032,601)	(204,535)
	Cash flows from financing activities		
C00300	Increase (decrease) in funds borrowed from central bank and Banks	-	(17,787,080)
C01400	Proceeds from issuance of bank debentures	607,600	-
C01500	Payments for bank debentures	-	(2,150,000)
C04020	Payments for principal portion of lease liabilities	(161,054)	(155,786)
C05400	Acquisition of subsidiaries	-	(626,400)
CCCC	Net cash from (used in) financing activities	446,546	(20,719,266)
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	82,193	377,433
EEEE	Net increase (decrease) in cash and cash equivalents	(20,470,531)	18,625,758
E00100	Cash and cash equivalents at the beginning of the period	97,121,893	71,814,474
E00200	Cash and cash equivalents at the end of the period	<u>\$ 76,651,362</u>	<u>\$ 90,440,232</u>
<u>Codes</u>		<u>For the Six Months Ended June 30</u>	
		<u>2023</u>	<u>2022</u>
E00210	Cash and cash equivalents in balance sheets	\$ 21,283,612	\$ 30,084,529
E00220	Due from the Central Bank and call loans to banks which fall within the definition of cash and cash equivalents under IAS 7	55,017,750	59,978,791
E00230	Securities purchased under resale agreements which fall within the definition of cash and cash equivalents under IAS 7	350,000	376,912
E00200	Cash and cash equivalents in statements of cash flows	<u>\$ 76,651,362</u>	<u>\$ 90,440,232</u>

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

(Concluded)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD

Notes to Standalone Financial Statements

For the six months ended June 30, 2023 and 2022

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

1. ORGANIZATION AND OPERATIONS

The Shanghai Commercial & Savings Bank(the “Bank”) is incorporated in Taiwan and engages in the commercial banking businesses under related laws and regulations. The shares of the Bank have been listed and traded on the Taiwan Stock Exchange since October 19, 2018.

The Bank has its head office in Taipei and 76 branches, including 4 foreign branches separately located in Wuxi China, Vietnam Dong Nai, Hong Kong and Singapore.

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

2. AUTHORIZATION OF FINANCIAL STATEMENTS

On August 11, 2023, the financial statements were approved by the board of directors and issued afterward.

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

3.1 Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”).

New standards, interpretations and amendments endorsed by FSC and became effective from 2023 are as follows:

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

The Bank assesses the applicable amendments to the IFRSs approved and issued by the FSC will not result in significant changes to the Bank’s accounting policies.

3.2 Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Bank.

None.

3.3 IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective Date Announced by IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024
IFRS 17 “Insurance Contracts”	January 1, 2023
New Standards, Interpretations and Amendments	Effective Date Announced by IASB
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7” supplier finance arrangements”	January 1, 2024
Amendments to IAS 12” International Tax Reform Pillar Two Model Rules”	May 23, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Statement of Compliance

These interim standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

4.2 Basis of Preparation

The standalone financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and pension plans which are measured in accordance with the actuarial assumptions.

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

- 4.2.1 Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 4.2.2 Level 2 inputs are observable parameters other than quoted prices included within Level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

4.2.3 Level 3 inputs are unobservable inputs for an asset or liability.

When the Bank prepared the financial statements, its investments in subsidiaries and associates were accounted for using the equity method. To make the current loss and profit as well as the other comprehensive income and equity equal to the current loss and profit and the other comprehensive income and equity which are attributable to the owners of the Bank in the consolidated financial statements, “equity investments under the equity method”, the “share of profit or loss of subsidiaries, associates and joint ventures”, and the “share of the other comprehensive income of subsidiaries, associates and joint ventures” were adjusted.

4.3 Other Significant Accounting Policies

Except for the following, the accounting policies applied in these financial statements are consistent with those applied in the financial statements for the year ended December 31, 2021.

4.3.1 Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined annual 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.

4.3.2 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.

4.3.3 Modification of financial instruments

When a financial instrument is modified, the Bank assesses whether to derecognize financial assets or financial liabilities. If it causes derecognition, it will be treated as derecognition of financial assets or financial liabilities. If it does not result in derecognition, the Bank recalculates the total book value of financial assets or the amortized cost of financial liabilities based on the present value of the modified contractual cash flow discounted at the original effective interest rate, and recognizes the modified benefit or loss in profit or loss. The costs or charges incurred are used as adjustments to the book value of the financial assets or financial liabilities after the modification, and amortized in the remaining period after the modification.

Interest rate benchmark reform determines changes in the basis of contractual cash flow of financial assets or financial liabilities. If it is necessary for the direct result of the change in interest rate benchmark reform, and the new basis is economically equivalent to the basis before the change, the Bank adopts practical expedient practices, which are regarded as changes in the effective interest rate when determining changes in the basis. In addition to changes in the basis for determining contractual cash flows required by changes in interest rate benchmark reform, if additional changes are made to financial assets or financial liabilities, the Bank shall first apply practical expedients to the changes required by the changes in interest rate benchmark reform, and then apply the financial instrument amendments to any additional changes that do not apply the practical expedients.

5. CRITICAL ACCOUNTING JUDGMENTS AND MAIN SOURCES OF UNCERTAINTY IN ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions of main sources of uncertainty

Estimated impairment of financial assets

Estimates of impairment on loans and receivables are based on management's assumptions about default rates and expected loss rates. The Bank considers historical experience, current market conditions and forward-looking information to make assumptions and select input values for impairment assessments. Refer to Note 39 for the important assumptions and input values used. If the actual cash flows in the future are less than expected, significant impairment losses may occur.

6. CASH AND CASH EQUIVALENTS

	June 30, 2023	December 31, 2022	June 30, 2022
Cash in hand and working fund	\$ 6,921,224	\$ 9,822,496	\$ 6,915,047
Checks for clearing	896,697	2,423,884	903,075
Due from banks - domestic	5,351,693	5,132,272	3,586,697
Due from banks - foreign	8,113,998	13,245,902	18,679,710
	<u>\$ 21,283,612</u>	<u>\$ 30,624,554</u>	<u>\$ 30,084,529</u>

The reconciliation of the amounts of cash and cash equivalents reported in the statements of cash flows and balance sheets as of December 31, 2022 is shown below. For the reconciliation of the period ended June 30, 2023 and 2022, refer to the statements of cash flows.

	June 30, 2023
Cash and cash equivalents in the balance sheets	\$ 30,624,554
Due from the Central Bank and call loans to banks which fall within the definition of cash and cash equivalents under IAS 7	66,497,339
Securities purchased under resale agreements which fall within the definition of cash and cash equivalents under IAS 7	-
Cash and cash equivalents balance on statements of cash flows	<u>\$ 97,121,893</u>

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

	June 30, 2023	December 31, 2022	June 30, 2022
Call loans to banks	\$ 46,225,026	\$ 77,556,933	\$ 85,182,128
Deposit reserves - I	12,917,134	12,780,472	6,400,530
Deposit reserves - II	31,919,350	28,882,268	24,267,321
Deposit reserves - foreign currency	202,255	217,659	217,693
	<u>\$ 91,263,765</u>	<u>\$ 119,437,332</u>	<u>\$ 116,067,672</u>

Deposit reserves are statutory reserves and determined monthly at prescribed rates based on average balances of customers' deposits. The entire balance of deposit reserve - II is subject to withdrawal restrictions while no restrictions are placed on other deposit reserves.

8. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	June 30, 2023	December 31, 2022	June 30, 2022
Financial assets at fair value through profit or loss			
Financial assets mandatorily classified as at FVTPL			
Beneficiary certificates	\$ 716,903	\$ 251,237	\$ 264,932
Forward contracts	582,080	1,039,463	596,220
Currency swap contract	290,619	196,437	541,111
Future contracts	237,061	104,961	79,052
Shares	148,902	363,292	485,221
Option contracts	27,218	31,262	106,155
Interest rate swap contracts	16,290	-	53,036
Government bonds	-	-	49,809
	<u>\$ 2,019,073</u>	<u>\$ 1,986,652</u>	<u>\$ 2,175,536</u>
Financial liabilities at fair value through profit or loss			
Held-for-trading financial liabilities			
Forward contracts	\$ 1,286,603	\$ 696,320	\$ 929,560
Currency swap contract	490,638	522,200	39,600
Interest rate swap contracts	111,205	176,822	-
Option contracts	25,355	31,469	106,411
Future contracts	221	-	-
	<u>1,914,022</u>	<u>1,426,811</u>	<u>\$ 1,075,571</u>
Financial liabilities designated at FVTPL			
Bank debentures	<u>2,048,488</u>	<u>2,008,335</u>	<u>2,061,860</u>
	<u>\$ 3,962,510</u>	<u>\$ 3,435,146</u>	<u>\$ 3,137,431</u>

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

The financial assets and liabilities' at FVTPL contract (nominal) amounts of derivative transactions were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Currency swap contract	\$ 74,118,822	\$ 55,114,047	\$ 53,748,601
Forward contracts	61,136,329	54,426,031	52,327,659
Option contracts	6,630,246	6,250,490	11,813,150
Interest rate swap contracts	6,457,787	2,601,485	2,700,943
Future contracts	229,975	-	-

Information for financial liabilities designated by the Bank at FVTPL is as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
The difference between the fair value and the maturity value			
— Fair value	\$ 2,048,488	\$ 2,008,335	\$ 2,061,860
— Maturity value	<u>2,084,675</u>	<u>1,973,649</u>	<u>2,134,136</u>
	<u>\$ (36,187)</u>	<u>\$ 34,686</u>	<u>\$ (72,276)</u>

	<u>Effects of changes in credit risk</u>
Current amount of change	
From January 1, 2023 to June 30, 2023	\$ 11,275
From January 1, 2022 to June 30, 2022	\$ (24,830)
Cumulative amount of change	
Up to June 30, 2023	\$ (25,019)
Up to December 31, 2022	\$ (36,294)
Up to June 30, 2022	\$ (768)

The financial liabilities designated by the Bank at FVTPL were the second issuance of unsecured debentures amounting to US\$70,000 thousand with a 30-year maturity and interest of 0% rate on October 29, 2018. On the expiration of 5 years and every subsequent year, the Bank may exercise the option at the agreed redemption price. If the option is not exercised during the period, the payment will be made on the expiration date.

The Bank entered an interest rate swap contract to reduce the interest rate risk of the aforementioned financial bonds. The interest rate swap contract was measured at fair value and the fair value changes were included in profit or loss. The Bank designated the aforementioned financial bonds as financial liabilities measured at FVTPL for consistency.

The amount of change in the fair value of financial bonds attributable to the changes in the fair value of financial liabilities and the combination of the fair value of financial assets is calculated as the difference between the changes in the fair value of market risk factor. The amount of change in fair value attributable to the market risk factor is calculated using the benchmark yield curve at the balance sheet date. Fair value of financial bonds is based on the benchmark yield curve on the balance sheet date and the estimated credit risk spread by the creditor's interest rate quote on the similar maturity date of the combined company, such that the estimated future cash flow is discounted.

9. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Investments in equity instruments measured at FVTOCI			
Shares	\$ 21,652,262	\$ 9,693,667	\$ 13,888,286
Investments in debt instruments measured at FVTOCI			
Corporate bonds	98,677,650	88,421,583	85,411,129
Bank debentures	54,194,751	35,337,537	35,380,626
Government bonds	37,997,138	29,524,108	28,327,840
Commercial papers	15,823,720	34,959,789	51,589,626
Treasury bonds	2,982,828	-	3,983,054
Asset-backed securities	1,137,059	1,234,301	1,758,704
	<u>210,813,146</u>	<u>189,477,318</u>	<u>206,450,979</u>
	\$ 232,465,408	\$ 199,170,985	\$ 220,339,265

The Bank invests in ordinary shares for medium- and long-term strategic purposes and expects to make a profit through long-term investments. The management of the Bank considers that if the short-term fair value fluctuations of these investments are included in profit or loss, they are inconsistent with the aforementioned long-term investment plans. Therefore, the designated investments are selected to be measured at FVTOCI.

For the information on credit risk management and impairment assessment of investments in debt

instruments at FVTOCI, refer to Note 11.

Parts of the aforementioned financial assets at FVTOCI were sold under repurchase agreements as of June 30, 2023, December 31, 2022 and June 30, 2022. The par values of bonds and commercial papers sold under repurchase agreements were \$710,500 thousand, \$775,000 thousand and \$2,155,968 thousand, respectively.

Parts of equity instruments were sold due to the adjustment of investment position in equity instruments. The fair value of the equity investments sold were \$8,419,131 thousand and \$6,246,057 thousand, and the resulted in cumulative gains (losses) on disposal amounting to \$286,688 thousand and (\$793,124) thousand, respectively, for the six-month period ended June 30, 2023 and 2022.

	For the Six Months Ended June 30	
	2023	2022
Investments in equity instruments measured at FVTOCI		
Fair value change recognized in other comprehensive income	\$ 1,476,312	\$ (1,854,347)
Cumulative loss reclassified to retained earnings due to derecognition	\$ (286,688)	\$ 739,124
Dividend income recognized in profit or loss		
Held at end of period	\$ 470,041	\$ 49,113
Derecognized during the period	287,085	35,181
	<u>\$ 757,126</u>	<u>\$ 84,294</u>
Investments in debt instruments measured at FVTOCI		
Fair value change recognized in other comprehensive income	\$ 394,169	\$ (6,353,491)
Cumulative other comprehensive income reclassified to profit or loss		
recognition	\$ (39,551)	\$ 50,629
Reclassified due to derecognition	(50,786)	(385,647)
	<u>\$ (90,337)</u>	<u>\$ (335,018)</u>
Interest income recognized in profit or loss	<u>\$ 2,786,571</u>	<u>\$ 1,397,363</u>

For the information on financial assets pledged at FVTOCI, refer to Note 36.

10. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	June 30, 2023	December 31, 2022	June 30, 2022
Negotiable certificates of deposit	\$ 214,910,000	\$ 178,510,000	\$ 98,900,000
Bank debentures	12,778,981	7,908,616	648,619
Corporate bonds	5,343,255	3,047,649	2,040,851
Government bonds	3,892,216	2,895,273	2,597,139
Asset-backed securities	2,128,769	-	-
Restricted due from banks	1,881,091	2,917,036	3,729,338
Treasury bonds	836,042	-	3,496,248
	<u>241,770,354</u>	<u>195,278,574</u>	<u>111,412,195</u>
Less: Loss allowance	<u>(4,973)</u>	<u>(2,787)</u>	<u>(775)</u>
	<u>\$ 241,765,381</u>	<u>\$ 195,275,787</u>	<u>\$ 111,411,420</u>

Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	For the Six Months Ended June 30	
	2023	2022
Interest income	\$ 1,238,716	\$ 245,878
Gain (loss) on impairment	(2,214)	168
	<u>\$ 1,236,502</u>	<u>\$ 246,046</u>

Restricted due from banks are the funds deposited into specific bank accounts by the Bank in compliance with Act of The Management, Utilization, and Taxation of Repatriated Offshore Funds.

For the information on the credit risk management and impairment of investment in debt instruments measured at amortized cost, refer to Note 11.

For the information on related financial assets at amortized cost pledged as collateral, refer to Note 36.

11. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS

The investments in debt instruments were classified as financial assets measured at FVTOCI and financial assets at amortized cost.

June 30, 2023

	At FVTOCI	At Amortized Cost	Total
Total carrying amount	\$ 217,726,248	\$ 241,770,354	\$ 459,496,602
Loss allowance	(129,914)	(4,973)	(134,887)
Amortized cost	217,596,334	<u>\$ 241,765,381</u>	459,361,715
Fair value adjustment	(6,783,188)		(6,783,188)
	<u>\$ 210,813,146</u>		<u>\$ 452,578,527</u>

December 31, 2022

	At FVTOCI	At Amortized Cost	Total
Total carrying amount	\$ 196,733,804	\$ 195,278,574	\$ 392,012,378
Loss allowance	(169,447)	(2,787)	(172,234)
Amortized cost	196,564,357	<u>\$ 195,275,787</u>	391,840,144
Fair value adjustment	(7,087,039)		(7,087,039)
	<u>\$ 189,477,318</u>		<u>\$ 384,753,105</u>

June 30, 2022

	At FVTOCI	At Amortized Cost	Total
Total carrying amount	\$ 212,606,109	\$ 111,412,195	\$ 324,018,304
Loss allowance	(136,922)	(775)	(137,697)
Amortized cost	212,469,187	<u>\$ 111,411,420</u>	323,880,607
Fair value adjustment	(6,018,208)		(6,018,208)
	<u>\$ 206,450,979</u>		<u>\$ 317,862,399</u>

The Bank implements a policy of investing in debt instruments with investment grade and have low credit risk for the purpose of impairment assessment. The Bank continues to track external rating information and monitor changes in credit risk of the investments of debt instruments and to review other information such as the bond yield curve and the debtor's material information to assess whether the credit risk of the debt instrument investments has increased significantly since the initial recognition.

The Bank considered the historical default loss rate provided by the independent rating agencies, the debtor's current financial status and the industry's forward-looking forecast to measure the 12-month expected credit loss or full-lifetime expected credit loss of the investments in debt instruments. The Bank's current credit risk rating mechanism and the total carrying amount of each credit rating investment in debt instruments were as follows:

		June 30, 2023		
Credit Rating	Definitions	Expected Credit Loss Recognition Base	Expected Credit Loss Rate	Total Carrying Amount
Stage 1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.000%~0.912%	\$ 458,455,941
Stage 2	Credit risk has increased significantly since the initial recognition	Expected credit loss during the period of existence (no credit impairment)	0.396%~3.556%	947,226
Stage 3	Evidence of credit impairment	Expected credit loss during the period of existence (credit impairment)	40.417%	93,435
		December 31, 2022		
Credit Rating	Definitions	Expected Credit Loss Recognition Base	Expected Credit Loss Rate	Total Carrying Amount
Stage 1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.000%~0.816%	\$ 390,894,204
Stage 2	Credit risk has increased significantly since the initial recognition	Expected credit loss during the period of existence (no credit impairment)	0.308%~3.400%	919,451
Stage 3	Evidence of credit impairment	Expected credit loss during the period of existence (credit impairment)	40.974%~56.123%	198,723
		June 30, 2022		
Credit Rating	Definitions	Expected Credit Loss Recognition Base	Expected Credit Loss Rate	Total Carrying Amount
Stage 1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.000%~0.816%	\$ 322,894,367
Stage 2	Credit risk has increased significantly since the initial recognition	Expected credit loss during the period of existence (no credit impairment)	0.308%~4.512%	989,931
Stage 3	Evidence of credit impairment	Expected credit loss during the period of existence (credit impairment)	40.974%	134,006

Information on changes in allowance for impairment loss under the credit risk rating assessment of investments in debt instruments at FVTOCI and at amortized cost is summarized as follows:

Investments in debt instruments at FVTOCI

	Credit Risk Rating			
	Stage 1 (12-Month ECLs)	Stage 2 (Lifetime ECLs without impairment)	Stage 3 (Lifetime ECLs without impairment)	Total
Balance at January 1, 2023	\$ 65,932	\$ 13,115	\$ 90,400	\$ 169,447
Credit rating change-normal to default	(50)	50	-	-
Purchase of new debt instruments	16,453	561	-	17,014
Derecognition	(10,355)	(1,563)	(52,429)	(64,347)
Provisions (reversal)	6,831	1,106	(155)	7,782
Exchange rate and other changes	193	91	(266)	18
Balance at June 30, 2023	<u>\$ 79,004</u>	<u>\$ 13,360</u>	<u>\$ 37,550</u>	<u>\$ 129,914</u>

	Credit Risk Rating			
	Stage 1 (12-Month ECLs)	Stage 2 (Lifetime ECLs without impairment)	Stage 3 (Lifetime ECLs without impairment)	Total
Balance at January 1, 2022	\$ 72,550	\$ 14,987	\$ -	\$ 87,537
Credit rating change-normal to default	(201)	-	55,842	55,641
Purchase of new debt instruments	11,755	10,050	-	21,805
Derecognition	(12,110)	(11,556)	-	(23,666)
Provisions (reversal)	(3,834)	683	-	(3,151)
Exchange rate and other changes	(3,960)	3,651	(935)	(1,244)
Balance at June 30, 2022	<u>\$ 64,200</u>	<u>\$ 17,815</u>	<u>\$ 54,907</u>	<u>\$ 136,922</u>

Investments in debt instruments at amortized cost

	Credit Risk Rating		
	Stage 1 (12-Month ECLs)	Stage 2 (Lifetime ECLs without impairment)	Total
Balance at January 1, 2023	\$ 2,787	\$ -	\$ 2,787
Purchase of new debt instruments	2,392	-	2,392
Derecognition	(58)	-	(58)
Provisions (reversal)	(120)	-	(120)
Exchange rate and other changes	(28)	-	(28)
Balance at June 30, 2023	<u>\$ 4,973</u>	<u>\$ -</u>	<u>\$ 4,973</u>
Balance at January 1, 2023	\$ 929	\$ -	\$ 929
Purchase of new debt instruments	37	-	37
Derecognition	(139)	-	(139)
Provisions (reversal)	(66)	-	(66)
Exchange rate and other changes	14	-	14
Balance at June 30, 2023	<u>\$ 775</u>	<u>\$ -</u>	<u>\$ 775</u>

12. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

Securities purchased under resell agreements as of June 30, 2023 and 2022 were \$350,000 and \$376,912 thousand. The aforementioned securities will be bought back one after another before July 19, 2023 and July 21, 2022 at \$350,288 thousand, \$377,482 thousand.

13. RECEIVABLES, NET

	June 30, 2023	December 31, 2022	June 30, 2022
Credit card receivables	\$ 3,956,118	\$ 3,350,184	\$ 2,934,301
Accrued interest	3,787,992	3,251,669	2,074,045
Acceptances	1,717,059	1,558,849	2,030,556
Accounts receivable due from sales of securities	702,374	12	1,225,622
Accounts receivable - factoring	325,168	451,234	469,892
Others	737,204	404,789	745,774
	11,225,915	9,016,737	9,480,190
Less: Allowance for credit losses	(284,166)	(226,330)	(221,642)
	<u>\$ 10,941,749</u>	<u>\$ 8,790,407</u>	<u>\$ 9,258,548</u>

The changes in total carrying amount and the allowance of receivables and other financial assets for the six months ended in June 30, 2023 and 2022 (including non-accrual loans and bills of exchange, refer to Note 16) are as follows:

For the Six Months ended June 30, 2023

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Total
Receivables and other financial assets				
Beginning on January 1, 2023	\$ 8,765,271	\$ 197,863	\$ 55,522	\$ 9,018,656
Changes due to financial assets recognized at the beginning of the period:				
Transfer to lifetime ECLs	(52,859)	53,189	(330)	-
Transfer to ECLs on financial assets	(9,964)	(8,940)	18,904	-
Transfer to 12-month ECLs	35,020	(34,690)	(330)	-
Financial assets derecognized in the current period	(1,790,331)	(66,427)	(544)	(1,857,302)
Provision/(reversal)	1,480,925	(7,182)	499	1,474,242
Purchased or originated financial assets	2,563,514	62,462	569	2,626,545
Write-offs	-	-	(15,741)	(15,741)
Exchange rate and other changes	(14,283)	159	5	(14,119)
Balance on June 30, 2023	\$ 10,977,293	\$ 196,434	\$ 58,554	\$ 11,232,281

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Allowance						
Beginning on January 1, 2023	\$ 136,449	\$ 57,397	\$ 24,103	\$ 217,949	\$ 10,300	\$ 228,249
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	(603)	719	(116)	-	-	-
Transfer to ECLs on financial assets	(161)	(2,316)	2,477	-	-	-
Transfer to 12-month ECLs	23,043	(22,928)	(115)	-	-	-
Financial assets derecognized in the current period	(10,678)	(9,455)	(193)	(20,326)	-	(20,326)
Provision/(reversal)	(1,953)	20,535	(6,579)	12,003	-	12,003
Purchased or originated financial assets	16,425	11,176	284	27,885	-	27,885
The difference of impairment under the regulation or decree	-	-	-	-	(1,425)	(1,425)
Write-offs	-	-	(15,741)	(15,741)	-	(15,741)
Recoveries after write-off	-	-	13,068	13,068	-	13,068
Exchange rate and other changes	43,553	23	8	43,584	-	43,584
Balance on June 30, 2023	\$ 206,075	\$ 55,151	\$ 17,196	\$ 278,422	\$ 8,875	\$ 287,297

For the Six Months ended June 30, 2022

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Total
Receivables and other financial assets				
Beginning on January 1, 2023	\$ 7,545,954	\$ 211,438	\$ 61,840	\$ 7,819,232
Changes due to financial assets recognized at the beginning of the period:				
Transfer to lifetime ECLs	(46,524)	46,842	(318)	-
Transfer to ECLs on financial assets	(8,390)	(8,020)	16,410	-
Transfer to 12-month ECLs	30,865	(29,980)	(885)	-
Financial assets derecognized in the current period	(966,726)	(135,166)	(95)	(1,101,987)
Purchased or originated financial assets	1,184,050	45,002	640	1,229,692
Write-offs	-	-	(15,246)	(15,246)
Exchange rate and other changes	1,570,355	(14,995)	(2,915)	1,552,445
Balance on June 30, 2023	\$ 9,309,584	\$ 115,121	\$ 59,431	\$ 9,484,136

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Non- Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Allowance						
Beginning on January 1, 2023	\$ 115,036	\$ 49,299	\$ 29,756	\$ 194,091	\$ 18,709	\$ 212,800
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	(551)	688	(137)	-	-	-
Transfer to ECLs on financial assets	(96)	(2,276)	2,372	-	-	-
Transfer to 12-month ECLs	23,721	(23,356)	(365)	-	-	-
Financial assets derecognized in the current period	(5,506)	(15,077)	(39)	(20,622)	-	(20,622)
Purchased or originated financial assets	14,373	16,158	501	31,032	-	31,032
The difference of impairment under the regulation or decree	-	-	-	-	362	362
Write-offs	-	-	(15,246)	(15,246)	-	(15,246)
Recoveries after write-off	-	-	14,827	14,827	-	14,827
Exchange rate and other changes	(18,828)	21,686	(423)	2,435	-	2,435
Balance on June 30, 2023	\$ 128,149	\$ 47,122	\$ 31,246	\$ 206,517	\$ 19,071	\$ 225,588

14. DISCOUNTS AND LOANS, NET

	June 30, 2023	December 31, 2022	June 30, 2022
Loans	\$ 872,252,429	\$ 848,421,317	\$ 795,231,191
Overdrafts	2,953	-	16,935
Inward/outward documentary bills	1,517,324	2,265,965	3,044,674
Non-performing loans	1,317,205	1,333,238	1,799,788
	875,089,911	852,020,520	800,092,588
Discount and premium adjustments	317,585	408,391	544,700
Allowance for credit losses	(12,491,263)	(12,426,716)	(10,427,590)
	<u>\$ 862,916,233</u>	<u>\$ 840,002,195</u>	<u>\$ 790,209,698</u>

The Bank discontinues accruing interest when loans are deemed non-performing. For the six months ended June 30, 2023 and 2022, the unrecognized interest revenue on the non-performing loans amounted to \$70,894 thousand and \$24,083 thousand, respectively.

For the six months ended June 30, 2023 and 2022, the Bank only had written off certain credits after completing

the required legal procedures.

The changes in carrying amount and allowance for discounts and loans for the six months ended June 30, 2023 and 2022 are as follows:

For the Six Months ended June 30, 2023

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Total
Receivables and other financial assets				
Beginning on January 1, 2023	\$ 838,643,153	\$ 11,650,706	\$ 1,726,661	\$ 852,020,520
Changes due to financial assets recognized at the beginning of the period:				
Transfer to lifetime ECLs	(1,163,552)	1,163,625	(73)	-
Transfer to ECLs on financial assets	(320,935)	(279,136)	600,071	-
Transfer to 12-month ECLs	310,596	(309,393)	(1,203)	-
Financial assets derecognized in the current period	(226,540,887)	(3,043,088)	(34)	(229,584,009)
Provision/(reversal)	(21,739,789)	(136,601)	(231,920)	(22,108,310)
Purchased or originated financial assets	271,654,648	2,463,197	154,626	274,272,471
Write-offs	-	-	(480,634)	(480,634)
Exchange rate and other changes	885,182	74,681	10,010	969,873
Balance on June 30, 2023	\$ 861,728,416	\$ 11,583,991	\$ 1,777,504	\$ 875,089,911

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Allowance						
Beginning on January 1, 2023	\$ 1,681,078	\$ 2,387,294	\$ 430,144	\$ 4,498,516	\$ 7,928,200	\$ 12,426,716
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	(1,722)	1,726	(4)	-	-	-
Transfer to ECLs on financial assets	(977)	(70,388)	71,365	-	-	-
Transfer to 12-month ECLs	72,779	(72,608)	(171)	-	-	-
Financial assets derecognized in the current period	(676,388)	(235,971)	(2)	(912,361)	-	(912,361)
Provision/(reversal)	13,392	215,761	236,466	465,619	-	465,619
Purchased or originated financial assets	1,017,113	368,891	68,862	1,454,866	-	1,454,866
The difference of impairment under the regulation or decree	-	-	-	-	(561,351)	(561,351)
Write-offs	-	-	(480,634)	(480,634)	-	(480,634)
Recoveries of write-offs	-	-	71,837	71,837	-	71,837
Exchange rate and other changes	7,856	16,123	2,592	26,571	-	26,571
Balance on June 30, 2023	\$ 2,113,131	\$ 2,610,828	\$ 400,455	\$ 5,124,414	\$ 7,366,849	\$ 12,491,263

For the Six Months ended June 30, 2022

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Total
Receivables and other financial assets				
Beginning on January 1, 2023	\$ 757,403,898	\$ 10,931,130	\$ 1,034,801	\$ 769,369,829
Changes due to financial assets recognized at the beginning of the period:				
Transfer to lifetime ECLs	(1,342,648)	1,342,721	(73)	-
Transfer to ECLs on financial assets	(365,048)	(1,143,463)	1,508,511	-
Transfer to 12-month ECLs	103,239	(101,624)	(1,615)	-
Financial assets derecognized in the current period	(204,690,179)	(6,379,861)	(89,921)	(211,159,961)
Purchased or originated financial assets	250,310,199	6,608,978	835,673	257,754,850
Write-offs	-	-	(248,130)	(248,130)
Exchange rate and other changes	(14,477,198)	(202,403)	(944,399)	(15,624,000)
Balance on June 30, 2023	\$ 786,942,263	\$ 11,055,478	\$ 2,094,847	\$ 800,092,588

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Allowance						
Beginning on January 1, 2023	\$ 841,402	\$ 1,532,601	\$ 243,441	\$ 2,617,444	\$ 7,368,992	\$ 9,986,436
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	(1,106)	1,110	(4)	-	-	-
Transfer to ECLs on financial assets	(238)	(153,001)	153,239	-	-	-
Transfer to 12-month ECLs	11,941	(11,868)	(73)	-	-	-
Financial assets derecognized in the current period	(349,527)	(761,641)	(77,769)	(1,188,937)	-	(1,188,937)
Purchased or originated financial assets	658,453	1,129,651	170,164	1,958,268	-	1,958,268
The difference of impairment under the regulation or decree	-	-	-	-	(372,665)	(372,665)
Write-offs	-	-	(248,130)	(248,130)	-	(248,130)
Recoveries of write-offs	-	-	49,117	49,117	-	49,117
Exchange rate and other changes	(130,560)	239,957	134,104	243,501	-	243,501
Balance on June 30, 2023	\$ 1,030,365	\$ 1,976,809	\$ 424,089	\$ 3,431,263	\$ 6,996,327	\$ 10,427,590

The details of bad debt expense, commitment and guarantee liability provisions for the six months ended June 30, 2023 and 2022 are listed below:

	For the Six Months Ended June 30	
	2023	2022
Provisions for loans and discounts	\$ 446,773	\$ 396,666
Provisions for receivables and other financial assets	135,660	10,772
Provision for reserve of possible losses on guarantees	18,137	42,562
	<u>\$ 600,570</u>	<u>\$ 450,000</u>

15. INVESTMENTS UNDER THE EQUITY METHOD

Equity Method	June 30, 2023		December 31, 2022		June 30, 2022	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Investment in subsidiaries						
Domestic investments						
SCSB Asset Management Ltd.	\$ 1,608,976	100.00	\$ 1,687,053	100.00	\$ 1,705,627	100.00
China Travel Service (Taiwan)	456,764	99.99	475,080	99.99	427,883	99.99
SCSB Marketing Ltd.	8,358	100.00	8,971	100.00	8,045	100.00
	<u>2,074,098</u>		<u>2,171,104</u>		<u>2,141,555</u>	
Foreign investments						
Shancom Reconstruction Inc.	79,210,187	100.00	75,279,562	100.00	71,271,904	100.00
Wresqueue Limitada	376,092	100.00	365,017	100.00	349,303	100.00
Paofoong Insurance Company Ltd.	387,482	40.00	372,821	40.00	350,607	40.00
AMK Microfinance Institution Plc (AMK)	<u>5,551,095</u>	99.99	<u>5,411,382</u>	99.99	<u>5,119,961</u>	99.99
	<u>85,524,856</u>		<u>81,428,782</u>		<u>77,091,775</u>	
Total	<u>\$ 87,598,954</u>		<u>\$ 83,599,886</u>		<u>\$79,233,330</u>	

The Bank invested in Paofoong Insurance Company (Hong Kong) Ltd. and held 40% equity directly and 60% indirectly through Shancom Reconstruction Inc. Therefore, Paofoong Insurance Company (Hong Kong) Ltd. was recorded as a subsidiary.

The Bank recognized investment losses on Kuo Hai Construction over the years because of the investee's continuing operating losses. The carrying value of Kuo Hai Construction was reduced to zero in 2002.

The Bank's board of directors approved the investment of \$3,668 thousand shares in AMK for US\$22,500 thousand capital increase on November 13, 2021, and this increase was funded by the Bank. The capital increase was approved by the FSC of Taiwan, National Bank of Cambodia and Cambodia Ministry of Commerce on December 29, 2021, April 20, 2022, and May 10, 2022, respectively. The Bank's shareholding ratio was maintained at 99.99%.

16. OTHER FINANCIAL ASSETS, NET

	June 30, 2023	December 31, 2022	June 30, 2022
Non-performing receivables	\$ 3,100	\$ 1,919	\$ 3,946
Bills of exchange	<u>3,266</u>	<u>-</u>	<u>-</u>
	6,366	1,919	3,946
Allowance for non-performing credit card receivables	<u>(3,131)</u>	<u>(1,919)</u>	<u>(3,946)</u>
	<u>\$ 3,235</u>	<u>\$ -</u>	<u>\$ -</u>

The amount of non-performing receivables is made up of unsettled transactional for forward exchange contracts and credit card receivables.

The balances of credit card receivables which were reported as non-performing amounted to \$3,100 thousand \$1,919 thousand and \$3,946 thousand as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively. The unrecognized interest revenue on the receivables amounted to \$202 thousand and \$180 thousand for the six months ended June 30, 2023 and 2022, respectively.

17. PROPERTIES, NET

	June 30, 2023	December 31, 2022	June 30, 2022
Land	\$ 9,570,378	\$ 9,570,378	\$ 9,570,379
Buildings and improvements	1,580,538	1,612,042	1,645,633
Mechanical equipment	366,876	253,219	270,467
Transportation equipment	4,999	6,447	6,503
Miscellaneous equipment	247,849	236,815	173,437
Construction in progress and prepayments	2,048,755	1,315,854	943,966
	<u>\$ 13,819,395</u>	<u>\$ 12,994,755</u>	<u>\$ 12,610,385</u>

For the Six Months Ended June 30, 2023					
Items	Balance at January 1, 2023	Additions	Disposals	Effects of Exchange Rate Changes, Net	Balance at June 30, 2023
Cost					
Land	\$ 9,570,378	\$ -	\$ -	\$ -	\$ 9,570,378
Buildings and improvements	4,185,183	-	-	-	4,185,183
Mechanical equipment	1,026,785	162,744	(5,883)	262	1,183,908
Transportation equipment	40,082	-	(7,118)	-	32,964
Miscellaneous equipment	679,618	34,317	(2,870)	105	711,170
	<u>15,502,046</u>	<u>\$ 197,061</u>	<u>\$ (15,871)</u>	<u>\$ 367</u>	<u>15,683,603</u>
Accumulated depreciation					
Buildings and improvements	\$ 2,573,141	\$ 31,504	\$ -	\$ -	2,604,645
Mechanical equipment	773,566	47,922	(4,669)	213	817,032
Transportation equipment	33,635	859	(6,529)	-	27,965
Miscellaneous equipment	442,803	22,881	(2,483)	120	463,321
	<u>3,823,145</u>	<u>\$ 103,166</u>	<u>\$ (13,681)</u>	<u>\$ 333</u>	<u>3,912,963</u>
Construction in progress and prepayments	1,315,854	\$ 732,901	\$ -	\$ -	2,048,755
Net amount	<u>\$ 12,994,755</u>				<u>\$ 13,819,395</u>

For the Six Months Ended June 30, 2022					
Items	Balance at January 1, 2022	Additions	Disposals	Effects of Exchange Rate Changes, Net	Balance at June 30, 2022
Cost					
Land	\$ 9,641,323	\$ -	\$ (70,944)	\$ -	\$ 9,570,379
Buildings and improvements	4,243,202	-	(58,019)	-	4,185,183
Mechanical equipment	1,050,968	52,710	(37,497)	3,563	1,069,744
Transportation equipment	41,179	631	(686)	-	41,124
Miscellaneous equipment	620,441	19,510	(2,845)	1,758	638,864
	<u>15,597,113</u>	<u>\$ 72,851</u>	<u>\$ (169,991)</u>	<u>\$ 5,321</u>	<u>15,505,294</u>
Accumulated depreciation					
Buildings and improvements	2,519,195	\$ 34,293	\$ (13,938)	\$ -	2,539,550
Mechanical equipment	788,448	42,434	(34,030)	2,425	799,277
Transportation equipment	33,957	1,307	(643)	-	34,621
Miscellaneous equipment	452,262	14,548	(2,353)	970	465,427
	<u>3,793,862</u>	<u>\$ 92,582</u>	<u>\$ (50,964)</u>	<u>\$ 3,395</u>	<u>3,838,875</u>
Construction in progress and prepayments	552,948	\$ 391,018	\$ -	\$ -	943,966
Net amount	<u>\$ 12,356,199</u>				<u>\$ 12,610,385</u>

The Bank did not have any impairment losses on the properties as of June 30, 2023, December 31, 2022 and June 30, 2022.

Depreciation expense of properties is computed using the straight-line method over the useful lives below:

Buildings and improvements	
Branches offices	43-55 years
Air conditioning and machine rooms	9 years
Mechanical equipment	3-8 years
Transportation equipment	5-10 years
Miscellaneous equipment	5-20 years

18. LEASE ARRANGEMENTS

18.1 Right-of-use assets

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amount of right-of-use assets			
Buildings and improvements	\$ 776,990	\$ 737,964	\$ 719,012
Transportation equipment	19,742	25,340	25,716
Mechanical equipment	425	1,281	3,690
	<u>\$ 797,157</u>	<u>\$ 764,585</u>	<u>\$ 748,418</u>

	For the Six Months Ended June 30	
	2023	2022
Increase in right-of-use assets	<u>\$ 212,359</u>	<u>\$ 187,167</u>
Depreciation expenses of right-of-use assets		
Buildings and improvements	\$ 156,647	\$ 142,358
Transportation equipment	5,598	6,241
Mechanical equipment	856	4,421
	<u>\$ 163,101</u>	<u>\$ 153,020</u>

18.2 Lease liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amount of lease liabilities	<u>\$ 807,807</u>	<u>\$ 772,365</u>	<u>\$ 757,943</u>

The discount rate intervals for lease liabilities are as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Buildings and improvements	0.60%~1.40%	0.60%~1.25%	1.25%
Mechanical equipment	0.60%~1.40%	0.60%~1.25%	1.25%
Transportation equipment	0.60%~1.40%	0.60%~1.25%	1.25%

18.3 Other lease information

	For the Six Months Ended June 30	
	2023	2022
Short-term lease expenses	<u>\$ 9,534</u>	<u>\$ 8,147</u>
Leases of low value assets	<u>\$ 3,360</u>	<u>\$ 2,207</u>
Variable lease payments which are not included in lease liabilities measurements	<u>\$ 3,723</u>	<u>\$ 3,413</u>
Total cash outflow for leases	<u>\$ 177,671</u>	<u>\$ 169,553</u>

The Bank chooses to apply recognition exemption to the rentals of buildings, office equipment,

transportation equipment that qualify as short-term lease and computer equipment which qualify as low value assets, and did not recognize related right-of-use assets and lease liabilities.

19. INTANGIBLE ASSETS, NET

For the Six Months Ended June 30, 2023					
	Balance at January 1, 2023	Additions	Disposals	Effects of Exchange Rate Changes, Net	Balance at June 30, 2023
Cost					
Computer software	\$ 553,228	\$ 104,877	\$ (58,764)	\$ 384	\$ 599,725
Less: Accumulated amortization					
Computer software	237,406	\$ 85,957	\$ (58,764)	\$ 330	264,929
Net amount	<u>\$ 315,822</u>				<u>\$ 334,796</u>

For the Six Months Ended June 30, 2022					
	Balance at January 1, 2022	Additions	Disposals	Effects of Exchange Rate Changes, Net	Balance at June 30, 2022
Cost					
Computer software	\$ 367,970	\$ 67,242	\$ (77,780)	\$ 2,719	\$ 360,151
Less: Accumulated amortization					
Computer software	197,771	\$ 45,840	\$ (77,780)	\$ 1,745	167,576
Net amount	<u>\$ 170,199</u>				<u>\$ 192,575</u>

Amortization expense is computed using the straight-line method over the useful lives as follows:

Computer software	3-5 years
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20. OTHER ASSETS, NET

	June 30, 2023	December 31, 2022	June 30, 2022
Prepaid expenses	\$ 6,224,708	\$ 6,207,090	\$ 7,325,005
Refundable deposits	1,156,456	1,107,488	760,763
Temporary payments and suspension	1,080,315	809,663	323,251
Prepaid pension	192,617	192,617	-
Deferred charges	76,860	107,037	141,199
Others	146,271	96,352	53,657
	<u>\$ 8,877,227</u>	<u>\$ 8,520,247</u>	<u>\$ 8,603,875</u>

21. DUE TO THE CENTRAL BANK AND BANKS

	June 30, 2023	December 31, 2022	June 30, 2022
Call loans from banks	\$ 13,001,379	\$ 9,351,891	\$ 8,484,602
Due to banks	1,248,548	964,346	932,912
Deposit from Chunghwa Post Co., Ltd.	1,221,799	1,221,799	1,221,799
Bank overdrafts	690,104	571,059	658,511
	<u>\$ 16,161,830</u>	<u>\$ 12,109,095</u>	<u>\$ 11,297,824</u>

22. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements as of June 30, 2023, December 31, 2022 and June 30, 2022

were \$716,763, \$781,568 thousand and \$2,168,166 thousand, respectively. The aforementioned securities will be brought back by December 29, 2023, June 29, 2023 and December 29, 2022 at \$718,007, \$782,732 thousand and \$2,168,901 thousand, respectively.

23. PAYABLES

	June 30, 2023	December 31, 2022	June 30, 2022
Dividends payable	\$ 24,545,654	\$ 15,794,768	\$ 22,975,604
Accounts payable	1,430,042	3,910,901	2,394,896
Accrued interest	3,418,986	2,252,245	1,529,557
Acceptances	1,739,814	1,579,018	2,041,922
Accrued expenses	991,112	1,486,682	955,732
Other accounts payable	187,989	159,648	186,890
Others	1,142,980	530,860	508,619
	<u>\$ 33,456,577</u>	<u>\$ 25,714,122</u>	<u>\$ 30,593,220</u>

24. DEPOSITS AND REMITTANCES

	June 30, 2023	December 31, 2022	June 30, 2022
Time deposits	\$ 463,110,379	427,758,465	\$ 375,143,976
Savings deposits	420,382,245	389,687,297	348,229,621
Demand deposits	304,893,203	328,438,378	360,705,869
Negotiable certificates of deposit	73,197,500	57,658,800	11,304,000
Checking deposits	10,595,821	14,573,728	9,853,077
Remittances	195,190	278,842	200,206
	<u>\$ 1,272,374,338</u>	<u>\$ 1,218,395,510</u>	<u>\$ 1,105,436,749</u>

25. BANK DEBENTURES

	June 30, 2023	December 31, 2022	June 30, 2022
The subordinated bank debenture - 7-10 years maturity, third issued in 2012; maturity date is from November 2019 to November 2022.	\$ -	\$ -	\$ 4,000,000
The subordinated bank debenture - 7-10 years maturity, fourth issued in 2012; maturity date is from December 2019 to December 2022.	-	-	5,700,000
The subordinated bank debenture - 7-10 years maturity, first issued in 2014; maturity date is from March 2021 to March 2024	5,100,000	5,100,000	5,100,000
The subordinated bank debenture - 8.5 years maturity; second issued in 2015; maturity date is in June 2024	3,000,000	3,000,000	3,000,000
The subordinated bank debenture - 7-10 years maturity; first issued in 2017; maturity date is from June 2024 to 2027	5,000,000	5,000,000	5,000,000
The subordinated bank debenture - 7-10 years maturity; second issued in 2017; maturity date is from December 2024 to 2027	5,000,000	5,000,000	5,000,000
The subordinated bank debenture - 7-10 years maturity; first issued in 2018; maturity date is from June 2025 to 2028	5,000,000	5,000,000	5,000,000
The subordinated bank debenture; third issued in 2018; no maturity date	7,000,000	7,000,000	7,000,000
The bank debenture - 3 years maturity; first issued in 2019; maturity date is in September 2022	-	-	3,100,000
The bank debenture - 5 years maturity; first issued in 2019; maturity date is in September 2024	6,900,000	6,900,000	6,900,000
The bank debenture - 7 years maturity; first issued in 2020; maturity date is in March 2027	3,000,000	3,000,000	3,000,000
The bank debenture - 10 years maturity; first issued in 2020; maturity date is in March 2030	7,000,000	7,000,000	7,000,000
The subordinated bank debenture - 7-10 years maturity; first issued in 2021; maturity date is from October 2028 to 2031	5,000,000	5,000,000	5,000,000
The bank debenture - 3-5 years maturity; first issued in 2022; maturity date is from July 2025 to 2027	2,000,000	2,000,000	-
The bank debenture - 3 years maturity; second issued in 2022; maturity date is September 2025	1,000,000	1,000,000	-

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
The subordinated bank debenture; third issued in 2022; no maturity date	1,070,000	1,070,000	-
The bank debenture - 6 months maturity; first issued in 2023; maturity date is July 2023	622,740	-	-
	<u>\$ 56,692,740</u>	<u>\$ 56,070,000</u>	<u>\$ 64,800,000</u>

The third issuance of the 2012 bank debenture was classified into two types, Types A and B, in accordance with the issued terms. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.43%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.55%. The interests were paid annually with the repayment of principals at maturity.

The fourth issuance of the 2012 bank debenture was classified into two types, Types A and B, in accordance with the issued terms. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinate bank debenture at a fixed annual interest rate of 1.43%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.55%. The interests were paid annually with the repayment of principals at maturity.

The first issuance of the 2014 bank debenture was classified into two types, Types A and B, in accordance with the issued terms. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.70%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.85%. The interests were paid annually with the repayment of principals at maturity.

The second issuance of the 2014 seven-year subordinated bank debenture had a fixed interest rate of 1.83% with the interest paid annually and the repayment of principal at maturity.

The first issuance of the 2015 subordinated bank debenture had a fixed interest rate of 1.83% with the interest paid annually and the repayment of principal at maturity.

The second issuance of the 2015 subordinated bank debenture had a fixed interest rate of 1.83% with the interest paid annually and the repayment of principal at maturity.

The first issuance of the 2017 bank debenture was classified into two types, Types A and B, in accordance with the issued terms. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.50%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.85%. The interests were paid annually with the repayment of principals at maturity.

The second issuance of the 2017 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.30%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.55%. Their interests were paid annually with repayment of principals at maturity.

The first issuance of the 2018 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.25%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.45%. Their interests were paid annually with repayment of principals at maturity.

The third issuance of the 2018 subordinated bank debenture was at a fixed annual interest rate of 2.15% with the interest paid annually and the repayment of principal at maturity.

The first issuance of the 2019 bank debenture was classified into two types in accordance with the issued

terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, three-year bank debenture at a fixed annual interest rate of 0.65%; Type B, five-year bank debenture at a fixed annual interest rate of 0.69%. Their interests were paid annually with repayment of principals at maturity.

The first issuance of the 2020 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, seven-year bank debenture at a fixed annual interest rate of 0.62%; Type B, ten-year bank debenture at a fixed annual interest rate of 0.64%. Their interests were paid annually with repayment of principals at maturity.

The first issuance of the 2021 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, seven-year bank debenture at a fixed annual interest rate of 0.60%; Type B, ten-year bank subordinated debenture at a fixed annual interest rate of 0.72%. Their interests were paid annually with repayment of principals at maturity.

The first issuance of the 2022 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, three-year bank debenture at a fixed annual interest rate of 1.60%; Type B, five-year bank subordinated debenture at a fixed annual interest rate of 1.70%. Their interests were paid annually with repayment of principals at maturity.

The second issuance of the 2022 bank debenture is at a fixed annual interest rate of 1.40%. Their interests were paid annually with repayment of principals at maturity.

The third issuance of the 2022 subordinated bank debenture was at a fixed annual interest rate of 3.25% with the interest paid annually and the repayment of principal at maturity.

The first issuance of the 2023 USD bank debenture was at a fixed annual interest rate of 4.60% plus the variable interest rate 0% or 0.5% with the interest paid repayment of principal at maturity.

26. OTHER FINANCIAL LIABILITIES

	June 30, 2023	December 31, 2022	June 30, 2022
Principals of structured instruments	\$ 3,697,189	\$ 1,338,189	\$ 1,051,676
Appropriated loan funds	1,025,374	1,161,543	1,335,491
	<u>\$ 4,722,563</u>	<u>\$ 2,499,732</u>	<u>\$ 2,387,167</u>

27. PROVISIONS

	June 30, 2023	December 31, 2022	June 30, 2022
Provision for guarantees liabilities	\$ 890,484	\$ 954,863	\$ 1,142,567
Provision for employee benefits (Note 29)	589,532	574,532	583,995
Provision for financing commitment	282,843	81,276	78,958
Provision for unexpected losses	3,565	3,565	3,565
Provision for other operations	2,889	2,851	2,759
	<u>\$ 1,769,313</u>	<u>\$ 1,617,087</u>	<u>\$ 1,811,844</u>

Provisions for changes in financing commitment and guarantee liability provisions of the Bank for the six months ended June 30, 2023 and 2022 were as follows:

For the Six Months ended June 30, 2023

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Provisions for commitment and guarantee liability						
January 1, 2023	\$ 356,011	\$ 59,929	\$ 6,286	\$ 422,226	\$ 613,913	\$ 1,036,139
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	-	-	-	-	-	-
Transferred to ECLs on financial assets	-	-	-	-	-	-
Transfer to 12-month ECLs	5,244	(1,045)	(4,199)	-	-	-
Financial assets derecognized in the current period	(265,831)	(54,548)	(1,298)	(321,677)	-	(321,677)
Provision/(reversal)	18,855	37	(30)	18,862	-	18,862
Purchased or originated financial assets	267,034	170,187	-	437,221	-	437,221
The difference of impairment under the regulation or decree	-	-	-	-	1,254	1,254
Exchange rate and other changes	1,565	(42)	5	1,528	-	1,528
June 30, 2023	\$ 382,878	\$ 174,518	\$ 764	\$ 558,160	\$ 615,167	\$ 1,173,327

For the Six Months ended June 30, 2022

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Provisions for commitment and guarantee liability						
January 1, 2022	\$ 274,875	\$ 21,045	\$ 1,357	\$ 297,277	\$ 924,887	\$ 1,222,164
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	(123)	123	-	-	-	-
Transferred to ECLs on financial assets	-	(238)	238	-	-	-
Transfer to 12-month ECLs	-	-	-	-	-	-
Financial assets derecognized in the current period	(226,930)	(18,171)	-	(245,101)	-	(245,101)
Purchased or originated financial assets	278,350	21,842	564	300,756	-	300,756
The difference of impairment under the regulation or decree	-	-	-	-	(13,093)	(13,093)
Exchange rate and other changes	(52,843)	9,447	195	(43,201)	-	(43,201)
30-Jun-22	\$ 273,329	\$ 34,048	\$ 2,354	\$ 309,731	\$ 911,794	\$ 1,221,525

28. OTHER LIABILITIES

	June 30, 2023	December 31, 2022	June 30, 2022
Guarantee deposits received	\$ 315,903	\$ 451,316	\$ 463,056
Revenue received in advance	199,845	188,399	153,442
Deferred revenue	150,356	149,042	147,766
Temporary credit	41,509	37,868	155,265
Others	114,643	101,846	106,950
	<u>\$ 822,256</u>	<u>\$ 928,471</u>	<u>\$ 1,026,479</u>

29. PENSION PLAN

The expenses related to the post-retirement benefit plan for the six months ended June 30, 2023 and 2022 were recognized as employee benefit expenses in each period at the cost rate determined by the actuarial calculations as of December 31, 2022 and 2021. The breakdown of employee benefit expenses for the six months ended June 30, 2023 and 2022 was as follows:

	For the Six Months Ended June 30	
	2023	2022
Defined benefit plan	\$ 138,631	\$ 110,216
Employees' preferential deposit plan	15,000	15,000
	<u>\$ 153,631</u>	<u>\$ 125,216</u>

The Bank expected contributions to the plans for 2023 is \$286,271 thousand.

30. EQUITY

30.1 Share capital

	June 30, 2023	December 31, 2022	June 30, 2022
Ordinary shares			
Authorized shares (in thousands)	6,000,000	6,000,000	6,000,000
Authorized capital	<u>\$ 60,000,000</u>	<u>\$ 60,000,000</u>	<u>\$ 60,000,000</u>
Issued and paid shares (in thousands)	4,861,603	4,861,603	4,481,603
Issued capital	<u>\$ 48,616,031</u>	<u>\$ 48,616,031</u>	<u>\$ 44,816,031</u>

The issued ordinary shares have par value of \$10. Each shareholder is entitled with the right to vote and to receive dividends.

In order to increase the Bank's capital adequacy and working capital, the board of directors approved the investment of \$380,000 thousand shares with par value of \$10 for capital increase on August 13, 2022. It was issued at a premium of \$37 per share and the total balance was \$14,060,000 thousand. The cash capital increase was approved by the SEC on October 11, 2022. The base date for capital increase was on December 15, 2022. The full payment of the shares on February 14, 2022. The change of registration was completed on December 28, 2022.

30.2 Capital surplus

	June 30, 2023	December 31, 2022	June 30, 2022
Capital surplus			
Share premium	\$ 24,049,635	24,049,635	\$ 13,431,903
Treasury shares transaction	2,056,000	2,056,000	2,046,520
Unclaimed dividends	1,213,392	1,213,392	1,100,985
Recognition of changes in equity of subsidiaries	85,518	85,518	85,518
Proportionate share in investee's surplus from donated assets under the equity method	1,218	1,218	1,218
	<u>\$ 27,405,763</u>	<u>\$ 27,405,763</u>	<u>\$ 16,666,144</u>

The capital surplus from shares issued in excess of par (including additional paid-in capital from the issuance of ordinary shares, conversion of bonds and treasury share transactions) and donations may be capitalized from capital surplus into share capital, which is limited to a certain percentage of the Bank's paid-in capital.

The capital surplus from investments accounted for using the equity method and dividends not yet collected by shareholders has limited use and can only be used to offset losses.

Since the shares held by subsidiaries were classified as treasury shares, cash dividend distributed to subsidiaries was then recorded as capital surplus - treasury shares according to the shareholding ratio.

When the equity of the Bank is not actually obtained or processed, the impact of the equity transaction recognized due to changes in the Bank's equity or the Bank's recognition of the adjustment to the

capital reserve of the subsidiary identified using the equity method.

30.3 Retained earnings and dividend policy

According to the earnings distribution policy of the Bank, where the Bank made a surplus profit in its annual accounts, the profit shall be first utilized for paying taxes and then offsetting losses of previous years. As required by the law, 30% of profit shall be allocated as the legal reserve. However, when the amount of statutory surplus reserve has reached the amount of total paid-in capital of the Bank, the required allocation of 30% of profit to the legal reserve is waived and any amount exempted from allocation to capital reserve may be appropriated to or reversed from the special surplus reserve for distribution of special dividends. After the abovementioned appropriations, the balance and accumulated unappropriated earnings of the previous year, including the special reserve shall be available for earnings for distribution. The board of directors drafts a plan for surplus distribution and submits it to the shareholders' meeting for approval. The distribution of dividends or bonuses is subject to the attendance of more than two-thirds of the members of the board of directors and the resolution of more than half of the directors present. All or part of the dividends or bonuses shall be distributed in cash and reported to the shareholders in their meeting.

If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be corrected into capital (share capital) or distributed in cash. However, under the Banking Law Act, if legal reserve is less than its paid-in capital, the Bank is allowed to distribute cash earnings only up to 15% of its capital. For the estimation on the distribution basis of employees' compensation and remuneration of directors, refer to employee benefits expense in Note 31.8.

The Bank has made special reserves for the adoption of IFRS in accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs".

The Bank held the board of shareholders' meeting on June 13, 2023 and June 17, 2022, respectively. The proposals and resolutions for the appropriations of earnings and dividends per share for 2022 and 2021 were as follows:

	Appropriation of Earnings		Dividends Per Share (In NT Dollar)	
	2023	2022	2023	2022
special reserves	\$ 5,583,505	\$ -		
Legal reserve	-	4,251,394		
Cash dividends - ordinary shares	8,750,886	8,066,886	\$ 1.80	\$ 1.80
	<u>\$ 14,334,391</u>	<u>\$ 12,318,280</u>	<u>\$ 1.80</u>	<u>\$ 1.80</u>

The Bank's annual cash dividend of 2022, which was resolved by the shareholders' meeting, has not yet been distributed on June 30, 2023. Dividends payable are listed in the book. Please refer to Note 23.

30.4 Special reserve

The Bank made a special reserve due to the transfer of \$1,256,859 thousand of its cumulative translation adjustment reported in equity to retained earnings upon first-time IFRS adoption. There was no change in the balance of the special reserve for the six months ended June 30, 2023.

According to Rule No. 10510001510 issued by the FSC on May 25, 2016, public banks shall appropriate to a special reserve 0.5% to 1.0% of net profit. Public banks may reverse the same amount of transfers or resettle the expenses starting from 2017. However, in accordance with Rule No. 34 10802714560 issued by the FSC, starting from 2019, the special reserve method will no longer be used to respond to the development of financial technology and protect the rights and interests of domestic

bank employees, and to transfer expenses for employees to pay or resettlement expenses, and employee education and training expenses in response to the needs of financial technology or banking business development shall be returned within the scope of the special surplus reserve balance mentioned above. The Bank made a special reserve in the amount of \$189,228 thousand according to the rule on June 30, 2023.

In accordance with the Securities and Exchange Acts 41-1 and Jin-Guan-Zhen-Fa-Zhi Letter No.1090150022 dated on March 31, 2021, upon the first-time adoption for IFRSs for public companies, special reserve shall be made with the following:

- (1) The special reserves was made from net profits and other than net profit that includes in the undistributed earnings of current period, which has equivalent amount to the deduction of other equities of current period. Any deficits will be appropriated from prior period undistributed earnings.
- (2) The special reserves was made from undistributed earnings of prior period, which has equivalent amount to the accumulated deduction of other equities from prior year. Any deficits will be appropriated from net profits and other than net profit that includes in the undistributed earnings of current period. Hereafter, any reversal on the deduction of other equities, same amount of reversal on the special reserves is permitted.

As of June 30, 2023, the Bank had included a special reserve of \$5,583,505 thousand.

30.5 Treasury shares

On June 30, 2023 and 2022, Shancom Reconstruction Inc. and China Travel Service (Taiwan) held 11,370 thousand shares and 27 thousand shares of the Bank, respectively.

Under the Company Act, the Bank is not allowed to buy back more than 5% of its issued shares. In addition, the total cost of treasury shares may not exceed the sum of the retained earnings and realized capital surplus. The Bank is not allowed to exercise shareholders' rights on these shares before they are resold. The shares held by its subsidiaries are treated as treasury shares, except for participating in the Bank's cash addition and voting rights, the rest is the same as the general shareholder's rights.

31. DETAILS OF COMPREHENSIVE INCOME STATEMENT ITEMS

31.1 Interest income, net

	For the Six Months Ended June 30	
	2023	2022
Interest income		
Discounts and loans	\$ 12,823,770	\$ 7,316,383
Securities investments	4,025,287	1,643,241
Due from banks	1,587,032	312,168
Credit and revolving	41,682	41,368
Others	30,120	28,677
	<u>18,507,891</u>	<u>9,341,837</u>
Interest expense		
Deposits	7,971,994	1,812,308
Bank debentures	452,612	495,774
Due to banks	252,390	62,225
Structured bond instruments	23,305	547
Leased liability	3,710	4,131
Securities sold under repurchase agreements	2,729	27,128
Others	26,459	17,775
	<u>8,733,199</u>	<u>2,419,888</u>
Interest income, net	<u>\$ 9,774,692</u>	<u>\$ 6,921,949</u>

31.2 Service fee income, net

	For the Six Months Ended June 30	
	2023	2022
Service fee income		
Trust and custody services	\$ 498,026	\$ 528,440
Insurance commission fees	412,263	400,366
Guarantees related fees	323,727	418,542
Credit card related fees	206,526	174,643
Loan service fees	205,955	308,142
Exchange related fees	75,619	82,986
Inward/outward business	51,185	71,005
Others	239,594	282,121
	<u>2,012,895</u>	<u>2,266,245</u>
Service charge		
Credit card service charge	160,102	126,054
Nominee and brokerage service charge	57,045	52,759
Finance service charge	29,859	27,339
Custody service charge	15,169	21,580
Others	157,694	137,805
	<u>419,869</u>	<u>365,537</u>
Service fee income, net	<u>\$ 1,593,026</u>	<u>\$ 1,900,708</u>

31.3 Gain (loss) on financial assets and liabilities at FVTPL

For the Six Months Ended June 30, 2023			
	Realized Gain (Loss)	Unrealized Gain (Loss)	Total
Financial assets mandatorily classified as at FVTPL	\$ 4,922,988	\$ (438,232)	\$ 4,484,756
Held-for-trading financial liabilities	(4,859,298)	(698,855)	(5,558,153)
Financial liabilities designated at FVTPL	-	(22,309)	(22,309)
	<u>\$ 63,690</u>	<u>\$ (1,159,396)</u>	<u>\$ (1,095,706)</u>

For the Six Months Ended June 30, 2022			
	Realized Gain (Loss)	Unrealized Gain (Loss)	Total
Financial assets mandatorily classified as at FVTPL	\$ 4,958,581	\$ 124,054	\$ 5,082,635
Held-for-trading financial liabilities	(5,787,568)	(1,103,240)	(6,890,808)
Financial liabilities designated at FVTPL	-	176,694	176,694
	<u>\$ (828,987)</u>	<u>\$ (802,492)</u>	<u>\$ (1,631,479)</u>

31.4 Realized gain or loss on financial assets at FVTOCI

For the Six Months Ended June 30		
	2023	2022
Dividend income	\$ 757,126	\$ 84,294
Disposal of debt instruments	50,786	385,647
	<u>\$ 807,912</u>	<u>\$ 469,941</u>

31.5 Share of profit of subsidiaries accounted for using the equity method

For the Six Months Ended June 30		
	2023	2022
Shancom Reconstruction Inc.	\$ 3,167,771	\$ 2,621,432
AMK Microfinance Institution Plc. (AMK)	86,802	154,901
China Travel Service (Taiwan)	28,422	24,479
Pafoong Insurance Company Ltd.	11,304	7,985
Wresqueue Limitada	6,017	2,486
SCSB Marketing Ltd.	887	955
SCSB Asset Management Ltd.	(56,569)	15,863
	<u>\$ 3,244,634</u>	<u>\$ 2,828,101</u>

31.6 Other non-interest revenue

For the Six Months Ended June 30		
	2023	2022
Leased revenue	\$ 30,031	\$ 29,357
Gain on disposal of property and equipment	48	207,549
Others	25,985	28,267
	<u>\$ 56,064</u>	<u>\$ 265,173</u>

31.7 Employment benefits expense

	For the Six Months Ended June 30	
	2023	2022
Short-term employment benefits	\$ 2,215,969	\$ 2,058,363
Retirement benefits		
Defined contribution plan	54,439	47,199
Defined benefit plan	138,631	110,216
Other benefit plan	231,170	202,082
	<u>\$ 2,640,209</u>	<u>\$ 2,417,860</u>

31.8 Employees' compensation and remuneration of directors

The employees' compensation and remuneration of directors were at the rates of no less than 0.1% and no higher than 0.6%, respectively, of net profit before income tax, employees' compensation and directors' remuneration. The employees' compensation and the remuneration of directors for the six months ended June 30, 2023 and 2022 were as follows:

	For the Six Months Ended June 30	
	2023	2022
Employees' compensation	\$ 30,003	\$ 30,006
Remuneration of directors	\$ 28,998	\$ 28,998

The employees' compensation and remuneration of directors for 2022 and 2021 as approved in the board meetings on March 26, 2023 and March 27, 2022, respectively, were as follows:

	For the Year Ended December 31			
	2022		2021	
	Cash	Shares	Cash	Shares
Employees' compensation	\$ 76,000	\$ -	\$ 60,000	\$ -
Remuneration of directors	48,500	-	50,800	-

If the amount of actual employees' compensation and directors' remuneration changes after the release date of financial report, it will be treated according to the changes in accounting estimation and will be adjusted in the next year.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2022 and 2021.

Information on the employees' compensation and remuneration of directors resolved by the Bank's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

31.9 Depreciation and amortization

	For the Six Months Ended June 30	
	2023	2022
Depreciation expense		
Properties	\$ 163,101	\$ 153,020
Right-of-use assets	103,166	92,582
	<u>266,267</u>	<u>245,602</u>
Amortization expense		
Intangible assets	85,957	45,840
Other assets	29,982	35,140
	<u>115,939</u>	<u>80,980</u>
	<u>\$ 382,206</u>	<u>\$ 326,582</u>

31.10 Other general and administrative

	For the Six Months Ended June 30	
	2023	2022
Taxation	\$ 811,678	\$ 567,312
Postal fees	112,545	108,249
Insurances	106,703	99,807
Maintenance and repairment fees	88,537	83,297
Others	375,210	385,812
	<u>\$ 1,494,673</u>	<u>\$ 1,244,477</u>

32. INCOME TAX

32.1 Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	For the Six Months Ended June 30	
	2023	2022
Current tax		
In respect of the current year	\$ 959,092	\$ 872,530
In respect of prior periods	(110,696)	(24,296)
	<u>848,396</u>	<u>848,234</u>
Deferred tax		
In respect of the current year	149,434	202,904
In respect of prior periods	(378)	(237)
	<u>149,056</u>	<u>202,667</u>
Income tax expense recognized in profit or loss	<u>\$ 997,452</u>	<u>\$ 1,050,901</u>

32.2 Income tax expense recognized in other comprehensive income

	For the Six Months Ended June 30	
	2023	2022
Deferred income tax		
Recognized in other comprehensive income		
Translation adjustments for foreign operations	\$ (124,644)	\$ (1,025,059)
Unrealized gain or loss on financial assets measured at FVTOCI	48,665	946,003
Income tax expense recognized in other comprehensive income	<u>\$ (75,979)</u>	<u>\$ (79,056)</u>

32.3 Income tax assessments

The Bank's income tax returns through 2019 had been assessed by the tax authorities.

33. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Six Months Ended June 30	
	2023	2022
Basic earnings per share	<u>\$ 2.01</u>	<u>\$ 1.62</u>
Diluted earnings per share	<u>\$ 2.01</u>	<u>\$ 1.62</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Period

	For the Six Months Ended June 30	
	2023	2022
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 9,769,761</u>	<u>\$ 7,256,573</u>

Weighted Average Number of Ordinary Shares Outstanding (in Thousands of Shares)

	For the Six Months Ended June 30	
	2023	2022
Weighted average number of ordinary shares in computation of basic earnings per share	4,850,206	4,470,206
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>1,135</u>	<u>1,054</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>4,851,341</u>	<u>4,471,260</u>

In the computation of diluted earnings per share, it assumed the entire amount of the compensation would be settled in potential shares. If the Bank offered to settle compensation paid to employees in cash or shares, the potential shares are included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

34. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan of the Bank

The board approved the issuance of new shares on August 13, 2022 and resolved to allocate 15% of the new shares for subscription by its employees according to the Company Law, respectively. According to IFRS 2 “share-based payment”, the employee’s share options should be measured at fair value, and the related compensation costs were \$357,732 thousand. The relevant information of employee share options is as follows:

Employee Share Option	For the Years Ended December 31
	2022
	Unit (thousand share)
Options granted	57,000
Options exercised	53,990
Options expired	3,010
Weighted-average fair value of options granted (NT\$/per share)	\$ 6.276

Options granted were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	For the Years Ended December 31
	2022
Acquisition date share price (NT\$/per share)	43.20
Exercise price (NT\$/per share)	37.00
Expected volatility	18.40%
Option life (in days)	56
Dividend yield	-
Risk-free interest rate	1.07%

The expected volatility is based on the historical stock price volatility calculated by peers.

35. RELATED-PARTY TRANSACTIONS

The relationship, significant transactions and account balances of the Bank and its related parties (except those disclosed in other notes) are summarized as follows:

35.1 The Bank’s related parties

Related Party	Relationship with the Bank
China Travel Service (Taiwan)	Substantive related party
SCSB Asset Management Ltd.	Substantive related party
SCSB Marketing Ltd.	Substantive related party
Shancom Reconstruction Inc.	Substantive related party
Wresqueue Limitada	Substantive related party
CTS Travel International Ltd.	Substantive related party
SCSB Leasing (China) Co., Ltd.	Substantive related party
Krinein Company (Krinein)	Substantive related party
Empresa Inversiones Generales, S.A. (Empresa)	Substantive related party
Shanghai Commercial Bank, HK (SCB)	Substantive related party
The SCSB Cultural & Educational Foundation	Substantive related party
The SCSB Charity Foundation	Substantive related party
Silks Place Taroko	Substantive related party
Hung Ta Investment Corporation	Substantive related party
Hung Shen Investment Corporation	Substantive related party

Related Party	Relationship with the Bank
GTM Corporation	Substantive related party
Chi-Li Investment Co., Ltd.	Substantive related party
Qin Mao Consultants Ltd.	Substantive related party
Yongye Investment Co., Ltd.	Substantive related party
Other related parties	The relatives of the Bank's directors and related management

35.2 Significant transactions between parties

35.2.1 Due from foreign banks

	June 30, 2023	December 31, 2022	June 30, 2022
Shanghai Commercial Bank (HK)	<u>\$ 302,996</u>	<u>\$ 327,121</u>	<u>\$ 404,574</u>

The interest income arising from the above transactions were \$1 thousand and \$2 thousand for the six months ended June 30, 2023 and 2022, respectively.

35.2.2 Due to banks

	June 30, 2023	December 31, 2022	June 30, 2022
Shanghai Commercial Bank (HK)	<u>\$ 66,678</u>	<u>\$ 66,778</u>	<u>\$ 50,610</u>

35.2.3 Guarantees

	Maximum Balance	Ending Balance	Reserve for Possible Losses on Guarantees	Interest Rate (%)	Collateral
<u>June 30, 2023</u>					
China Travel Service (Taiwan)	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ -</u>	1.00	Real estate
<u>December 31, 2022</u>					
China Travel Service (Taiwan)	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ -</u>	1.00	Real estate
<u>June 30, 2022</u>					
China Travel Service (Taiwan)	<u>\$ 4,000</u>	<u>\$ 3,000</u>	<u>\$ -</u>	1.00	Real estate

35.2.4 Deposits

	June 30, 2023			For the Six Months Ended June 30, 2023
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
IBF Securities Co., Ltd	\$ 4,709,844	\$ 4,493,003	0.43-1.55	\$ 13,227
Financial Information Service Co., Ltd.	955,759	955,759	0.43-1.50	6,718
Taiwan Finance Corporation	500,011	11	0.00-1.50	616
SCSB Asset Management Ltd.	532,684	145,728	0.20-1.80	1,737
Empresa	522,778	-	2.85	1,283
The SCSB Cultural & Educational Foundation	320,582	303,073	0.01-1.60	1,275
Employees	249,801	139,167	0.00-10.68	1,729
Directors and related management	133,094	67,919	0.00-5.55	436
Krinein	104,556	-	2.85	257
Shancom Reconstruction Inc.	93,541	76,177	1.05-3.70	1,332
Others	411,380	374,705	0.00-4.40	2,229
	<u>\$ 8,534,030</u>	<u>\$ 6,555,542</u>		<u>\$ 30,839</u>

	December 31, 2022			For the Year Ended December 31, 2022
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
IBF Securities Co., Ltd	\$ 4,862,962	\$ 3,840,181	0.05-1.12	\$ 12,139
Taiwan Finance Corporation	1,000,011	500,011	0.00-1.50	3,375
Financial Information Service Co., Ltd.	953,465	953,465	0.05-1.50	4,834
Empresa	587,441	-	0.23	116
SCSB Asset Management Ltd.	581,872	538,426	0.03-1.41	3,525
The SCSB Cultural & Educational Foundation	348,890	320,500	0.01-1.47	1,296
Employees	341,554	68,685	0.00-10.05	3,137
Directors and related management	244,161	125,440	0.00-3.08	463
Krinein	117,488	-	0.23	23
Shancom Reconstruction Inc.	92,291	92,291	0.03-2.75	830
Others	508,015	397,779	0.00-1.47	2,365
	<u>\$ 9,638,150</u>	<u>\$ 6,836,778</u>		<u>\$ 32,103</u>

	June 30, 2022			For the Six Months Ended June 30, 2022
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
IBF Securities Co., Ltd	\$ 4,862,962	\$ 4,109,201	0.76	\$ 4,171
Financial Information Service Co., Ltd.	551,600	551,600	0.05-0.80	1,020
Empresa	568,587	-	0.23	113
SCSB Asset Management Ltd.	380,318	372,965	0.03-1.16	1,445
The SCSB Cultural & Educational Foundation	320,769	319,332	0.01-1.21	518
Employees	280,431	157,452	0.00-9.82	1,151
Directors and related management	188,841	145,222	0.00-2.08	143
Krinein	113,717	-	0.23	23
Shancom Reconstruction Inc.	88,822	88,822	0.03-0.55	125
Others	331,004	274,664	0.00-2.80	802
	<u>\$ 7,687,051</u>	<u>\$ 6,019,258</u>		<u>\$ 9,511</u>

35.2.5 Interest receivable (accounted for as receivables)

	June 30, 2023	December 31, 2022	June 30, 2022
Directors and related management	<u>\$ 18</u>	<u>\$ 34</u>	<u>\$ 11</u>

35.2.6 Dividend receivable (accounted for as receivables)

	June 30, 2023	December 31, 2022	June 30, 2022
China Travel Service (Taiwan)	<u>\$ 50,626</u>	<u>\$ -</u>	<u>\$ 19,472</u>

35.2.7 Interest payable (accounted for as payables)

	June 30, 2023	December 31, 2022	June 30, 2022
Financial Information Service Co., Ltd.	\$ 6,024	\$ 1,827	\$ 45
IBF Securities Co., Ltd	1,294	994	-
Shancom Reconstruction Inc.	235	219	41
Others	<u>1,308</u>	<u>2,230</u>	<u>582</u>
	<u>\$ 8,861</u>	<u>\$ 5,270</u>	<u>\$ 668</u>

35.2.8 Guarantee deposits received (accounted for as other liabilities)

	June 30, 2023	December 31, 2022	June 30, 2022
The SCSB Cultural & Educational Foundation	\$ 318	\$ 318	\$ 318
China Travel Service (Taiwan)	189	180	180
Others	<u>80</u>	<u>81</u>	<u>80</u>
	<u>\$ 587</u>	<u>\$ 579</u>	<u>\$ 578</u>

35.2.9 Rental income (accounted for as other non-interest revenue, net))

	For the Six Months Ended June 30	
	2023	2022
The SCSB Cultural & Educational Foundation	\$ 641	\$ 636
China Travel Service (Taiwan)	354	351
Others	<u>157</u>	<u>163</u>
	<u>\$ 1,152</u>	<u>\$ 1,150</u>

For the rental contracts with related parties, the rental is determined in proportion to similar rentals in the area, based on a reference of the rentals in the neighborhood, and is received on a monthly basis.

35.2.10 Administrative and operating expense (accounted for as other general administrative expenses)

	For the Six Months Ended June 30	
	2023	2022
The SCSB Cultural & Educational Foundation	\$ 43,545	\$ 42,947
China Travel Service (Taiwan)	<u>1,037</u>	<u>459</u>
	<u>\$ 44,582</u>	<u>\$ 43,406</u>

35.2.11 Loans

June 30, 2023									
Category	Name	Maximum Balance	Ending Balance	Performance		Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	For the Six Months Ended June 30, 2023
				Normal Loans	Non-performing Loans				Interest Income
Loans for personal house mortgages	Directors and related management (2)	\$ 29,899	\$ 26,781	\$ 26,781	-	Real estate	2.05-2.35	None	\$ 130
Others	Directors and related management (4)	25,705	16,853	16,853	-	Real estate/ financial instruments	1.92-2.32	None	257
Others	Directors and related management (2)	1,109	968	968	-	None	2.00-2.20	None	10
Others	AMK				-	None (Note)	3.00-6.77	None	64,998
		<u>2,179,590</u>	<u>2,179,590</u>	<u>2,179,590</u>	-				<u>65,395</u>
		<u>\$ 2,236,303</u>	<u>\$ 2,224,192</u>	<u>\$ 2,224,192</u>					
December 31, 2022									
Category	Name	Maximum Balance	Ending Balance	Performance		Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	For the Six Months Ended December 31, 2022
				Normal Loans	Non-performing Loans				Interest Income
Loans for personal house mortgages	Directors and related management (2)	\$ 7,812	\$ 7,150	\$ 7,150	-	Real estate	1.33-2.10	None	\$ 127
Others	Directors and related management (4)	29,757	28,459	28,459	-	Real estate	1.36-2.23	None	292
Others	Directors and related management (2)	1,391	1,109	1,109	-	None	1.33-2.03	None	20
Others	AMK				-	None (Note)	3.00-6.65	None	30,780
		<u>1,259,561</u>	<u>1,259,561</u>	<u>1,259,561</u>	-				<u>31,219</u>
		<u>\$ 1,298,521</u>	<u>\$ 1,296,279</u>	<u>\$ 1,296,279</u>					
June 30, 2022									
Category	Name	Maximum Balance	Ending Balance	Performance		Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	For the Six Months Ended June 30, 2022
				Normal Loans	Non-performing Loans				Interest Income
Loans for personal house mortgages	Directors and related management (1)							None	
Others	Directors and related management (4)	\$ 180	\$ -	\$ -	-	Real estate	1.56-1.83		\$ 1
Others	Directors and related management (2)	23,204	20,007	20,007	-	Real estate	1.36-1.89	None	172
Others	AMK	1,391	1,250	1,250	-	None	1.33-1.77	None	10
		<u>683,905</u>	<u>683,905</u>	<u>683,905</u>	-	None (Note)	2.57-3.00	None	<u>3,686</u>
		<u>\$ 708,680</u>	<u>\$ 705,162</u>	<u>\$ 705,162</u>					<u>\$ 3,689</u>

Note: The loan had obtained the approval from FSC, which was applied to Jin-Guan-Yin Letter No.10300258130.

For the six months ended June 30, 2022, the Bank had charged commission income on loan with \$ 27,957 from AMK.

Employee deposits and loans have interest rates that are better than ordinary rates but within regulated limits, while other related party transactions have similar terms as non-related party transactions.

Under the provisions of Articles 32 and 33 of the Banking Act, the Bank shall not make unsecured loans to related party, except for consumer loans under certain limits and government loans. Secured loans to a related party should be fully guaranteed, and the relevant terms should not be superior to other similar credit clients.

35.2.12 Disposal of properties

Category	Transaction Amount		Gain (Loss) on Disposal	
	For the Six Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Others	\$ -	\$ 341,264	\$ -	\$ 208,377

35.2.13 Donate

	For the Six Months Ended June 30	
	2023	2022
The SCSB Cultural & Educational Foundation	\$ 15,000	\$ 14,000

35.3 Compensation of directors, supervisors and management personnel

The compensation of key management personnel for the period ended June 30, 2023 and June 30, 2022 was as follows:

	For the Six Months Ended June 30	
	2023	2022
Salaries and other short-term employee benefits	\$ 57,630	\$ 54,019
Remuneration of directors	45,078	43,518
Post-employment benefits	9,683	7,690
Bonuses and compensation of employees	8,055	1,682
	<u>\$ 120,446</u>	<u>\$ 106,909</u>

36 PLEDGED ASSETS

On June 30, 2023, December 31, 2022 and June 30, 2022, under the Central Bank's clearing system of Real-Time Gross Settlement (RTGS), on June 30, 2023, December 31, 2022 and June 30, 2022, the assets listed below had been provided as collateral for day-term overdrafts with the pledged amount adjustable at any time.

	June 30, 2023	December 31, 2022	June 30, 2022	Guaranty Purpose
Investments in debt instruments measured at amortized cost	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	Day-term overdraft with the pledge

On June 30, 2023, December 31, 2022 and June 30, 2022, the assets listed below were provided as refundable deposits for operating guarantees.

	June 30, 2023	December 31, 2022	June 30, 2022	Guaranty Purpose
Financial assets at FVTOCI	\$ 414,634	\$ 374,374	\$ 383,543	Operating guarantee

37 SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

37.1 In addition to those disclosed in other notes, significant commitments and contingencies of the Bank as of June 30, 2023, December 31, 2022 and June 30, 2022 were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Assets under trust	\$ 215,553,339	\$ 204,855,065	216,201,388
Guarantee notes payable	111,266,448	116,972,245	144,413,987
Government bonds in brokerage accounts	35,849,200	25,149,200	31,259,200
Securities in custody	27,211,028	26,418,296	24,728,594
Receivables under custody	21,512,381	24,361,746	24,789,864
Short-term bills in brokerage accounts	1,449,300	1,563,190	947,620

37.2 Material litigation

Vegesentials commenced civil proceedings before the Business and Property Courts of the High Court of Justice of England and Wales against the Bank on August 28, 2020. Vegesentials claimed that it relied upon a fraudulent document issued by a former employee of the Bank to enter into a transaction which stated (inter alia) that the counterparty had the funds to purchase some of its shares. Vegesentials therefore asked the Bank to compensate it for its loss on the basis of vicarious liability. After receiving Vegesentials' claim on September 18, 2020, the Bank instructed English legal counsel to defend the Bank in the proceedings.

The Bank was notified by the English legal counsel that Vegesentials' claim over £10 million on April 25, 2022, provided very limited evidence. Therefore, the Bank assessed that the litigation had no significant impact on the Bank's financial business at this stage.

Relevant information about the above litigation was available on the Market Observation Post System website of the Taiwan Stock Exchange.

38. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Bank's earning distribution of 2022 was resolved by the board of shareholders' meeting on June 13, 2023. The distribution date was July 27, 2023, and the dividend is 1.80 per share with total amount of \$8,750,886 thousand.

39. FINANCIAL INSTRUMENTS

39.1 Fair value information - financial instruments not measured at fair value

39.1.1 Financial assets and liabilities with significant differences between carrying amounts and fair values.

Except as detailed in the following table, the Bank's management considers that the carrying amounts of financial instruments not measured at fair values are approximates of their fair values or the fair values could not otherwise be reliably measured:

	June 30, 2023		December 31, 2022		June 30, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Investments in debt instruments measured at amortized cost	\$ 241,765,381	\$ 241,405,559	\$ 195,275,787	\$ 194,999,375	\$ 111,411,420	\$ 111,318,767
Financial liabilities						
Bank debentures	56,692,740	56,672,122	56,070,000	56,053,711	64,800,000	64,927,893

39.1.2 Fair value level

June 30, 2023				
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments measured at amortized cost	\$ 241,405,559	\$ 19,928,877	\$ 221,476,682	\$ -
Financial liabilities				
Bank debentures	56,672,122	-	56,672,122	-
December 31, 2022				
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments measured at amortized cost	\$ 194,999,375	\$ 13,022,251	\$ 181,977,124	\$ -
Financial liabilities				
Bank debentures	56,053,711	-	56,053,711	-
June 30, 2022				
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments measured at amortized cost	\$ 111,318,767	\$ 8,929,322	\$ 102,389,445	\$ -
Financial liabilities				
Bank debentures	64,927,893	-	64,927,893	-

39.1.3 The evaluation method and assumptions used in measuring fair value

The fair value of financial assets and liabilities are determined as follows:

- The fair value of financial assets with standard clauses and terms is quoted market price.
- The fair value of financial instruments other than the above is determined by the discounted cash flow analysis or other generally accepted pricing models.

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

39.2.1 Fair value level

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

Financial Instruments Measured at Fair Value	June 30, 2023			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares	\$ 148,902	\$ 148,902	\$ -	\$ -
Beneficiary certificates	716,903	716,903	-	-
Financial assets at FVTOCI				
Equity instruments	21,652,262	19,931,478	-	1,720,784
Debt instruments	210,813,146	103,269,140	107,544,006	-
	<u>\$ 233,331,213</u>	<u>\$ 124,066,423</u>	<u>\$ 107,544,006</u>	<u>\$ 1,720,784</u>
Liabilities				
Financial liabilities measured at FVTPL	<u>\$ 2,048,488</u>	<u>\$ -</u>	<u>\$ 2,048,488</u>	<u>\$ -</u>
Derivative financial instruments				
Assets				
Financial assets measured at FVTPL	<u>\$ 1,153,268</u>	<u>\$ 272,615</u>	<u>\$ 880,653</u>	<u>\$ -</u>
Liabilities				
Financial liabilities measured at FVTPL	<u>\$ 1,914,022</u>	<u>\$ -</u>	<u>\$ 1,914,022</u>	<u>\$ -</u>
Financial Instruments Measured at Fair Value	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares	\$ 363,292	\$ 363,292	\$ -	\$ -
Beneficiary certificates	251,237	251,237	-	-
Financial assets at FVTOCI				
Equity instruments	9,693,667	7,971,486	-	1,722,181
Debt instruments	189,477,318	73,513,302	115,964,016	-
	<u>\$ 199,785,514</u>	<u>\$ 82,099,317</u>	<u>\$ 115,964,016</u>	<u>\$ 1,722,181</u>
Liabilities				
Financial liabilities measured at FVTPL	<u>\$ 2,008,335</u>	<u>\$ -</u>	<u>\$ 2,008,335</u>	<u>\$ -</u>
Derivative financial instruments				
Assets				
Financial assets measured at FVTPL	<u>\$ 1,372,123</u>	<u>\$ 105,780</u>	<u>\$ 1,266,343</u>	<u>\$ -</u>
Liabilities				
Financial liabilities measured at FVTPL	<u>\$ 1,426,811</u>	<u>\$ 74,180</u>	<u>\$ 1,352,631</u>	<u>\$ -</u>

Financial Instruments Measured at Fair Value	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares	\$ 485,221	\$ 485,221	\$ -	\$ -
Bonds	49,809	-	49,809	-
Beneficiary certificates	264,932	264,932	-	-
Financial assets at FVTOCI				
Equity instruments	13,888,286	12,207,494	-	1,680,792
Debt instruments	206,450,979	66,889,349	139,428,222	133,408
	<u>\$ 221,139,227</u>	<u>\$ 79,846,996</u>	<u>\$ 139,478,031</u>	<u>\$ 1,814,200</u>
Liabilities				
Financial liabilities measured at FVTPL	<u>\$ 2,061,860</u>	<u>\$ -</u>	<u>\$ 2,061,860</u>	<u>\$ -</u>
Derivative financial instruments				
Assets				
Financial assets measured at FVTPL	<u>\$ 1,375,574</u>	<u>\$ 101,995</u>	<u>\$ 1,273,579</u>	<u>\$ -</u>
Liabilities				
Financial liabilities measured at FVTPL	<u>\$ 1,075,571</u>	<u>\$ 737</u>	<u>\$ 1,074,834</u>	<u>\$ -</u>

There were no transfers of financial instruments between Level 1 and Level 2 fair value measurement for the six months ended June 30, 2023 and 2022.

39.2.2 Reconciliation of Level 3 fair value measurement

For the Six Months ended June 30, 2023

Items	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Exchange	Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level		
Assets									
Financial assets mandatorily measured at FVTOCI	\$ 1,722,181	\$ -	\$ (2,999)	\$ -	\$ -	\$ -	\$ -	\$ 1,602	\$ 1,720,784

For the Six Months ended June 30, 2022

Items	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Exchange	Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level		
Assets									
Financial assets mandatorily measured at FVTOCI	\$ 2,690,417	\$ -	\$ (257,652)	\$ 179,781	\$ -	\$ (565,769)	\$ (243,755)	\$ 11,178	\$ 1,814,200

39.2.3 Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Bonds	Valuation was based on observable market prices or assessed by cash-flow method through observable elements.
Derivatives	Valuation was based on widely-adapted pricing techniques. The inputs were assessed by observable elements in the market.
Others	Valuation was based on observable market prices or assessed by cash-flow method through observable elements.

39.2.4 Valuation techniques and inputs applied for Level 3 fair value measurement

The fair value of financial assets classified as Level 3 included but was not limited to bond investments measured at FVTPL, and investments in bonds and equity securities measured at FVTOCI.

Most financial instruments with fair value measurements categorized as Level 3 only possess single, unobservable inputs. Non-active market debt instruments possess unobservable inputs. The non-active market equity instruments are independent and, thus, are irrelevant to each other. The table of quantified information of significant unobservable inputs is as follows:

	Fair Value June 30, 2023	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-Average)	Notes
Financial assets measured at FVTOCI Shares	\$ 1,720,784	1. Market approach	Market liquidity reduction	10%-19%	1. The higher of the liquidity reduction, and the lower of the fair value .
		2. Net asset value method	Market liquidity reduction	10%-19%	2. The higher of the liquidity reduction, and the lower of the fair value .

	Fair Value December 31, 2022	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-Average)	Notes
Financial assets measured at FVTOCI Shares	\$ 1,722,181	1. Market approach	Market liquidity reduction	10%-19%	1. The higher of the liquidity reduction, and the lower of the fair value .
		2. Net asset value method	Market liquidity reduction	10%-19%	2. The higher of the liquidity reduction, and the lower of the fair value .

	Fair Value June 30, 2022	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-Average)	Notes
Financial assets measured at FVTOCI Shares	\$ 1,680,792	1. Market approach	Market liquidity reduction	10%-19%	1. The higher of the liquidity reduction, and the lower of the fair value .
		2. Net asset value method	Market liquidity reduction	10%-19%	2. The higher of the liquidity reduction, and the lower of the fair value .

	Fair Value June 30, 2022	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-Average)	Notes
Bonds	\$ 133,408	1.Counterparty quote 2.Discounted cash flow method	Discount rate	0%-10%	The higher of the discount rate, and the lower of the fair value.

39.2.5 Sensitivity analysis of alternative assumptions of Level 3 fair value measurement

The Bank reasonably measured the fair values of its financial instruments; however, using different valuation models, evaluation methods and underlying assumptions may lead to different results. For financial instruments classified as Level 3 fair value measurements, if the parameters were to go up 1%, the influence on other comprehensive income would be as follows:

June 30, 2023

D Assets Financial assets measured at FVTOCI	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
	\$ -	\$ -	\$ -	\$ (17,208)

December 31, 2022

J Assets Financial assets measured at FVTOCI	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
	\$ -	\$ -	\$ -	\$ (17,222)

June 30, 2022

F Assets Financial assets measured at FVTOCI	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
	\$ -	\$ -	\$ -	\$ (16,808)

financial instruments classified as having Level 3 fair value measurements, if the parameters were to go down 1%, the influence of other comprehensive income would be as follows:

June 30, 2023

D Assets Financial assets measured at FVTOCI	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
	\$ -	\$ -	\$ 17,208	\$ -

December 31, 2022

J Assets Financial assets measured at FVTOCI	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
	\$ -	\$ -	\$ 17,222	\$ -

June 30, 2022

Assets Financial assets measured at FVTOCI	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
	\$ -	\$ -	\$ 16,808	\$ -

39.3 Financial risk management

39.3.1 Risk management

The Bank's objective in risk management is to establish a risk control mechanism weighing the entire risk of the Bank, restrictions from laws and regulations, to diversify, transfer and avoid risk, and to pursue the maximum benefits of the Bank's customers, shareholders, and employees. The Bank's major risks include credit risk, market risk (interest rate, exchange rate and equity securities), operational risk, liquidity risk and so on.

The Bank established written risk management policies and procedures that are considered and approved by the board of directors to identify, measure, monitor, and control the credit risk, market risk, and liquidity risk.

The Bank's risk management department performs the Bank's risk management activities pursuant to the policies approved by the board of directors. Risk management department works with other business departments in order to identify, evaluate, and avoid any financial risks. The board of directors formulates the written policies for risk management; the policy included specific exposures such as currency risk, interest rate risk, credit risk, operational risk, derivative and non-derivative financial instruments. In addition, the department of internal audit is responsible for independent review of risk management and control environment.

39.3.2 Credit risk

Credit risk is the risk of counterparties' failure to fulfill their contractual obligations causing the Bank's financial losses. Both in-balance-sheet and off-balance-sheet items are exposed to credit risks. For the Bank's credit exposures, in-balance-sheet items mainly consisted of discounts and loans, credit card business, due from and call loans to banks, debt investments, and derivative instruments. Off-balance sheet items mainly consisted of financial guarantee, acceptances, letters of credit, loan commitments, and other services which also generate credit exposure.

To ensure that the credit risk is controlled within a tolerable range, the Bank established an internal standard for credit risk. In that standard, all transactions are analyzed whether in the banking book or in the trading book, and either in-balance-sheet or off-balance-sheet, to identify the inherent and potential risks. The Bank examines and confirms credit risk in accordance with the rules before launching new products and business. Furthermore, the Bank also establishes a risk management system for complicated credit business such as factoring, credit derivative financial instruments and so on.

The Bank's foreign operation units adopt policies and standards same with above to assess their asset quality and provision for contingent loss, and also include policies that comply with the regulations of the local financial supervisory commission.

(1) Procedures of credit risk management

Each major business applies procedures and methods for credit risk management as follows:

A. Credit business (including loan commitments and guarantees)

a. The credit risk has increased significantly after original recognition

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

considerations include:

- i. Changes in internal and external credit ratings (e.g. external TCRI ratings are above the high risk level).
 - ii. Information of overdue status (e.g. if the payment is overdue for more than 30 days).
 - iii. Unfavorable changes in current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform its debt obligations.
 - iv. Significant changes in actual or expected results of the debtor's operations.
 - v. The credit risk of other financial instruments of the same debtor has increased significantly.
- b. The definition of default and credit impairment on financial assets

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

- i. Changes in internal and external credit ratings (e.g. external TCRI ratings are above the high risk level).
- ii. Information of overdue status (e.g. if the payment is overdue for more than 90 days).
- iii. The debtor has become bankrupt or may file for bankruptcy or financial restructuring.
- iv. The debtor has died or been dissolved.
- v. Contracts of other debt instruments of the debtor have defaulted.
- vi. The active market of the financial assets disappeared due to financial difficulties.
- vii. The debtor's creditor gives the borrower a concession that would not have been considered due to economic or contractual reasons related to the debtor's financial difficulties.
- viii. There is a purchase or initiation of financial assets at a significant discount reflecting that credit losses have occurred.

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

- c. Measurement of expected credit loss

For the objective of assessing expected credit loss, credit assets are classified according to the credit risk characteristics (such as the purpose of the borrowing, the nature of the industry, the type of collateral and the state of the borrowing) into two categories:

corporate finance and personal finance. Further to this, the credit risk characteristics are divided according to each category.

The 12-month expected credit loss amounts of the Bank's financial instruments whose credit risk has not significantly increased since original recognition are used to measure the allowance loss of the financial instruments; for financial instruments whose credit risk has increased significantly or which have had credit impairment since original recognition, such financial instruments are measured at the amount of full-lifetime expected credit losses.

The estimation method and significant assumptions used to assess expected credit losses have not changed significantly since June 30, 2023.

d. Forward-looking information considerations

When measuring the expected credit losses, the Bank uses forward-looking economic factors that affect credit risk and takes such forward-looking information regarding expected credit losses into consideration. Based on professional economic judgment, the Bank uses the statistical analysis results of GDP growth rate to provide forecast information of economic factors on a quarterly basis and re-evaluates such data on each financial reporting date.

B. Due from and call loans to bank

The Bank assesses the credit position of counterparties and consults a credit rating agency for credit rating information and sets limits to the credit facilities.

C. Debt investments and derivative financial instruments

For the credit risk management of debt investments, the Bank identifies credit risk by using information from external institutions about credit ratings, quality of debts, region, and the risk of counterparties.

Most of the Bank's counterparties in derivative transactions are assessed at higher than investment grade, and the Bank controls the investments according to counterparties' facilities (including call loans); counterparties that do not have credit ratings or are not assessed at investment grade are reviewed case by case. Counterparties which are non-financial or non-banking clients are assessed according to the general procedures for the approval of credit facilities and control of credit exposure situations of the counterparties.

(2) Policies of credit risk hedging or mitigation

A. Collateral

The Bank applies series of policies to decrease credit risks in its lending business. Among those policies is to request collateral from creditors. To secure the creditor's rights, the Bank has established procedures for pledges, valuations, management, and disposals of collateral. The contracts between the Bank and the borrowers clearly state the protocols, including but not limited to the security of credit, procedures for collateral and for offsets. Collateral for business other than loan borrowings vary by the nature of the related financial instruments. Only asset-backed securities and other similar financial instruments are secured by a pool of financial assets.

B. Limitation of credit risk and credit concentration management

The credit policies of the Bank regulate the credit limitations, as applied to a single counterparty or Bank, to avoid excessive credit concentration. The Bank further implements concentration policies, which monitor and manage the credit limitation and concentration in one single counterparty, different enterprises, related parties, industries, and countries. The policies are based on individual criteria in different categories including but not limited to industries, enterprises, and share-pledge related loans.

C. Other mechanisms for credit risk management

To further decrease credit risks, the contracts also proclaim that the Bank may decrease the balances, shorten the maturity period, demand immediate payback, or use borrowers' assets in the Bank to offset their liabilities.

In most circumstances, the Bank applies gross settlement with counterparties. However, to further decrease credit risks, the Bank applies net settlement or even terminates transactions with certain counterparties when default may occur.

The table below analyzes the collateral held as security and other credit enhancements, and their financial effects in respect of the financial assets recognized in the Bank's balance sheet:

June 30, 2023

Financial instruments subject to IFRS 9 impairment requirements and credit impairment	Book Value	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangement	Other Credit Enhancement	Total
Receivables	\$ 58,553	\$ -	\$ -	\$ -	\$ -
Discounts and loans	1,777,504	1,034,874	-	620,557	1,655,431

December 31, 2022

Financial instruments subject to IFRS 9 impairment requirements and credit impairment	Book Value	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangement	Other Credit Enhancement	Total
Receivables	\$ 55,522	\$ -	\$ -	\$ -	\$ -
Discounts and loans	1,726,661	1,127,210	-	399,830	1,527,040

June 30, 2022

Financial instruments subject to IFRS 9 impairment requirements and credit impairment	Book Value	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangement	Other Credit Enhancement	Total
Receivables	\$ 59,431	\$ -	\$ -	\$ -	\$ -
Discounts and loans	2,094,847	715,539	-	335,769	1,051,308

(3) Credit risk exposures

The maximum exposure of the Bank's assets in the balance sheet is equivalent to the book value, while the pledged assets and other credit instruments are not considered. The off-balance sheet items related to the maximum credit exposure (without considering collateral or other credit enhancements and irrevocable maximum exposure) are as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Other guarantees	\$ 77,425,002	\$ 85,055,191	\$ 103,911,871
Issued and non-cancelable loan commitments	32,096,456	31,834,715	34,532,824
Issued but unused letters of credit	7,630,222	6,425,512	9,833,540
Non-cancelable credit card commitments	568,923	565,212	563,448

The Bank assessed that it could continually control and minimize credit risk exposure of off-balance sheet items because it adopts stricter procedures and regularly audits credit accounts.

The total carrying amounts of the financial assets with the largest credit risk exposure are as follows:

	June 30, 2023			
	12-Month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Discounts and loans				
Consumer banking				
-Mortgage	\$ 297,171,378	\$ 1,529,556	\$ 205,438	\$ 298,906,372
-Microcredit	4,450,137	12,296	24,073	4,486,506
-Others	35,127,442	109,784	41,794	35,279,020
Corporate banking				
-Secured	302,024,269	2,760,760	1,177,274	305,962,303
-Unsecured	222,955,190	7,171,595	328,925	230,455,710
Total	\$ 861,728,416	\$ 11,583,991	\$ 1,777,504	\$ 875,089,911
Accounts receivable (including non-performing credit card receivables)				
Credit cards	\$ 3,813,471	\$ 86,269	\$ 56,378	\$ 3,956,118
Others	7,163,822	110,165	2,176	7,276,163
Total	\$ 10,977,293	\$ 196,434	\$ 58,554	\$ 11,232,281
Debt instruments measured at FVTOCI	\$ 216,685,587	\$ 947,226	\$ 93,435	\$ 217,726,248
Investments in debt instruments measured at amortized cost	\$ 241,770,354	\$ -	\$ -	\$ 241,770,354

	December 31, 2022			
	12-Month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Discounts and loans				
Consumer banking				
-Mortgage	\$ 279,059,301	\$ 1,431,563	\$ 171,119	\$ 280,661,983
-Microcredit	4,449,898	17,311	17,590	4,484,799
-Others	33,568,775	191,526	47,465	33,807,766
Corporate banking				
-Secured	294,876,356	3,630,439	1,182,398	299,689,193
-Unsecured	226,688,823	6,379,867	308,089	233,376,779
Total	\$ 838,643,153	\$ 11,650,706	\$ 1,726,661	\$ 852,020,520
Accounts receivable (including non-performing credit card receivables)				
Credit cards	\$ 3,088,932	\$ 83,218	\$ 54,997	\$ 3,227,147
Others	5,676,339	114,645	525	5,791,509
Total	\$ 8,765,271	\$ 197,863	\$ 55,522	\$ 9,018,656
Debt instruments measured at FVTOCI	\$ 195,615,630	\$ 919,451	\$ 198,723	\$ 196,733,804
Investments in debt instruments measured at amortized cost	\$ 195,278,574	\$ -	\$ -	\$ 195,278,574

	June 30, 2023			
	12-Month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Discounts and loans				
Consumer banking				
-Mortgage	\$ 260,840,216	\$ 1,653,966	\$ 227,326	\$ 262,721,508
-Microcredit	3,903,345	18,126	17,782	3,939,253
-Others	33,132,179	119,421	29,135	33,280,735
Corporate banking				
-Secured	284,538,930	2,452,074	1,361,616	288,352,620
-Unsecured	204,527,593	6,811,891	458,988	211,798,472
Total	\$ 786,942,263	\$ 11,055,478	\$ 2,094,847	\$ 800,092,588
Accounts receivable (including non-performing credit card receivables)				
Credit cards	\$ 2,502,960	\$ 66,555	\$ 58,749	\$ 2,628,264
Others	6,806,624	48,566	682	6,855,872
Total	\$ 9,309,584	\$ 115,121	\$ 59,431	\$ 9,484,136
Debt instruments measured at FVTOCI	\$ 211,482,172	\$ 989,931	\$ 134,006	\$ 212,606,109
Investments in debt instruments measured at amortized cost	\$ 111,412,195	\$ -	\$ -	\$ 111,412,195

(4) Information on concentration of credit risk

Concentration of credit risk exists if transaction counterparties are significantly concentrated on same individuals or Banks engaged in activities with similar economic characteristics, which

may lead their ability to fulfill contractual obligations being affected by similar changes in economic or other conditions.

Concentration of credit risk can be on assets, liabilities or off-balance sheet items and can arise in the course of the enforcement and implementation of transactions (regardless of products or service) or in the combination of exposures across categories, including credit, due from and call loans to banks, marketable securities, receivables and derivatives, etc. The Bank maintained a diversified loan portfolio to mitigate the credit risk concentration to same customers; total transaction of same customers in discounts and loans and the balance of non-accrual loans are not material. The Bank's most significant concentrations of credit risk of discounts and loans and non-accrual loans by business, region, and collateral were summarized as follows:

A. Industry

Sector	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%
Private sector	\$ 443,224,457	51	\$ 449,014,567	52	\$ 439,071,865	55
Consumer	379,190,834	43	357,984,158	42	340,600,362	43
Financial institution	48,324,107	6	40,240,894	5	16,478,401	2
Others	4,350,513	-	4,780,901	1	3,941,960	-
	<u>\$ 875,089,911</u>	<u>100</u>	<u>\$ 852,020,520</u>	<u>100</u>	<u>\$ 800,092,588</u>	<u>100</u>

B. Region

Sector	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%
Taiwan	\$ 762,527,412	87	737,261,174	87	\$ 688,684,545	86
Asia Pacific except Taiwan	81,559,203	9	87,654,228	10	84,065,102	11
Others	31,003,296	4	27,105,118	3	27,342,941	3
	<u>\$ 875,089,911</u>	<u>100</u>	<u>\$ 852,020,520</u>	<u>100</u>	<u>\$ 800,092,588</u>	<u>100</u>

C. Collateral

Sector	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%
Unsecured	\$ 234,942,215	27	\$ 237,861,579	28	\$ 216,460,623	27
Secured						
Properties	546,898,513	62	518,990,257	61	481,449,261	60
Guarantee	60,356,706	7	65,106,720	7	69,297,907	9
Financial collateral	19,939,804	2	17,641,893	2	19,703,773	2
Personal properties	2,947,417	1	2,654,608	1	2,837,097	1
Other collateral	10,005,256	1	9,765,463	1	10,343,927	1
	<u>\$ 875,089,911</u>	<u>100</u>	<u>\$ 852,020,520</u>	<u>100</u>	<u>\$ 800,092,588</u>	<u>100</u>

(5) Information on credit risk quality

Part of the financial assets held by the Bank, including cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets measured at fair value through profit or loss, investments in bills and bonds with resale agreements, guarantee deposits paid, security businesses, clearing and settlement funds, etc. are assessed with very low credit risk because the counterparties have good credit ratings.

39.3.3 Market risk

(1) The sources and definition of market risk

Market risk is the risk resulting from changes in fair value and future cash flows of on- and off-balance-sheet financial instruments caused by changes in market prices, interest rates,

foreign exchange rate, including equity securities price and commodity price. Changes in above risk elements can cause risks to shift the net profit of the Bank or its investment structures.

The Bank's financial instruments are exposed to price, interest rate and foreign exchange rate risks. Major market price risk positions of equity securities include domestic listed shares and funds. Major interest risks include bonds and interest rate derivative instruments such as fixed and floating interest rate swap and bond options whereas the major foreign exchange risks include foreign currency positions held by the Bank.

(2) Market risk management policies

The Bank monitors its market risk positions and tolerable loss according to the risk management objectives and limits approved by the board of directors.

The Bank also builds a market risk information system, which enables the Bank to effectively monitor the management of facilities, assessment of gains and losses, analysis of sensitivity factors of the Bank's financial instrument positions, etc. The results of the monitoring, assessment and analysis are reported in risk control meetings and serve as references for the decision making of management.

The Bank splits market risk exposure into trading and held for fixed income portfolios which are controlled by both the Bank's operation and risk management sections. Routine control reports are reviewed by the Bank's board of directors and relevant committees.

(3) Market risk management process

A. Recognition and measurement

The Bank's operation and risk management sections both identify market risk factors of exposure positions, which are used to measure market risks. Market risk factors include interest rates, foreign exchange rates and market price of equity securities, and exposures, gains and losses and sensitivity (DV01, Delta, Beta) etc. Measurement of investment portfolio is affected by interest rate risk, foreign exchange risk and price of equity securities.

B. Monitoring and reporting

The Bank's risk management department regularly reviews market risk management objective, positions and control of gains and losses, sensitivity analysis and pressure test and reports to the board of directors. Therefore, the board of directors could well understand market risk control. The Bank has established explicit notification process, the limit and stop-loss regulation for various transactions. Stop-loss order must be taken when the limit is reached, otherwise the trading department's reasons and plans must be approved by the management, and the department should report to relevant committee regularly.

(4) Interest rate risk management policies

A. Definition of interest rate risk

Interest rate risk represents risks of variation of fair value of trading position and loss in earnings resulting from interest rate variation. Major relevant products include interest rate-related financial securities and derivatives instrument.

B. Purpose of interest risk management

Interest rate risk management enhances the Bank's ability to measure, control and avoid

negative influence of interest rate variation on earnings and economic values of balance sheet items. In addition, it enhances capital efficiency and strengthens operation.

C. Procedures of interest risk management

The Bank carefully chooses investment target through conducting research about issuer's credit, financial status, country risks and interest rate trend. The Bank also establishes trading amount limit and stop-loss limit including limit for trading department, trading personnel and trading commodity, etc. according to trading book operation policies and market status which are approved by top management and the board of directors.

The Bank identifies re-pricing risk of interest rate and yield curve risk and measures possible effects on the Bank's earnings and economic values of changes in interest rate. On a monthly basis, the Bank reports the analysis and monitoring of limit on interest rate risk position and various interest rate management objectives to the Strategy Management Committee and the board of directors.

Report to the Strategy Management Committee is required when certain risk management objective has exceeded limit in order to resolve response action.

D. Measurement methods

The Bank measures risks of price reset periods gap from difference in maturity date and price reset date of assets, liabilities, and off-balance sheet items. The Bank also established interest rate sensitivity monitoring index for major periods in order to maintain long-term profitability and business growth. Such interest rate indexes and results of pressure test are reviewed by management personnel periodically. In addition, the Bank regularly uses the DV01 and IRRBB to measure portfolio affected by interest rate.

(5) Foreign exchange rate risk management

A. Definition of foreign exchange risk

Foreign exchange risk means losses resulting from transferring currencies at different times. The Bank's foreign exchange rate risk results mainly from spot and forward foreign exchange business. The Bank's foreign exchange rate risk is relatively insignificant due to the fact that customers' positions are basically settled immediately on transaction date.

B. Policies, procedures and measurement method for foreign exchange rate risk management

In order to control foreign exchange rate risk within tolerable range, the Bank has established trading limit, stop-loss limit and maximum loss for trading department and trading personnel and the risk is controlled within the tolerable range.

The Bank undertakes pressure test on a seasonal basis and uses 3% fluctuation in major foreign exchange rate (USD) as the sensitivity threshold and reports test results to the Assets and Liabilities Management Committee.

(6) Equity securities price risk management

A. Definition of equity securities price risk

The market risk of equity securities held by the Bank includes individual and general risk from price fluctuation of both individual equity security and the entire equity security market.

B. Purpose of equity security price risk management

The main purpose of equity security price risk management is to prevent financial status from deteriorating and to avoid decrease in earnings due to violent fluctuation in equity security prices, and to enhance capital efficiency and strengthen operation.

C. Procedures of equity security price risk management

The Bank stop-loss point is set according to the policy approved by the assets and Liabilities Management Committee and board of directors. Stop-loss action must be taken when limit is reached, otherwise the investment department must submit request to top management personnel for approval.

D. Measurement method

The Bank's control of security price risk is based on limit of positions held, as well as strict profit and loss monitoring.

(7) Market valuation technique

The Bank assesses its exposures to market risk and the anticipated loss under market pressures by using assumptions on several market position changes. Limits of various financial instruments are set by the board of directors and monitored by the Assets and Liabilities Management Committee. The Bank also performs sensitivity analysis based on major risk factors of various financial products in order to monitor the changes in various market risk factors of financial products.

A. Sensitivity analysis

a. Interest rate risk

The Bank has assessed the possible impact on income and equity if global yield curve move between -1 and +1 basis points simultaneously on June 30, 2023, December 31, 2022 and June 30, 2022.

b. Foreign exchange rate risk

The Bank assesses the possible impact on income when exchange rates of NTD against various currencies fluctuate between -1% and +1% while other factors remain unchanged.

c. Equity securities price risk

The Bank has assessed the possible impact on income when equity security prices on June 30, 2023, December 31, 2022 and June 30, 2022 rise or fall by 1% while other factors remain unchanged.

The analysis assumed that the trends of equity instruments are consistent with historical data.

B. Sensitivity analysis is summarized as follows:

June 30, 2023			
Major Risk	Fluctuation Range	Amount	
		Equity	Profit or Loss
Foreign exchange risk	Foreign currency appreciated 1% against NTD	\$ 815,360	\$ (38,615)
	Foreign currency depreciated 1% against NTD	(815,360)	38,615
Interest rate risk	Interest rate curve edged up 1bp	(60,073)	43
	Interest rate curve edged down 1bp	60,073	(43)
Equity price risk	Equity price increased 1%	139,065	(930)
	Equity price decreased 1%	(139,065)	930

December 31, 2022			
Major Risk	Fluctuation Range	Amount	
		Equity	Profit or Loss
Foreign exchange risk	Foreign currency appreciated 1% against NTD	\$ 753,482	\$ (41,383)
	Foreign currency depreciated 1% against NTD	(753,482)	41,383
Interest rate risk	Interest rate curve edged up 1bp	(48,631)	(35)
	Interest rate curve edged down 1bp	48,631	35
Equity price risk	Equity price increased 1%	46,963	4,117
	Equity price decreased 1%	(46,963)	(4,117)

June 30, 2022			
Major Risk	Fluctuation Range	Amount	
		Equity	Profit or Loss
Foreign exchange risk	Foreign currency appreciated 1% against NTD	\$ 733,838	\$ (28,930)
	Foreign currency depreciated 1% against NTD	(733,838)	28,930
Interest rate risk	Interest rate curve edged up 1bp	(52,147)	(129)
	Interest rate curve edged down 1bp	52,147	129
Equity price risk	Equity price increased 1%	69,908	5,966
	Equity price decreased 1%	(69,908)	(5,966)

39.3.4 Liquidity risk

(1) The sources and definition of liquidity risk

Liquidity risk is the possibility that the Bank is unable to liquidate assets or obtain financing to fulfill matured financial liabilities which may result in financial loss. Liquidity risk may be present when, for example, deposits are withdrawn in advance of the original date of settlement, the market becomes worse and borrowing from other banks becomes difficult, the clients' credit deteriorates leading to the occurrence of defaults, liquidation of financial instruments becomes difficult, early redemption of interest-sensitive instruments happens, etc. The aforementioned factors may reduce cash balance to be used in the areas of loans, trading, and investment. In some extreme circumstances, the lack of liquidity may lead to the decrease in the overall assets and liabilities, and the need to liquidate the Bank's assets and the possibility of being unable to fulfill loan commitments. Liquidity risks include inherent risks that may be affected by some specific industry events or overall market condition. These events include but are not limited to credit, merger and acquisitions, systemic breakdown and natural disasters.

(2) The management policies are as follows:

The Bank's management procedures are monitored by the independent department of risk management and the procedures are as follows:

- A. Regular financing and monitoring of cash flows to ensure the fulfillment of the requirements in the future.
- B. Maintaining appropriate position of high liquidity assets which are easily realizable.
- C. Monitoring of liquidity ratios of the balance sheet accounts according to the internal management purposes and external monitoring rules.
- D. Managing the maturity date of debt instruments.

The procedures for monitoring and reporting liquidity risk are applied and measured based on the estimated cash flows (the time gap is based on how the Bank manages the liquidity risk) of 1 day, 10 days, and 1 month. Estimates of future cash flows are based on the maturity analysis of financial assets and liabilities. The risk management department also monitors the use of loan commitment, discount facilities, guarantee letters, and other types of contingent liabilities, and furthermore reports the related information to the risk management committee and the board of directors regularly.

The Bank holds certain position of highly liquid interest-bearing assets to fulfill its obligation and for future needs. To manage the liquidity risk, the Bank holds the following assets: Cash and cash equivalents, due from the Central Bank and banks, and financial assets measured at fair value through profit or loss, etc.

(3) Maturity analysis

The Bank analyzed cash outflows of non-derivative financial liabilities according to the remaining terms from date of the balance sheet to maturity date of the contract. The disclosure of cash outflows of non-derivative financial liabilities is based on the cash flows of contracts so that the items could not correspond with all items in the balance sheet.

June 30, 2023	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Due to the central bank and banks	\$ 12,819,816	\$ 2,133,264	\$ 512,616	\$ 696,134	\$ -	\$ 16,161,830
Financial liabilities measured at FVTPL	-	-	-	-	2,084,675	2,084,675
Securities sold under repurchase agreements	449,510	184,643	74,376	8,234	-	716,763
Payables	29,477,550	632,559	2,412,223	359,123	575,122	33,456,577
Deposits and remittances	701,278,729	199,294,807	179,882,118	180,507,699	11,410,985	1,272,374,338
Bank debentures	622,740	-	-	8,100,000	47,970,000	56,692,740
Other financial liabilities	3,742,454	21,163	84,505	163,176	711,265	4,722,563
Lease liabilities	-	58	292	38,432	769,025	807,807

December 31, 2022	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Due to the central bank and banks	\$ 10,548,520	\$ 582,608	\$ 452,302	\$ 525,665	\$ -	\$ 12,109,095
Financial liabilities measured at FVTPL	-	-	-	-	1,973,649	1,973,649
Securities sold under repurchase agreements	282,962	322,301	176,305	-	-	781,568
Payables	23,233,622	390,844	1,136,783	439,771	513,102	25,714,122
Deposits and remittances	692,557,895	203,140,838	105,542,295	207,770,042	9,384,440	1,218,395,510
Bank debentures	-	-	-	3,000,000	53,070,000	56,070,000
Other financial liabilities	1,388,381	22,001	70,860	157,499	860,991	2,499,732
Lease liabilities	-	5,316	2,024	4,052	760,973	772,365

June 30, 2022	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Due to the central bank and banks	\$ 6,574,949	\$ 3,262,995	\$ 763,746	\$ 696,134	\$ -	\$ 11,297,824
Financial liabilities measured at FVTPL	-	-	-	-	2,134,136	2,134,136
Securities sold under repurchase agreements	1,765,335	105,474	289,161	8,196	-	2,168,166
Payables	29,303,950	232,548	440,722	190,503	425,497	30,593,220
Deposits and remittances	689,695,026	149,026,712	126,465,543	130,491,489	9,757,979	1,105,436,749
Bank debentures	-	3,100,000	9,700,000	-	52,000,000	64,800,000
Other financial liabilities	1,094,798	35,615	75,672	153,634	1,027,448	2,387,167
Lease liabilities	-	1,139	5,577	33,048	718,179	757,943

The Bank evaluated the contractual maturity date to comprehend all derivative financial instruments on the balance sheet. Because the maturity analysis of derivative financial liabilities is based on the contractual cash flows, the amounts would not correspond with related items on the balance sheet. Maturity analysis of derivative financial liabilities is as follows:

A. Derivative financial liabilities in net settlement

June 30, 2023	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives	\$ 36,086	\$ 5,254	\$ 3,660	\$ 4,812	\$ -	\$ 49,812
Interest rate derivatives	-	919	3,589	5,847	100,850	111,205
Equity securities derivatives	221	-	-	-	-	221

December 31, 2022	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives	\$ 25,970	\$ 67,356	\$ 4,895	\$ 7,429	\$ -	\$ 105,650
Interest rate derivatives	-	-	-	-	176,821	176,821

June 30, 2022	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives	\$ 12,225	\$ 23,591	\$ 42,170	\$ 28,349	\$ -	\$ 106,335
Equity securities derivatives	407	-	-	-	-	407

B. Derivative financial liabilities in total settlement

June 30, 2023	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives						
Cash inflow	\$ 16,544,719	\$ 33,040,180	\$ 23,450,215	\$ 10,878,888	\$ -	\$ 83,914,002
Cash outflow	17,572,397	34,710,750	25,032,011	11,925,249	-	89,240,407

December 31, 2022	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives						
Cash inflow	\$ 25,141,533	\$ 37,012,235	\$ 9,776,511	\$ 3,993,453	\$ -	\$ 75,923,732
Cash outflow	26,031,050	38,353,827	10,026,259	4,060,144	-	78,471,280

June 30, 2022	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives						
Cash inflow	\$ 24,604,272	\$ 19,805,245	\$ 14,941,125	\$ 12,324,347	\$ -	\$ 71,674,989
Cash outflow	25,044,008	20,767,228	15,592,107	12,852,754	-	74,256,097

The analysis of cash outflows of off-balance sheet items is illustrated according to the remaining terms from date of the balance sheets to maturity date of the contract. For financial guarantee contracts, the largest amount is categorized under the nearest time-zone of being asked to fulfill the guarantees. The disclosure of cash outflows of off-balance-sheet items is based on the cash flows of contracts so that part items could not correspond with all items in the balance sheet.

June 30, 2023	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Other guarantees	\$ 21,163,168	\$ 18,828,045	\$ 7,506,631	\$ 12,402,632	\$ 17,524,526	\$ 77,425,002
Issued but unused letters of credit	1,775,171	5,141,075	460,760	141,629	111,587	7,630,222
Non-cancelable loan commitments	549,875	657,155	395,178	2,046,774	28,447,474	32,096,456
Non-cancelable credit card commitments	85,282	170,563	255,845	57,233	-	568,923

December 31, 2022	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Other guarantees	\$ 24,722,877	\$ 21,221,405	\$ 6,805,878	\$ 14,406,027	\$ 17,899,004	\$ 85,055,191
Issued but unused letters of credit	1,734,952	3,840,073	414,208	398,111	38,168	6,425,512
Non-cancelable loan commitments	915,775	315,812	331,595	1,916,044	28,355,489	31,834,715
Non-cancelable credit card commitments	84,725	169,451	254,176	56,860	-	565,212

June 30, 2022	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Other guarantees	\$ 44,488,269	\$ 22,406,398	\$ 6,560,438	\$ 15,524,609	\$ 14,932,157	\$ 103,911,871
Issued but unused letters of credit	2,187,271	5,764,268	1,346,055	274,914	261,032	9,833,540
Non-cancelable loan commitments	254,000	667,450	1,621,683	994,227	30,995,464	34,532,824
Non-cancelable credit card commitments	84,461	168,922	253,382	56,683	-	563,448

39.5 Interest rate benchmarks

The financial instruments of the Bank affected by the interest rate benchmarks include loans and discounts, financial assets and liabilities measured at FVTPL, financial assets measured at FVTOCI and financial assets measured at amortized cost. The linked interest rate benchmark is USD LIBOR. The Bank prepared interest rate benchmark transition plan which comprises the following work streams: risk management, contract management, product management, taxation and accounting, and customer communication, etc. And the discussions have been started with financial instrument counterparties on how to amend the affected contracts, and it is expected that the amendment will be completed before the conversion of the interest rate benchmarks.

On June 30, 2023, the non-derivative financial instruments held by the Bank that have been affected by the interest rate benchmark reform and have not yet converted to alternative interest rate indicators are summarized as follows:

Financial assets	Book value
Discount and loans, net	
USD LIBOR	\$ 21,120,628
SGD SOR	201,782
Total	<u>21,322,410</u>
Financial assets measured at FVTOCI	
USD LIBOR	<u>7,080,992</u>
Total	<u>\$ 28,403,402</u>

On June 30, 2023, the non-derivative financial instruments held by the Bank that have been affected by the interest rate benchmark reform are summarized as follows:

	Nominal in currency	Book value
		Financial liabilities
Derivatives linked to USD LIBOR		
Interest rate swap	<u>\$ 2,636,710</u>	<u>\$ 94,915</u>

39.6 Transfer of financial assets

In the daily transactions of the Bank, most of the transferred financial assets not eligible for full derecognition are repurchase notes and bonds. The cash flows of the transactions have been transferred to outsiders and the liabilities for repurchasing the transferred financial assets in a fixed amount have been recognized; the Bank may repurchase the transferred financial assets in the future. The Bank is not eligible to conduct, sell, or pledge the transferred financial assets during the effective period prior to derecognition. However, the Bank is still exposed to the interest risks and credit risks. As a result, the transferred financial assets are not derecognized. The following tables show the transferred financial assets not qualified for derecognition and related financial liabilities.

June 30, 2023

Type of Financial Assets	The Book Value of Financial Assets	The Book Value of Related Financial	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Financial assets measured at FVTOCI					
Securities sold under repurchase agreements	\$ 710,500	\$ 716,763	\$ 710,500	\$ 716,763	\$ (6,263)

December 31, 2022

Type of Financial Assets	The Book Value of Financial Assets	The Book Value of Related Financial	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Financial assets measured at FVTOCI					
Securities sold under repurchase agreements	\$ 775,000	\$ 781,568	\$ 775,000	\$ 781,568	\$ (6,568)

June 30, 2022

Type of Financial Assets	The Book Value of Financial Assets	The Book Value of Related Financial	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Financial assets measured at FVTOCI					
Securities sold under repurchase agreements	\$ 2,155,968	\$ 2,168,166	\$ 2,155,968	\$ 2,168,166	\$ (37,270)

40. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average amount and average interest rate of interest-earning assets and interest-bearing liabilities that were affected by interest rate fluctuations are as follows:

Average balances were calculated by the daily average balances of interest-earning assets and interest-bearing liabilities.

	For the Six Months Ended June 30, 2023	
	Average Balance	Average Rate (%)
Interest-bearing assets		
Cash and cash equivalents - due from other banks	\$ 18,287,444	0.70
Due from the Central Bank and call loans to banks	104,888,084	2.90
Securities purchased under resell agreements	21,389	1.00
Credit card revolving balances	585,851	12.49
Discounts and loans (excluding non-performing loans)	856,511,957	2.98
Financial assets measured at FVTOCI - investments in debt instruments	210,243,632	2.65
Investments in debt instruments measured at amortized cost	211,668,165	1.14
Interest-bearing liabilities		
Due to the central bank and banks	\$ 15,201,089	3.32
Financial liabilities measured at FVTPL	2,135,177	7.15
Securities sold under repurchase agreements	638,244	0.86
Negotiable certificates of deposit	72,039,865	1.43
Demand deposits	312,336,615	0.69
Savings deposits	206,741,131	0.72
Time deposits	448,778,368	1.96
Time savings	189,477,230	1.43
Bank debentures	56,647,160	1.33
Other financial liabilities	3,412,387	2.21
Lease liabilities	816,900	0.91

For the Six Months Ended June 30, 2022		
	Average Balance	Average Rate (%)
Interest-bearing assets		
Cash and cash equivalents - due from other banks	\$ 30,115,653	0.05
Due from the Central Bank and call loans to banks	107,562,316	0.57
Financial assets measured at FVTPL	32,263	0.56
Securities purchased under resell agreements	287,435	0.74
Revolving credit card balances	562,326	12.72
Discounts and loans (excluding non-performing loans)	776,996,992	1.86
Financial assets measured at FVTOCI - investments in debt instruments	225,550,828	1.24
Investments in debt instruments measured at amortized cost	125,755,136	0.39

Interest-bearing liabilities

Due to the central bank and banks	\$ 16,308,061	0.64
Financial liabilities measured at FVTPL	2,006,976	5.64
Securities sold under repurchase agreements	18,068,417	0.30
Negotiable certificates of deposit	12,648,551	0.42
Demand deposits	363,674,165	0.08
Savings deposits	204,919,547	0.29
Time deposits	334,200,940	0.50
Time savings	146,250,142	0.85
Bank debentures	66,902,222	1.31
Other financial liabilities	1,344,780	0.66
Lease liabilities	675,706	1.22

41. CAPITAL MANAGEMENT

All the Bank's risks were included in the scope of assessment of capital adequacy according to "Regulations Governing the Capital Adequacy". The business objectives and project budget are approved by the board of directors, and furthermore the Bank considered the development strategy, capital adequacy, debt ratio, and dividend policy in its assessments. The contents are included in stress test, estimate of capital adequacy ratio to ensure achieving the objective of capital adequacy and strengthening of the capital structure.

The Banking Act and related measures stipulate that in order to improve the financial foundation of a bank, the ratio of the Bank's own capital to the risky assets shall not be less than 10.5%, where the actual ratio is lower than the prescribed standard, the authorities may impose limit on its capital surplus distribution.

The Bank conformed to the regulation on capital management as of June 30, 2023, December 31, 2022 and June 30, 2022.

The following table lists the equity capital, risk-weighted assets, and risk exposure:

	June 30, 2023	December 31, 2022	June 30, 2022
Analysis items			
Eligible capital			
Ordinary equity	\$ 108,294,786	\$ 109,779,997	\$ 90,621,527
Other Tier I capital	8,070,000	8,070,000	7,000,000
Tier II capital	25,010,050	27,928,743	28,618,169
Eligible capital	<u>\$ 141,374,836</u>	<u>\$ 145,778,740</u>	<u>\$ 126,239,696</u>

	June 30, 2023	December 31, 2022	June 30, 2022
Risk-weighted assets			
Credit risk			
Standardized approach	\$ 858,275,135	\$ 845,573,359	\$ 816,338,731
Credit valuation adjustment	75,207	79,340	268,599
Internal rating based approach	N/A	N/A	N/A
Synthetic securitization	1,306,331	493,720	703,482
Operational risk			
Basic indicator approach	45,432,985	45,432,985	43,642,713
Standardized approach/alternative standardized approach	N/A	N/A	N/A
Advanced measurement approach	N/A	N/A	N/A
Market risk			
Standardized approach	55,352,491	39,085,138	63,768,698
Internal models approach	N/A	N/A	N/A
Total risk-weighted assets	<u>\$ 960,442,149</u>	<u>\$ 930,664,542</u>	<u>\$ 924,722,223</u>
Capital adequacy ratio	14.72%	15.66%	13.65%
Ratio of ordinary equity to risk-weighted assets	11.28%	11.80%	9.80%
Ratio of Tier I capital to risk-weighted assets	12.12%	12.66%	10.56%
Leverage ratio	7.14%	7.55%	6.74%

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

Note 2: Formulas used were as follows:

- (1) Eligible capital = Ordinary equity + Other Tier I capital + Tier II capital.
- (2) Total risk-weighted assets = Risk-weighted assets for credit risk + Capital requirements for operational risk and market risk × 12.5.
- (3) Capital adequacy ratio = Eligible capital ÷ Total risk-weighted assets.
- (4) Ratio of ordinary equity to risk-weighted assets = Ordinary equity ÷ Total risk-weighted assets.
- (5) Ratio of Tier I capital to risk-weighted assets = (Ordinary equity + Other Tier I capital) ÷ Total risk-weighted assets.
- (6) Leverage ratio = Net value of tier I capital ÷ Net value of exposure measurement

42. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

42.1 Assets quality: As stated in Table 1

42.2 Concentration of credit risk

Top 10 credit extensions information of the Bank were as follows:

Ranking (Note 1)	June 30, 2023			
	The Bank			
	Categorized by Sector (Note 2)		Credit Amount (Note 3)	Credit Amount / Stockholders' equity
1	A	Group (general management agency)	8,090,244	4.65%
2	B	Group (general management agency)	7,459,236	4.29%
3	C	Group (computer manufacturing)	6,733,294	3.87%
4	D	Group (real estate selling and leasing)	5,442,325	3.13%
5	E	Group (other holding companies)	5,225,246	3.00%

Ranking (Note 1)	June 30, 2023			
	The Bank			
	Categorized by Sector (Note 2)		Credit Amount (Note 3)	Credit Amount / Stockholders' equity
6	F	Group (apparel manufacturing)	4,758,845	2.74%
7	G	Group (computer manufacturing)	4,719,759	2.71%
8	H	Group (real estate development)	4,683,014	2.69%
9	I	Group (wiring and cable system manufacturing)	4,120,591	2.37%
10	J	Group (computer and peripheral manufacturing)	3,971,385	2.28%

Ranking (Note 1)	December 31, 2022			
	The Bank			
	Categorized by Sector (Note 2)		Credit Amount (Note 3)	Credit Amount / Stockholders' equity
1	A	Group (general management agency)	8,134,468	4.79%
2	B	Group (general management agency)	7,164,388	4.22%
3	G	Group (computer manufacturing)	6,094,194	3.59%
4	K	Group (computer and peripheral manufacturing)	5,796,910	3.41%
5	D	Group (real estate selling and leasing)	5,398,074	3.18%
6	L	Group (general management agency)	5,354,805	3.15%
7	E	Group (other holding companies)	5,179,960	3.05%
8	H	Group (real estate development)	4,726,940	2.78%
9	F	Group (apparel manufacturing)	4,689,638	2.76%
10	M	Group (real estate development)	4,390,700	2.59%

Ranking (Note 1)	June 30, 2022			
	The Bank			
	Categorized by Sector (Note 2)		Credit Amount (Note 3)	Credit Amount / Stockholders' equity
1	A	Group (general management agency)	7,874,733	5.28%
2	B	Group (general management agency)	6,626,745	4.45%
3	C	Group (computer manufacturing)	6,227,590	4.18%
4	N	Group (computer and peripheral manufacturing)	5,484,544	3.68%
5	O	Group (television program design and broadcasting)	5,301,167	3.56%
6	D	Group (real estate selling and leasing)	5,198,299	3.49%
7	L	Group (general management agency)	5,100,531	3.42%
8	E	Group (other holding companies)	5,006,083	3.36%
9	F	Group (apparel manufacturing)	4,671,892	3.14%
10	P	Group (real estate selling and leasing)	4,494,275	3.02%

Note 1: The top 10 credit extensions ranking is made by total credit balance, which excluded government-owned or state-run enterprises. If the borrower is an affiliate of the Bank enterprise, the credit balance of the borrower is then aggregated to the Bank enterprise's credit balance. The borrower is marked by specific codes as well as its major industry. The major industry of a borrower is determined by its maximum exposures by industries. The classification of industry should be in line with the Standard Industrial Classification System of Taiwan published by the Directorate General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: “Bank Enterprise” conforms to the definition of Article 6 in “Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.”

Note 3: Credit balance includes each item of loan (including import bill negotiated, export bill negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans and non-performing loans), exchange bills negotiated, accounts receivable - without recourse factoring, acceptances receivable and grantees issued.

42.3 Interest rate sensitivity information

Interest Rate Sensitivity (NTD)

June 30, 2023					
Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate sensitive assets	\$ 945,131,455	\$ 39,708,241	\$ 9,417,197	\$ 75,627,637	\$ 1,069,835,760
Interest rate sensitive liabilities	252,955,606	512,069,193	173,804,509	58,943,285	997,772,593
Interest rate sensitivity gap	692,175,849	(472,360,952)	(164,387,312)	16,684,352	72,111,937
Net equity					173,984,551
Ratio of interest rate sensitive assets to liabilities					107.23%
Ratio of interest rate sensitivity gap to net equity					41.45%

December 12, 2022					
Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate sensitive assets	\$ 873,639,602	\$ 44,527,449	\$ 13,464,679	\$ 66,479,264	\$ 998,110,994
Interest rate sensitive liabilities	233,477,743	446,634,062	178,390,522	62,396,172	920,898,499
Interest rate sensitivity gap	640,161,859	(402,106,613)	(164,925,843)	4,083,092	77,212,495
Net equity					169,780,908
Ratio of interest rate sensitive assets to liabilities					108.38%
Ratio of interest rate sensitivity gap to net equity					45.48%

June 30, 2022					
Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate sensitive assets	\$ 793,417,835	\$ 8,683,011	\$ 6,485,665	\$ 74,428,447	\$ 883,014,958
Interest rate sensitive liabilities	268,051,818	431,177,963	53,962,875	56,140,077	809,332,733
Interest rate sensitivity gap	525,366,017	(422,494,952)	(47,477,210)	18,288,370	73,682,225
Net equity					149,004,855
Ratio of interest rate sensitive assets to liabilities					109.10%
Ratio of interest rate sensitivity gap to net equity					49.45%

Note 1: The tables above refer only to the financial assets/liabilities denominated in NT dollars held by the whole bank, excluded contingent assets and liabilities.

Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

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

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are in the NT dollars).

Interest Rate Sensitivity (USD)

June 30, 2023					
Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate sensitive assets	\$ 7,697,461	\$ 120,590	\$ -	\$ -	\$ 7,818,051
Interest rate sensitive liabilities	2,957,718	4,474,533	523,154	87,724	8,043,129
Interest rate sensitivity gap	4,739,743	(4,353,943)	(523,154)	(87,724)	(561,078)
Net equity					5,587,711
Ratio of interest rate sensitive assets to liabilities					97.20%
Ratio of interest rate sensitivity gap to net equity					(4.03%)

December 31, 2022					
Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate sensitive assets	\$ 8,295,467	\$ 225,102	\$ -	\$ -	\$ 8,520,569
Interest rate sensitive liabilities	3,095,077	4,833,427	781,061	70,569	8,780,134
Interest rate sensitivity gap	5,200,390	(4,608,325)	(781,061)	(70,569)	(259,565)
Net equity					5,526,542
Ratio of interest rate sensitive assets to liabilities					97.04%
Ratio of interest rate sensitivity gap to net equity					(4.70%)

June 30, 2022					
Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate sensitive assets	\$ 7,272,348	\$ 62,850	\$ 136,616	\$ 1,571,264	\$ 9,043,078
Interest rate sensitive liabilities	2,708,647	6,491,128	513,360	70,194	9,783,329
Interest rate sensitivity gap	4,563,701	(6,428,178)	(376,744)	1,501,070	(740,251)
Net equity					5,011,093
Ratio of interest rate sensitive assets to liabilities					92.43%
Ratio of interest rate sensitivity gap to net equity					(14.77%)

Note 1: The tables above refer only to the financial assets/liabilities denominated in US dollars held by the whole bank, excluded contingent assets and liabilities.

Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

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

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are in the US dollars).

42.4 Profitability

Unit: %

Items		June 30, 2023	June 30, 2022
Return on total assets	Before income tax	1.40	1.21
	After income tax	1.27	1.06
Return on equity	Before income tax	12.53	10.83
	After income tax	11.37	9.46
Profit margin		61.50	56.93

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

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

Note 3: Profit margin = Income after income tax ÷ Total net revenue.

Note 4: Income before (after) income tax represents income YTD.

42.5 Maturity analysis of assets and liabilities

(1) In Thousands of New Taiwan Dollars

	Total	June 30, 2023					
		For remaining period to maturity date					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	\$1,135,140,406	\$ 197,284,077	\$ 90,867,565	\$ 66,894,841	\$ 71,202,383	\$ 118,623,312	\$ 590,268,228
Major cash outflow on maturity	1,472,238,050	43,567,624	114,119,273	250,121,216	287,997,062	251,185,259	525,247,616
Gap	(337,097,644)	153,716,453	(23,251,708)	(183,226,375)	(216,794,679)	(132,561,947)	65,020,612

	Total	December 31, 2022					
		For remaining period to maturity date					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	\$ 1,060,684,715	\$ 168,042,249	\$ 77,263,976	\$ 68,843,424	\$ 82,448,991	\$ 122,819,118	\$ 541,266,957
Major cash outflow on maturity	1,385,257,536	48,112,388	93,805,058	245,110,503	224,444,131	260,795,545	512,989,911
Gap	(324,572,821)	119,929,861	(16,541,082)	(176,267,079)	(141,995,140)	(137,976,427)	28,277,046

	Total	June 30, 2022					
		For remaining period to maturity date					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	\$ 942,492,096	\$ 97,214,398	\$ 90,331,226	\$ 55,475,449	\$ 66,212,572	\$ 105,489,822	\$ 527,768,629
Major cash outflow on maturity	1,231,736,185	39,880,095	85,654,535	196,343,021	238,955,359	200,460,115	470,443,060
Gap	(289,244,089)	57,334,303	4,676,691	(140,867,572)	(172,742,787)	(94,970,293)	57,325,569

Note: This table includes only financial assets/liabilities denominated in New Taiwan dollars held by the head office and domestic branches.

(2) In Thousands of US dollars

	Total	June 30, 2023				
		For remaining period to maturity date				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	\$ 12,540,533	\$ 2,699,974	\$ 926,165	\$ 657,523	\$ 745,567	\$ 7,511,304
Major cash outflow on maturity	14,626,571	2,588,447	2,345,027	2,210,874	2,222,418	5,259,805
Gap	(2,086,038)	111,527	(1,418,862)	(1,553,351)	(1,476,851)	2,251,499

	Total	December 31, 2022				
		For remaining period to maturity date				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	\$ 12,844,167	\$ 3,286,872	\$ 1,865,893	\$ 665,005	\$ 655,138	\$ 6,371,259
Major cash outflow on maturity	15,118,127	2,835,384	2,030,725	1,768,280	2,449,547	6,034,191
Gap	(2,273,960)	451,488	(164,832)	(1,103,275)	(1,794,409)	337,068

	Total	June 30, 2022				
		For remaining period to maturity date				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	\$ 13,722,139	\$ 3,791,510	\$ 1,847,103	\$ 1,097,388	\$ 1,066,759	\$ 5,919,379
Major cash outflow on maturity	15,440,290	2,464,477	2,086,713	2,016,180	2,559,970	6,312,950
Gap	(1,718,151)	1,327,033	(239,610)	(918,792)	(1,493,211)	(393,571)

Note: This table includes only financial assets/liabilities denominated in US dollars held by the head office, domestic branches and OBU.

43. THE CONTENTS AND AMOUNTS OF TRUST ACTIVITIES BY PROCESSING TRUST ENTERPRISE ACT

The trust account balance sheets, income statements and the details of trust assets are as follows:

Balance Sheet of Trust Account

Trust Assets	June 30, 2023	December 31, 2022	June 30, 2022	Trust Liabilities	June 30, 2023	December 31, 2022	June 30, 2022
Bank deposits	\$ 8,033,718	\$ 7,388,829	\$ 8,311,791	Accounts payable	\$ 83	\$ 219	\$ 113
Short-term investments	101,570,747	95,997,237	94,745,849	Depository of securities payable	56,470,710	55,607,507	69,094,702
Net asset value of collective investment trust funds	8,157,165	6,362,452	6,869,672	Trust capital	159,478,069	149,976,189	147,690,296
Accounts receivable	13,708	2,982	12,476	Accumulated (loss) gain and equity	(405,479)	(728,850)	(583,723)
Land	30,818,371	30,408,073	29,420,121				
Buildings and improvements, net	63,185	66,366	85,792				
Construction in progress	10,357,079	8,962,925	7,604,059				
Securities in custody	56,470,710	55,607,507	69,094,702				
Other assets	58,700	58,694	56,926				
Total trust assets	\$ 215,543,383	\$ 204,855,065	\$ 216,201,388	Total trust liabilities	\$ 215,543,383	\$ 204,855,065	\$ 216,201,388

Trust Asset Lists

Items	June 30, 2023	December 31, 2021	June 30, 2022
Cash in banks	\$ 8,033,718	\$ 7,388,829	\$ 8,311,791
Short-term investments			
Funds	67,212,504	66,800,237	67,760,923
Bonds	26,836,668	22,752,279	19,772,216
Common stocks	4,565,912	4,656,074	4,776,388
Structured instruments	2,745,522	1,581,390	2,245,496
Preferred stock	210,141	207,257	190,826
Net asset value of collective trust accounts	8,157,165	6,362,452	6,869,672
Receivables	13,708	2,982	12,476
Land	30,818,371	30,408,073	29,420,121
Buildings and improvements, net	63,185	66,366	85,792
Construction in progress	10,357,079	8,962,925	7,604,059
Depository of securities	56,470,710	55,607,507	69,094,702
Other assets - principal deferred expense	58,700	58,694	56,926
Total	\$ 215,543,383	\$ 204,855,065	\$ 216,201,388

Income Statements of Trust Account

	For the Six Months Ended June 30	
	2023	2022
Trust income		
Dividend income	\$ 1,825	\$ 1,430
Interest revenue	26,227	9,315
Donation income	24	117
Realized investment gains	7,813	1,639
Unrealized investment gains	120,904	217,811
Other revenue	48,836	106,537
	<u>205,629</u>	<u>336,849</u>
Trust expenses		
Tax expenditures	6,649	51,765
Management expenses	7,713	4,204
Service expenses	1,967	1,841
Realized investment losses	395	8,246
Unrealized investment losses	741,422	1,027,187
Donation expenses	50	59
Other expenses	1,083	1,430
	<u>759,279</u>	<u>1,094,732</u>
Income (loss) before income tax	(553,650)	(757,883)
Income tax expense	-	-
Net income	<u>\$ (553,650)</u>	<u>\$ (757,883)</u>

44. EXCHANGE RATE INFORMATION OF FOREIGN FINANCIAL ASSETS AND LIABILITIES

The information regarding significant financial assets/liabilities denominated in foreign currencies held by the Bank was as follows:

	June 30, 2023			December 31, 2022			June 30, 2022		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Finance assets									
Cash and cash equivalents									
JPY	\$ 29,117,173	0.2150	\$ 6,260,192	\$ 44,650,776	0.2319	\$ 10,354,515	\$ 44,430,453	0.2176	\$ 9,668,067
CNY	751,420	4.2873	3,221,563	493,149	4.4107	2,175,132	531,887	4.4374	2,360,195
USD	67,625	31.1370	2,105,640	136,532	30.7210	4,194,400	229,038	29.7350	6,810,445
Due from the Central Bank and call loans to banks									
USD	1,335,554	31.1370	41,585,145	2,284,904	30.7210	70,194,536	2,618,754	29.7350	77,868,650
CNY	442,500	4.2873	1,897,130	722,850	4.4107	3,188,274	1,167,900	4.4374	5,182,439
VND	1,205,000,000	0.0013	1,566,500	1,024,000,000	0.0013	1,331,200	680,000,000	0.0013	884,000
Receivables									
USD	81,221	31.1370	2,528,978	24,885	30.7210	764,492	80,206	29.7350	2,384,925
JPY	1,880,263	0.2150	404,257	2,533,404	0.2319	587,496	1,430,608	0.2176	311,300
CNY	25,083	4.2873	107,538	4,942	4.4107	21,798	18,263	4.4374	81,040
Discounts and loans									
USD	3,539,628	31.1370	110,213,397	3,950,030	30.7210	121,348,872	4,411,313	29.7350	131,170,392
HKD	4,320,647	3.9725	17,163,770	4,296,461	3.9402	16,928,916	4,270,630	3.7894	16,183,125
CNY	3,385,865	4.2873	14,516,219	2,811,861	4.4107	12,402,275	2,236,485	4.4374	9,924,179
Financial assets at FVTOCI									
USD	2,607,003	31.1370	81,174,252	1,889,221	30.7210	58,038,758	1,814,945	29.7350	53,967,390
AUD	879,684	20.5987	18,120,347	524,145	20.7858	10,894,773	491,631	20.4562	10,056,902
CNY	1,168,129	4.2873	5,008,119	1,471,420	4.4107	6,489,992	1,469,820	4.4374	6,522,179
Financial assets measured at amortized cost									
USD	439,446	31.1370	13,683,030	190,426	30.7210	5,850,077	13,093	29.7350	389,320
AUD	203,000	20.5987	4,181,536	135,000	20.7858	2,806,083	-	-	-
SGD	86,177	22.9598	1,978,607	71,820	22.8596	1,641,776	62,672	21.3498	1,338,035
Financial assets at FVTPL									
USD	57,318	31.1370	1,784,711	14,782	30.7210	454,118	21,890	29.7350	650,899
EUR	106	33.8210	3,585	28	32.7517	917	23	31.0344	714
HKD	731	3.9725	2,904	-	-	-	-	-	-
Equity investments under the equity method									
USD	2,734,283	31.1370	85,137,370	2,638,520	30.7210	81,057,973	2,580,836	29.7350	76,741,158
HKD	97,541	3.9725	387,482	94,620	3.9402	372,822	92,523	3.7894	350,607
Finance liabilities									
Payables									
USD	79,523	31.1370	2,476,108	96,942	30.7210	2,978,155	115,233	29.7350	3,426,453
JPY	2,413,727	0.2150	518,951	2,545,598	0.2319	590,324	1,478,765	0.2176	321,779
EUR	1,642	33.8210	55,534	2,357	32.7517	77,196	1,532	31.0344	47,545
Central Bank and interbank deposits									
HKD	1,205,000	3.9725	4,786,863	1,435,000	3.9402	5,654,187	1,173,000	3.7894	4,444,966
USD	127,720	31.1370	3,976,818	19,705	30.7210	605,357	76,384	29.7350	2,271,278
VND	2,616,000,000	0.0013	3,400,800	2,154,000,000	0.0013	2,800,200	1,457,000,000	0.0013	1,894,100
Deposits and remittances									
USD	8,059,841	31.1370	250,959,269	8,909,249	30.7210	273,701,039	9,701,054	29.7350	288,460,841
JPY	145,864,986	0.2150	31,360,972	101,952,839	0.2319	23,642,863	60,424,479	0.2176	13,148,367
CNY	4,319,281	4.2873	18,518,053	5,006,666	4.4107	22,082,902	4,681,608	4.4374	20,774,167
Financial liabilities at FVTPL									
USD	98,064	31.1370	3,053,419	84,130	30.7210	2,584,558	84,324	29.7350	2,507,374
AUD	114	20.5987	2,348	5	20.7858	104	6	20.4562	123
EUR	49	33.8210	1,637	15	32.7517	491	10	31.0344	310

45. ADDITIONAL DISCLOSURES

Information of significant transaction items 45.1 and other business investment 45.2 is as follows:

- 45.1.1 Financing provided: Table 2.
- 45.1.2 Endorsement/guarantee provided: The Bank - not applicable; investees - not applicable or none.
- 45.1.3 Marketable securities held: Table 3.
- 45.1.4 Marketable securities (for investees) or investee investment (for the Bank) acquired and disposed of, at costs or prices of at least NT\$300 million or 10% of the issued capital: Table 4.
- 45.1.5 Acquisition of individual real estate at costs of at least \$300 million or 10% of the issued capital: None.
- 45.1.6 Disposal of individual real estate at prices of at least \$300 million or 10% of the issued capital: Table 5.
- 45.1.7 Allowance for service fees to related-parties amounting to more than \$5 million: None.
- 45.1.8 Receivables from related parties amounting to at least \$300 million or 10% of the issued capital: None.
- 45.1.9 Sale of non-performing loans: None.
- 45.1.10 Application for approval of securitization product types and information according to Financial Asset Securitization Clause of the Real State Securitization Act: None.
- 45.1.11 Other significant transactions which may have effects on decision making of financial statement users: None.
- 45.1.12 Names, locations, and other information of investees on which the Bank exercises significant influence: Table 4
- 45.1.13 Derivative financial transactions: Note 8 on which the Bank exercises significant influence has no such transaction.

45.3 Investments in mainland China are as follows:

- 45.3.1 Name of the investees in mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in mainland China: Table 5.
 - 45.3.2 Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss: Not applicable.
- 45.4 Information of major shareholders:
list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Not applicable.

46. SEGMENT INFORMATION

According to the Article 23 of “Regulations Governing the Preparation of Financial Reports by Public Banks”, the Bank does not prepare the segment information of IFRS 8.

TABLE 1

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

**OVERDUE LOANS AND RECEIVABLES
JUNE 30, 2023, DECEMBER 31, 2022 AND JUNE 30, 2022
(In Thousands of New Taiwan Dollars, %)**

Date		June 30, 2023					December 31, 2022					June 30, 2022					
Business		Overdue Loans (Note 1)	Loans	NPL Ratio (%) (Note 2)	Loan Loss Reserve(LLR)	Coverage Ratio (Note 3)	Overdue Loans (Note 1)	Loans	NPL Ratio (%) (Note 2)	Loan Loss Reserve(LLR)	Coverage Ratio (Note 3)	Overdue Loans (Note 1)	Loans	NPL Ratio (%) (Note 2)	Loan Loss Reserve(LLR)	Coverage Ratio (Note 3)	
Corporate banking	Secured	1,105,102	305,962,303	0.36	4,735,599	428.52	1,013,908	299,689,193	0.34	4,847,067	478.06	1,312,717	288,352,620	0.46	3,223,567	245.56	
	Unsecured	121,419	230,455,710	0.05	2,488,699	2,049.68	134,505	233,376,778	0.06	2,579,213	1,917.56	316,604	211,798,472	0.15	2,737,242	864.56	
Consumer banking	Mortgage (Note 4)		205,427	298,906,372	0.07	4,794,116	2,333.73	171,119	280,661,983	0.06	4,521,331	2,642.21	227,275	262,721,508	0.09	4,073,500	1,792.32
	Cash cards		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Microcredit (Note 5)		8,197	4,486,506	0.18	57,296	698.99	7,177	4,484,800	0.16	57,945	807.37	6,671	3,939,253	0.17	43,320	649.38
	Others (Note 6)	Secured	41,385	35,279,020	0.12	415,553	1,004.12	45,530	33,807,766	0.13	421,160	925.02	29,135	33,280,735	0.09	349,961	1,201.17
		Unsecured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		1,481,530	875,089,911	0.17	12,491,263	843.13	1,372,239	852,020,520	0.16	12,426,716	905.58	1,892,402	800,092,588	0.24	10,427,590	551.02	
		Overdue Loans (Note 1)	Accounts Receivable	Delinquency Ratio (%) (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Overdue Loans (Note 1)	Accounts Receivable	Delinquency Ratio (%) (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Overdue Loans (Note 1)	Accounts Receivable	Delinquency Ratio (%) (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	
Credit cards		6,214	3,948,241	0.16	85,637	1,378.13	4,755	3,339,569	0.14	87,936	1,849.34	6,954	2,736,960	0.25	89,511	1,287.19	
Accounts receivable factored without recourse (Note 7)		-	325,168	-	3,252	-	-	451,234	-	4,512	-	-	469,892	-	4,699	-	

Note 1: Non-performing loans represent the amounts of non-performing loans reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrued Loans.” Non-performing credit card receivables represent the amounts of non-performing receivables reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of non-performing loans: Non-performing loans ÷ Outstanding loan balance.
Ratio of non-performing credit card receivables: Non-performing credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses on loans ÷ Non-performing loans.
Coverage ratio of credit card receivables: Allowance for possible losses on credit card receivables ÷ Non-performing credit card receivables.

Note 4: Housing mortgage is fully secured by property, which is purchased (owned) by the borrower, the spouse or the minor children of the borrower and the rights on mortgage are pledged to the financial institution, for the purpose of purchasing or decorating property.

Note 5: Small scale credit loans, as categorized in accordance with the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), are unsecured loans with small amounts exclusive of credit cards and cash cards.

Note 6: Other loans of consumer banking refer to secured or unsecured loans exclusive of housing mortgage, cash card, small scale credit loans and credit card.

Note 7: As required by the Banking Bureau’s letter dated July 19, 2005 (Ref. No. 0945000494), factoring without recourse is disclosed as non-performing receivables in three months after the factors or insurance companies reject indemnification.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

**OVERDUE LOANS AND RECEIVABLES
JUNE 30, 2023, DECEMBER 31, 2022 AND JUNE 30, 2022
(In Thousands of New Taiwan Dollars)**

	June 30, 2023		December 31, 2022		June 30, 2022	
	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt consultation and loan agreements (Note 1)	-	-	-	-	-	-
As a result of consumer debt clearance (Note 2)	-	30,668	-	32,242	-	32,261

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt consultation and loan agreements is based on the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

TABLE 2

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

LOANS AND OTHER INFORMATION

JUNE 30, 2023

(In Thousands of New Taiwan Dollars)

Information of Lenders, Borrowers and Others

No (Note 1)	Lender	Borrower	Corresponding Account	Related Parties	The Highest Period Balance	Ending Balance	Actual Amount	Interest Rate Range	Capital Loan (Note 2)	Business Dealing Amount	Reasons of Short-term Financing	Allowance	Collateral		Individual Fund Loan and Limit (Note 3)	Total Loan Limit (Note 3)
													Name	Value		
1	SCSB Leasing (China) Co., Ltd.	A Co., Ltd.	Entrusted loan receivables	N/A	\$ 77,171	\$ 128,619	\$ 77,171	6%~11%	1	\$ 77,171	-	\$ 1,543	Real estate	\$ 258,524	\$ 388,121	\$ 970,303
1	SCSB Leasing (China) Co., Ltd.	B Co., Ltd.	Entrusted loan receivables	N/A	17,149	107,183	17,149	6%~11%	1	17,149	-	10,572	Real estate	184,097	388,121	970,303

Note 1: The numbers refer to the following:

- (1) Issuer is 0.
- (2) Investees are numbered sequentially starting from 1.

Note 2: The nature of capital loans corresponds to the following values:

- (1) 1 for business dealing.
- (2) 2 for reasons of short-term financing facility.

Note 3: The amounts and calculation of the loan limit are as follows:

1. Individual fund loans and limits

- (1) For an enterprise or organization that has no business relationship with the lender but has short-term financing facility, the loan amount to the single enterprise or organization shall not exceed 40% of the net value as presented in the latest financial statements of the lender as audited by the accountant.
- (2) For an enterprise or organization that has no business dealings with the lender but has short-term financing facility, the loan amount to the single enterprise or organization shall not exceed 20% of the net value as presented in the latest financial statements of the lender as audited by the accountant.

2. Capital loans and total loan limits

- (1) For an enterprise or organization that has no business dealings with the lender but has short-term financing facility, the total accumulated loan balance of the single enterprise or organization shall not exceed twice the net value as presented in the latest financial statements of the lender as audited by the accountant.
- (2) For an enterprise or organization that has no business dealings with the lender but has short-term financing facility, the total accumulated loan balance of the single enterprise or organization shall not exceed 40% of the net value as presented in the latest financial statements of the lender as audited by the accountant.

The total accumulated loan balance of the above two parties shall not exceed twice the net value as presented in the latest financial statements of the lender as audited by the accountant.

TABLE 3

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD
JUNE 30, 2023**

(In Thousands of New Taiwan Dollars)

Holding Company Name	Name	Security Issuer's Relationship with Holding Company	Financial Statement Account	June 30, 2023				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
Shancom Reconstruction Inc.	Empresa Inversiones Generales, S.A.	Indirect subsidiary	Investments in subsidiaries	1	\$ 22,310	100.00	\$ 22,310	
	Krinein Company	Indirect subsidiary	Investments in subsidiaries	2	29,950	100.00	29,950	
	Safehaven Investment Corporation	Indirect subsidiary	Investments in subsidiaries	1	51,934	100.00	51,934	
Shanghai Commercial Bank (HK)	Shanghai Commercial & Savings Bank, Ltd.	The Bank	Financial assets measured at FVTOCI	11,370	516,181	0.23	516,181	
Wresqueue Limitada	Prosperity Realty Inc.	Indirect subsidiary	Investments in subsidiaries	4	37,613	100.00	37,613	
China Travel Service (Taiwan)	Silks Place Taroko	-	Equity investments under the equity method	20,372	344,718	45.00	344,718	
	CTS Travel International Ltd.	Indirect subsidiary	Investments in subsidiaries	600	7,019	100.00	7,019	
	Joy Tour Service Co., Ltd.	-	Financial assets measured at FVTOCI	100	962	10.00	962	
	Shanghai Commercial & Savings Bank, Ltd.	The Bank	Financial assets measured at FVTOCI	27	1,263	-	1,263	
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Indirect subsidiary	Investments in subsidiaries	N/A	900,077	100.00	900,077	
Krinein Company	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investments in subsidiaries	1,920	13,293,198	9.60	13,293,198	
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investments in subsidiaries	9,600	66,465,991	48.00	66,465,991	

TABLE 4

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

**RELATED INFORMATION OF INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2023
(Amounts in Thousands of New Taiwan Dollars) (Share in Thousands)**

Investee Company	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Amount	Investment Income (Loss) Recognized	Consolidated Investment (Note 2)				Note
						Shares (In Thousands)	Shares (Pro forma)	Shares (In Thousands)	Percentage of Ownership (%)	
Equity investments under the equity method										
Financial business										
Shanghai Commercial Bank (HK)	Hong Kong	Banking and financial	57.60	\$ 79,759,189	\$ 3,172,440	11,520	-	11,520	57.60	
AMK Microfinance Institution Plc.	Cambodia	Microfinance institution	99.99	5,551,038	86,802	10,946	-	10,946	99.99	
SCSB Asset Management Ltd.	Taiwan	Purchase and management of creditor’s rights of financial institutions	100.00	1,608,976	(56,569)	160,000	-	160,000	100.00	
SCSB Leasing (China) Co., Ltd.	China	Leasing operation	100.00	900,077	(71,458)	N/A	-	N/A	100.00	
Paofoong Insurance Company Ltd.	Hong Kong	Insurance	40.00	387,482	11,304	500	-	500	100.00	
Non-financial business										
Shancom Reconstruction Inc.	Liberia	Securities investment	100.00	79,210,187	3,167,771	5	-	5	100.00	
China Travel Service (Taiwan)	Taiwan	Travel services	99.99	456,764	28,422	38,943	-	38,943	99.99	
Wresqueue Limitada	Liberia	Securities investment	100.00	376,092	6,017	176	-	176	100.00	
Silks Place Taroko	Taiwan	Travel services	45.00	344,718	40,384	20,372	-	20,372	45.00	
Safehaven Investment Corporation	Liberia	Securities investment	100.00	51,934	618	1	-	1	100.00	
Prosperity Realty Inc.	USA	Real estate services	100.00	37,613	2,908	4	-	4	100.00	
Krinein Company	Cayman Islands	Securities investment	100.00	29,950	560	2	-	2	100.00	
Empresa Inversiones Generales, S.A.	Panama	Securities investment	100.00	22,310	1,229	1	-	1	100.00	
SCSB Marketing Ltd.	Taiwan	Marketing	100.00	8,358	887	500	-	500	100.00	
CTS Travel International Ltd.	Taiwan	Travel services	100.00	7,019	1	600	-	600	100.00	
Kuo Hai Real Estate Management	Taiwan	Building material distribution	34.69	-	-	3,000	-	3,000	30.00	

Note 1: Investees are categorized into financial business and non-financial business.

Note 2: The Bank, board chairman, supervisors, managing directors, and the shares of investee companies invested in by related parties which comply with corporation law are considered.

TABLE 5

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA

JUNE 30, 2023

(Amounts in Thousands of New Taiwan Dollars and US Dollars)

1. Investee company name, main business and products, total amount of paid-in capital, investment type, investment outflows and inflows, % ownership, investment gain (loss), carrying amount as of June 30, 2023 and inward remittance of earnings:

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment as of December 31, 2022	Investment Flows		Accumulated Outflow of Investment as of June 30, 2023	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of June 30, 2023 (Note 3)	Accumulated Inward Remittance of Earnings as of June 30, 2023
					Outflow	Inflow					
SCSB Leasing (China) Co., Ltd.	Leasing operation	NT\$ 934,110 US\$ 30,000	Note1(3)	NT\$ 934,110 US\$ 30,000	NT\$ - US\$ -	NT\$ - US\$ -	NT\$ 934,110 US\$ 30,000	100%	NT\$ (71,458) US\$ (2,355)	NT\$ 900,077 US\$ 28,907	\$ -
Bank of Shanghai	Banking business approved by local government	NT\$ 60,908,231 US\$ 1,956,137	Note 4	NT\$ 3,510,479 US\$ 112,743	NT\$ - US\$ -	NT\$ - US\$ -	NT\$ 3,510,479 US\$ 112,743	3%	NT\$ - US\$ -	NT\$ 10,512,181 US\$ 337,611	-
Shanghai Commercial Bank Ltd. - Shenzhen Branch	Banking business approved by local government	NT\$ 3,006,087 US\$ 96,544	Note 4	NT\$ 1,989,436 US\$ 63,893	NT\$ - US\$ -	NT\$ - US\$ -	NT\$ 1,989,436 US\$ 63,893	100%	NT\$ 221,960 US\$ 7,275	NT\$ 2,902,580 US\$ 93,220	-
Shanghai Commercial Bank Ltd. - Shanghai Branch	Banking business approved by local government	NT\$ 3,338,162 US\$ 107,209	Note 4	NT\$ 2,015,093 US\$ 64,717	NT\$ - US\$ -	NT\$ - US\$ -	NT\$ 2,015,093 US\$ 64,717	100%	NT\$ 53,187 US\$ 1,743	NT\$ 3,472,104 US\$ 111,511	-
The Shanghai Commercial & Savings Bank, Ltd. - Wuxi Branch	Banking business approved by local government	NT\$ 2,699,796 US\$ 86,707	Note1(1)	NT\$ 2,699,796 US\$ 86,707	NT\$ - US\$ -	NT\$ - US\$ -	NT\$ 2,699,796 US\$ 86,707	100%	NT\$ 43,597 US\$ 1,429	NT\$ 2,689,427 US\$ 86,374	-

2. Upper limit on investments in mainland China:

Accumulated Investment in Mainland China as of June 30, 2023 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on Investment Authorized by Investment Commission MOEA
\$ 11,148,914 (US\$ 358,060)	\$ 11,898,807 (US\$ 382,144)	\$ 139,606,887

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

- (1) Directly invest.
- (2) Invest indirectly via a third company.
- (3) Others.

Note 2: Financial report audited by the accounting firm associated with the parent company in Taiwan.

Note 3: Calculated using the exchange rate on June 30, 2023.

Note 4: To invest via sub-subsidiary of the Bank, Shanghai Commercial Bank (HK).