2809

King's Town Bank Co., Ltd. and its subsidiaries

Consolidated Financial Statements and Independent Auditors' Report

January 1 to June 30, 2023 and January 1 to June 30, 2022

Address: No. 506, Section 1, Ximen Road, West Central District, Tainan City
Tel: +886-6-213-9171

Notice to Readers

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. The figures are not yet audited by CPA. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese version independent auditors' report and consolidated financial statements shall prevail.

Consolidated Financial Statements

Table of Contents

Independent Auditors' Report

To King's Town Bank Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheet of King's Town Bank Co., Ltd. and Subsidiaries as of June 30, 2023 and June 30, 2022; consolidated statements of comprehensive income from April 1 to June 30, 2023, April 1 to June 30, 2022, January 1 to June 30, 2023, and January 1 to June 30, 2022; and consolidated statements of changes in equity, consolidated statements of cash flows and financial statements; and notes to the consolidated financial statements (including a summary of significant accounting policies) from January 1 to June 30, 2023 and January 1 to June 30, 2022. It is the management's responsibility to prepare a set of fairly presented financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IAS 34 Interim Financial Reporting approved and effected by the Financial Supervisory Commission (FSC). Our responsibility is to, based on our reviews, provide a conclusion on the consolidated financial statements.

Scope

We conducted our reviews in accordance with the Standards on Review Engagements No. 2410 "Review of Financial Information Performed by the Independent Auditor of the Entity." Review of the consolidated financial statements consists of making inquiries (primarily of persons responsible for financial and accounting matters) and applying analytical and other review procedures. Since the scope of a review is substantially less than that of an audit, we may not be fully aware of all material matters that may be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material aspects, the consolidated financial position of the Company as of June 30, 2023 and June 30, 2022; its consolidated financial performance from April 1 to June 30, 2023, April 1 to June 30, 2022, January 1 to June 30, 2023, and January 1 to June 30, 2022; and its consolidated cash flows from January 1 to June 30, 2023 and January 1 to June 30, 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IAS 34 Interim Financial Reporting approved and issued by the FSC.

Others

King's Town Bank Co., Ltd. has prepared individual financial reports for 2023 and from January 1 to June 30, 2022, and the audit report issued by us with an unqualified opinion and notes included is filed for future reference.

Ernst & Young Global Limited
The competent authorities approved the financial report of the public offering company

Auditing and Certification No.:

Jin-Guan-Cheng-Shen-Zi No. 1100352201
Jin-Guan-Cheng-Shen-Zi No. 1050043324

Kuo-Sen Hung

CPA

Sheng-An Hsieh

August 14, 2023

King’s Town Bank Co., Ltd. and its subsidiaries
Consolidated Balance Sheets
June 30, 2023, December 31, 2022, and June 30, 2022

Unit: NTD thousand

Assets			June 30, 2023		December 31, 2022		June 30, 2022	
Code	Account Item	Note	Amount	%	Amount	%	Amount	%
10000	Assets							
11000	Cash and cash equivalents	IV/VI.1	$2,797,948	1	$5,107,881	1	$2,925,581	1
11500	Due from the Central Bank and call loans to other banks	IV/VI.2/VIII	18,048,982	5	15,206,369	4	12,609,126	4
12000	Financial assets measured at FVTPL	IV/VI.3/VIII	45,140,240	12	37,246,775	10	41,383,709	12
12100	Financial assets measured at FVOCI	IV/VI.4, 26/VIII	42,274,918	11	42,854,431	11	46,848,941	13
12200	Debt instrument investments measured at amortized cost	IV/VI.5, 26	18,297,664	5	17,598,455	5	15,698,695	4
13000	Receivables, net	IV/VI.6, 26/VIII	12,730,947	3	11,863,381	3	9,927,316	3
13500	Discounts and loans, net	IV/V/VI.7, 26	240,317,097	62	242,334,911	64	219,213,149	62
15500	Other financial assets, net	IV/VI.8	457	-	42	-	74	-
18500	Property and equipment, net	IV/VI.9, 26	4,932,069	1	4,623,593	1	4,176,509	1
18600	Right-of-use assets	III/IV/VI.27	319,739	-	328,716	-	311,147	-
18700	Investment property	VI.10	731,703	-	265,602	-	213,954	-
19300	Deferred tax assets	IV/VI.30	423,513	-	446,615	-	491,973	-
19500	Other assets, net	VI.11/VIII	1,420,829	-	2,110,025	1	1,365,116	-
	Total assets		$387,436,106	100	$379,986,796	100	$355,165,290	100

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai   Manager: Hung-Liang Chiang   Accounting Director: Yu-Hsuan Chen

King’s Town Bank Co., Ltd. and its subsidiaries
Consolidated Balance Sheets (continued)
June 30, 2023, December 31, 2022, and June 30, 2022

Unit: NTD thousand

Liabilities and Equity			June 30, 2023		December 31, 2022		June 30, 2022	
Code	Account Item	Note	Amount	%	Amount	%	Amount	%
20000	Liabilities							
21000	Deposits from the Central Bank and other banks	IV/VI.12	$24,344,539	6	$24,092,259	6	$19,219,325	6
21500	Funds borrowed from Central Bank and other banks	VI.13	5,299,000	2	5,049,000	1	3,850,000	1
22000	Financial liabilities measured at FVTPL	IV/VI.14	32,978	-	35,203	-	28,735	-
22500	Bond and Securities sold under agreements to repurchase	IV/VI.15	11,770,822	3	15,827,129	4	18,309,750	5
23000	Payables	VI.16	2,177,291	1	2,526,626	1	2,215,539	1
23200	Current income tax liabilities	IV/VI.30	365,949	-	774,596	-	720,562	-
23500	Deposits and remittances	VI.17	292,089,884	75	283,510,034	75	263,931,530	74
25500	Other financial liabilities	VI.18	5,124,605	1	4,628,693	1	4,011,803	1
25600	Provisions	IV/VI.19, 20, 26	280,253	-	268,501	-	341,542	-
26000	Lease liabilities	III/IV/VI.27	325,504	-	333,935	-	315,766	-
29300	Deferred tax liabilities	IV/VI.30	167,998	-	52,560	-	51,054	-
29500	Other liabilities	VI.21	279,112	-	471,524	-	255,113	-
	Total liabilities		342,257,935	88	337,570,060	88	313,250,719	88
31000	Equity attributable to shareholders of the parent	VI.22						
31100	Share capital		11,112,343	3	11,112,343	3	11,212,343	3
31500	Capital surplus		55,192	-	55,192	-	77,735	-
32000	Retained earnings							
32001	Legal reserve		14,831,519	4	14,831,519	4	14,831,519	4
32003	Special reserve		1,540,617	-	120,039	-	120,039	-
32011	Unappropriated retained earnings		17,466,177	5	17,763,770	5	16,527,527	5
32500	Other equity interest	IV	172,323	-	(1,466,127)	-	(854,592)	-
	Total equity		45,178,171	12	42,416,736	12	41,914,571	12
	Total liabilities and equity		$387,436,106	100	$379,986,796	100	$355,165,290	100

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai Manager: Hung-Liang Chiang Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd. and its subsidiaries

Consolidated Statements of Comprehensive Income

April 1 to June 30, 2023 and April 1 to June 30, 2022, and January 1 to June 30, 2023 and January 1 to June 30, 2022

Unit: NTD thousand

			April 1 to June 30, 2023		April 1 to June 30, 2022		January 1 to June 30, 2023		January 1 to June 30, 2022	
Code	Account Item	Note	Amount	%	Amount	%	Amount	%	Amount	%
41000	Interest revenue	IV	$2,661,259	91	$1,923,572	173	$5,189,615	104	$3,617,392	211
51000	Less: Interest expenses	IV	(1,212,218)	(42)	(357,971)	(32)	(2,337,803)	(47)	(589,642)	(34)
	Net interest income	VI.23	1,449,041	49	1,565,601	141	2,851,812	57	3,027,750	177
	Non-interest net income									
49100	Net service fee income	IV/VI.24	523,661	18	611,351	55	1,082,228	22	1,164,330	68
49200	Gain (loss) on financial assets and liabilities at FVTPL	IV/VI.25	1,027,538	35	(976,205)	(88)	2,011,795	40	(1,031,414)	(60)
49310	Realized (loss) gain on financial assets at FVOCI	IV	(50,996)	(2)	55,116	5	(130,653)	(2)	58,020	3
49600	Net exchange (loss)	IV	(39,193)	(1)	(91,232)	(8)	(49,940)	(1)	(224,280)	(13)
49700	Impairment of assets (loss)	IV/VI.26	(24,506)	-	(62,224)	(6)	(898,550)	(18)	(1,308,088)	(76)
49800	Other non-interest net income	IV	31,373	1	12,008	1	105,882	2	28,645	1
	Net income		2,916,918	100	1,114,415	100	4,972,574	100	1,714,963	100
58200	Allowances for bad debts, commitments and guarantees (provision)/gain on reversal	IV/VI.6, 7, 19, 26	(536,170)	(18)	343,863	31	(830,324)	(17)	424,767	25
58400	Operating expenses									
58500	Employee benefits expenses	VI.20, 28	(311,301)	(11)	(259,227)	(23)	(691,947)	(14)	(522,675)	(30)
59000	Depreciation and amortization expenses	IV/VI.9, 10, 27, 28	(37,760)	(1)	(33,634)	(3)	(74,602)	(1)	(63,246)	(4)
59500	Other business and administrative expenses	IV	(248,918)	(9)	(226,965)	(20)	(483,144)	(10)	(418,878)	(24)
61000	Net income before taxes from continuing operations		1,782,769	61	938,452	85	2,892,557	58	1,134,931	67
61003	Income tax expenses	IV/VI.30	(270,940)	(9)	(123,589)	(11)	(540,229)	(11)	(283,427)	(17)
64000	Net income after tax		1,511,829	52	814,863	74	2,352,328	47	851,504	50
65000	Other comprehensive income (loss)									
65200	Items that will not be reclassified to profit or loss	IV/VI.29, 30								
65204	Gain or loss on evaluation of equity instruments at FVOCI		611,597	21	(536,355)	(48)	448,175	9	173,814	10
65220	Income tax expenses related to items that will not be reclassified subsequently to profit or loss		-	-	-	-	-	-	-	-
65300	Items that may be reclassified subsequently to profit or loss	IV/VI.29, 30								
65301	Exchange differences from the translation of financial statements of foreign operations		(5,324)	-	(56,533)	(5)	(5,643)	-	21,603	1
65308	Gain or loss from debt instrument investment measured at FVOCI		176,010	6	(2,799,280)	(251)	1,187,805	24	(5,656,571)	(330)
65320	Income tax related to components of other comprehensive income that may be reclassified to profit or loss		1,064	-	7,161	-	1,128	-	(2,215)	-
	Other comprehensive income (after tax)		783,347	27	(3,385,007)	(304)	1,631,465	33	(5,463,369)	(319)
66000	Total comprehensive income (after tax)		$2,295,176	79	$(2,570,144)	(230)	$3,983,793	80	$(4,611,865)	(269)
67100	Current period after tax net profit and loss attributable to									
67101	Owners of the parent company		$1,511,829		$814,863		$2,352,328		$851,504	
67111	Non-controlling interest		$ -		$ -		$ -		$ -	
67300	Current period after tax comprehensive profit and loss attributable to									
67301	Owners of the parent company		$2,295,176		$(2,570,144)		$3,983,793		$(4,611,865)	
67311	Non-controlling interest		$ -		$ -		$ -		$ -	
	Earnings per share (NTD)	VI.31								
67500	Basic Earnings Per Share		$1.36		$0.73		$2.12		$0.76	
67700	Diluted earnings per share		$1.36		$0.73		$2.12		$0.76	

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai Manager: Hung-Liang Chiang Accounting Director: Yu-Hsuan Chen

King’s Town Bank Co., Ltd. and its subsidiaries
Consolidated Statements of Changes in Equity
January 1 to June 30, 2023 and January 1 to June 30, 2022

Unit: NTD thousand

Item	Share capital	Capital surplus	Retained Earnings			Other equity items		Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences from the translation of financial statements of foreign operations	Unrealized (loss) profit of financial assets measured at FVOCI	
Balance as of January 1, 2022	$11,212,343	$77,735	$13,076,248	$120,039	$19,795,409	$(23,165)	$4,622,419	$48,881,028
The 2021 appropriation and distribution of earnings								
Appropriation of legal reserve	-	-	1,755,271	-	(1,755,271)	-	-	-
Common stock cash dividends	-	-	-	-	(2,354,592)	-	-	(2,354,592)
Net income from January 1 to June 30, 2022	-	-	-	-	851,504	-	-	851,504
Other comprehensive income from January 1 to June 30, 2022	-	-	-	-	-	19,388	(5,482,757)	(5,463,369)
Total comprehensive income from January 1 to June 30, 2022	-	-	-	-	851,504	19,388	(5,482,757)	(4,611,865)
Disposal of equity instruments measured at FVOCI	-	-	-	-	(9,523)	-	9,523	-
Balance as of June 30, 2022	$11,212,343	$77,735	$14,831,519	$120,039	$16,527,527	$(3,777)	$(850,815)	$ 41,914,571
Balance as of January 1, 2023	$11,112,343	$55,192	$14,831,519	$120,039	$17,763,770	$6,025	$(1,472,152)	$42,416,736
2022 Appropriation and Distribution of Earnings								
Appropriation of special reserve	-	-	-	1,420,578	(1,420,578)	-	-	-
Common stock cash dividends	-	-	-	-	(1,222,358)	-	-	(1,222,358)
Net income from January 1 to June 30, 2023	-	-	-	-	2,352,328	-	-	2,352,328
Other comprehensive income from January 1 to June 30, 2023	-	-	-	-	-	(4,515)	1,635,980	1,631,465
Total comprehensive income from January 1 to June 30, 2023	-	-	-	-	2,352,328	(4,515)	1,635,980	3,983,793
Disposal of equity instruments measured at FVOCI	-	-	-	-	(6,985)	-	6,985	-
Balance as of June 30, 2023	$11,112,343	$55,192	$14,831,519	$1,540,617	$17,466,177	$1,510	$170,813	$45,178,171

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai Manager: Hung-Liang Chiang Accounting Director: Yu-Hsuan Chen

King’s Town Bank Co., Ltd. and its subsidiaries
Consolidated Statements of Cash Flows
January 1 to June 30, 2023 and January 1 to June 30, 2022

Unit: NTD thousand

Item	January 1 to June 30, 2023 Amount	January 1 to June 30, 2022 Amount
Cash flows from operating activities:		
Profit before tax for the period	$2,892,557	$1,134,931
Adjustments:		
Non-cash income and expense items		
Expected credit impairment loss (gain on reversal)/bad debt expense provision (gain on reversal)	830,324	(424,767)
Impairment of assets loss	898,550	1,308,088
Depreciation and amortization expenses	74,602	63,246
Net interest (income)	(2,851,812)	(3,027,750)
Disposal and retirement of property, plant and equipment (proceeds)	(213)	(1,387)
Disposal of investment property (proceeds)	(13,622)	(64)
Changes in operating assets and liabilities		
Due from the central bank and call loans to banks (increase)	(451,611)	(462,295)
Financial assets measured at FVTPL (increase)	(7,893,465)	(1,441,688)
Receivables (increase)	(1,005,489)	(1,222,340)
Discount and loan decrease (increase)	1,279,601	(12,357,802)
Financial assets measured at FVOCI decrease (increase)	1,321,526	(7,087,325)
Debt instrument investments measured at amortized cost (increase) decrease	(700,000)	2,499,999
Other financial assets (increase) decrease	(415)	702
Decrease in other assets	687,741	293,885
Deposits from the Central Bank and other banks increase	252,280	767,778
Financial liabilities measured at FVTPL (decrease) increase	(2,225)	14,043
Payables (decrease)	(391,237)	(338,306)
Deposits and remittances increase	8,579,850	12,894,966
Increase in other financial liabilities	495,912	477,746
Liability reserve (decrease)	(18,164)	(18,177)
Other liabilities (decrease)	(192,412)	(68,823)
Interest received	5,265,343	3,438,974
Interest paid	(2,293,999)	(553,294)
Income tax paid	(809,208)	(635,296)
Net cash inflow (outflow) from operating activities	5,954,414	(4,744,956)

Item	January 1 to June 30, 2023 Amount	January 1 to June 30, 2022 Amount
Cash flows from investing activities:		
Acquisition of property and equipment	(338,366)	(554,610)
Proceeds from disposal of property and equipment	333	1,650
Acquisition of investment property	(570,000)	(81,621)
Proceeds from disposal of investment property and equipment	116,623	7,881
Net cash flow (outflow) from investing activities	(791,410)	(626,700)
Cash flows from financing activities:		
Funds borrowed from Central Bank and other banks (decrease)	(250,000)	(917,450)
(Decrease) increase in liabilities of bonds and securities sold under agreements to repurchase	(4,056,307)	6,179,815
Cash dividend paid	(1,222,358)	(2,354,592)
Repayment of the principal amount of lease liabilities	(47,627)	(41,879)
Net cash (outflow) inflow from financing activities	(5,076,292)	2,865,894
Effect of exchange rate changes on cash and cash equivalents	(5,643)	21,603
Current cash and cash equivalents for current period increase (decrease)	81,069	(2,484,159)
Cash and cash equivalents at beginning of the period	11,743,214	10,520,403
Cash and cash equivalents at end of the period	$11,824,283	$8,036,244
Composition of cash and cash equivalents		
Cash and cash equivalents recorded on the consolidated balance sheets	$2,797,948	$2,925,581
Due from the Central Bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements" recognized by FSC	9,026,335	5,110,663
Investments in bills and bonds purchased under resell agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements" recognized by FSC	-	-
Cash and cash equivalents at end of the period	$11,824,283	$8,036,244

(Please refer to the Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai   Manager: Hung-Liang Chiang   Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd. and its subsidiaries
Notes to the Consolidated Financial Statements
From January 1 to June 30, 2023 and from January 1 to June 30, 2022
(Unless otherwise provided, Unit: NTD Thousand)

I. Company History

1. King's Town Bank Co., Ltd. (hereinafter referred to as "the Company") and its subsidiaries (hereinafter referred to as "the Group") was restructured from Tainan District Joint Saving Co., Ltd, on January 1, 1978. The Group had applied for restructuring into a commercial bank according to the resolution reached in the extraordinary Shareholders' Meeting on November 29, 2005 and was renamed as "King's Town Bank Co., Ltd." The Group started trading on the Taiwan Stock Exchange Corporation in July 1983. The place of registration and the general management office are located at No. 506, Section 1, Ximen Road, West Central District, Tainan City, and branches are set up nationwide.

2. The Group's main business services are: (1) accepting check deposits, (2) accepting other deposits, (3) issuing financial bonds, (4) handling loans, (5) handling bill discounts, (6) handling various investment businesses, (7) handling domestic and foreign exchange, (8) handling draft acceptance, (9) issuing domestic and foreign letters of credit, (10) handling domestic and foreign guarantees, (11) handling collections and advances, (12) handling the depository and agency services related to the various businesses listed above, and (13) other business chartered by the government.

3. The Company is also the ultimate controller of the Group to which it belongs.

4. The Group had 1,092 employees and 1,033 employees June 30, 2023 and June 30, 2022, respectively.

II. Approval Date and Procedures of the Financial Statements

The consolidated financial statements of the Group as of June 30, 2023 and June 30, 2022 were approved for publication by the Board of Directors on August 14, 2023.

(Unless otherwise provided, Unit: NTD Thousand)

III. Application of New, Revised, and Amended Standards and Interpretations

1. Changes in accounting policies resulting from the first-time application of International Financial Reporting Standard

   The Group has adopted the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations or Notices that have been approved by the Financial Supervisory Commission (hereinafter referred to as the "FSC") for application after January 1, 2023. The first-time application has no significant impact on the Group.

2. As of the date of the issuance of the financial report, the Group has not adopted the following newly published, revised, or amended standards or interpretations announced by the International Accounting Standards Board but not yet approved by the FSC.

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	Amendments to IFRS 10 - Consolidated Financial Statements, and IAS 28 - Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by International Accounting Standards Board
2	IFRS 17 "Insurance Contracts”	January 1, 2023
3	Liabilities classified as current or non-current (amendment to IAS 1)	January 1, 2024
4	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	January 1, 2024
5	Non-current Liabilities with Covenants (Amendments to IAS 1)	January 1, 2024
6	International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)	January 1, 2023
7	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	January 1, 2024

(1) Amendments to IFRS 10 Consolidated Financial Statements, and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets

between an Investor and its Associate or Joint Venture

The amendments addressed the inconsistency between the requirements in IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures," in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture shall be offset through downstream sale. IFRS 10 requires full profit or loss recognition other loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets as defined in IFRS 3 shall be recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

(2) IFRS 17 "Insurance Contracts”

This standard provides a comprehensive model to insurance contracts, including all accounting treatment (recognition, measurement, expression, and disclosure principle). The core of the standard is general, and under this model, initial recognition measures the insurance contract group by the combination of the cash flow from performance obligation and contract service margin; the book amount at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims.

In addition to the general model, a specific applicable method (Variable Fee Approach, VFA) for contracts with direct participation features as well as a simplified approach for short-term contracts (Premium Allocation Approach, PAA) are provided.

This standard was issued in May 2017 and was amended in 2020 and 2021. The amendments include deferral of the date of initial application of the standard by two years (from the original January 1, 2021 to January 1, 2023); provide additional transition reliefs; simplify some requirements to reduce the costs of applying this standard and revise some requirements to make the results easier to interpret. This standard replaces an interim standard (IFRS 4 Insurance Contracts)

(3) Liabilities classified as current or non-current (amendment to IAS 1)

This amendment targets sections 69–76 in IAS 1 Presentation of Financial Statements concerning the classification of liability as either current or non-current.

(4) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

These amendments specify a seller-lessee and adds additional accounting treatment to a sale and leaseback transaction in IFRS 16 "Lease" to improve the consistent application of the standard.

(5) Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendments aim to improve the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(6) International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)

These amendments introduce the disclosure of a temporary exception rule related to deferred tax assets or liabilities arising from the recognition of pillar two income taxes and also introduce specific disclosure requirements for affected companies. Companies do not need to disclose the above required information for any interim periods ending on or before December 31, 2023.

(7) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

These amendments not only provide additional explanation regarding supplier finance arrangements, but also new disclosure requirements for supplier finance arrangements.

The aforementioned standards or interpretations have been issued by the IASB but have yet to be approved by the FSC. The actual date of application is subject to the requirements of the FSC. The new announcement or amendment of the standard or interpretation has no significant impact on the Group.

IV. Summary of Significant Accounting Policies

1. Compliance Statement

The Group's consolidated financial reports for the period of January 1 to June 30, 2023 and 2022 are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IAS 34 Interim Financial Reporting approved and issued by the FSC.

2. Basis of preparation

Besides the consolidated financial instruments measured at fair value, the Individual Financial Statements are prepared on the basis of historical costs. Unless otherwise specified, the consolidated financial statements are denoted in thousands of New Taiwan Dollars (NTD 1,000).

3. Consolidation

The basis of preparation for consolidated financial statements

When the Company is exposed to the varied remunerations participated by the investees or is entitled to the varied remunerations and is capable of affecting the remunerations through the authority over the investees, the controlling is achieved. The Company will only have control over the investee when the following three criteria of control have been met:

(1) The power over the invested company (i.e., having the vested rights to lead the relevant activities)
(2) The risk exposure or right of the variable returns from participating in the invested company, and
(3) The ability to influence the amount of returns of the invested company by exercising power over the invested company

When the Company directly or indirectly holds less than a majority of the voting rights or similar rights of the invested company, the Company considers all relevant facts and circumstances to assess whether it has power over the invested company, including:

(1) Contractual agreements with other voting rights holders of the invested company;
(2) Rights arising from other contractual agreements;
(3) Voting rights and potential voting rights

When facts and circumstances indicate that one or more of these criteria for control have changed, the Company shall immediately re-assess whether it still has control over the invested company.

Starting from the acquisition date (i.e., the date when the Company obtains control), the subsidiary will be completely included in the Consolidated Financial Statements until the control over the subsidiary is lost. The accounting cycle and accounting policy of the subsidiary's financial statements will follow those of the parent company. All balances and transactions in the Group and unrealized internal gains and losses arising from internal transactions within the Group and dividends will be completely written off.

If control over the subsidiary is not lost, changes in shares held in the subsidiary will be treated as equity transactions.

A subsidiary's total comprehensive income is attributed to the shareholders of the Company and non-controlling interests, even if non-controlling interests become deficit balance in the process.

If the Company's control over the subsidiary is lost, then:

(1) Subsidiary's assets (including goodwill) and liabilities will be derecognized;
(2) Carrying amount of any non-controlling interests will be derecognized;
(3) Fair value of the considerations acquired will be recognized;
(4) Fair value of any retained investments will be recognized;
(5) Any gains or losses will be recognized as income or loss in the period;
(6) Amounts recognized in other comprehensive income by the parent company will be reclassified as gains or losses in the period.

(Unless otherwise provided, Unit: NTD Thousand)

The main business entity of the consolidated financial statements is as follows:

Name of investors	Name of subsidiaries	Principal business operation	Percentage of ownership		
			2023.06.30	2022.12.31	2022.06.30
The Company	Kings Town Bank International Lease Corporation	Leasing	100.00%	100.00%	100.00%
The Company	Kings Town Securities Corporation (Note 1, 2)	Securities brokerage	100.00%	100.00%	100.00%
King’s Town Bank International Lease Corporation	Kings Town Intl. Construction Management Corporation	Construction Management	100.00%	100.00%	100.00%

The total gains and losses of the subsidiaries in January 1 to June 30, 2023 and 2022 were NTD306,263 thousand and NTD96,677 thousand, respectively.

4. Foreign currency transactions

The consolidated financial statements of the Group are expressed in the Company’s functional currency (New Taiwan Dollars). Each subsidiary of the Group determines its own functional currency and measures its financial statements in that functional currency.

Transactions in foreign the currencies from the consolidated entities are recorded by their respective functional currency rates at the date of the transaction. At the end of every reporting period, items denoted in foreign currencies will be translated at the closing exchange rate of the day. Non-monetary foreign currency items measured at fair value will be translated using the exchange rate on the date when the fair value is measured. Non-monetary foreign currency items measured at historical cost are translated at the exchange rate of the date of the transaction.

Except for the following items, exchange differences resulting from delivery or exchange of monetary items will be recognized as gain or loss as they occur:

(1) For the foreign currency borrowings arising from acquiring assets that meet the requirements, the resulting exchange differences are treated as an adjustment to

the interest cost and are capitalized as part of the borrowing cost.

(2) Foreign currency projects subject to the provisions of IFRS 9 "Financial Instruments" are treated in accordance with the accounting policies of financial instruments.

(3) For the monetary items of the reporting entity that are an integral part of the net investment in the foreign operating institution, the resulting exchange differences were originally recognized in other comprehensive income and are reclassified from equity to profit or loss when the net investment is disposed.

When the profit or loss of a non-monetary item is recognized as other comprehensive income, any exchange profit or loss is recognized in other comprehensive income. When the profit or loss of a non-monetary item is recognized in profit or loss, any exchange profit or loss is recognized in profit or loss.

5. Translation of financial statements in foreign currency

When preparing the consolidated financial statements, the assets and liabilities of foreign operating institutions are translated into New Taiwan Dollars at the closing exchange rate on the balance sheet date. The income and loss items are translated at the average exchange rate for the current period. The income and loss items are translated at the average exchange rate for the current period. The exchange difference arising from the conversion is recognized as other comprehensive income. When the foreign operating institution is closed, the accumulated exchange difference previously recognized in other comprehensive income and included in the equity is reclassified from the equity to the profit or loss at the time of recognizing the disposal profit or loss.

6. Cash and cash equivalents

Cash and cash equivalents are cash on hand, demand deposits, and short-term and highly liquid time deposits or investments (including time deposits with a contract period within 12 months) that are readily convertible into fixed cash amount and have a very low risk of changes in value. For the Consolidated Statement of Cash Flows, it also includes the deposits at the Central Bank, interbank lending, and resell (RS) bill and bond investments in accordance with the cash and cash equivalent stipulated in IAS 7 that is approved by the FSC.

7. Bonds Purchased under Resell/Notes Issued under Repurchase Agreements

The accounting process of RP/RS and bond transactions is as follows: (1) For an RP bill transaction, credit the RP bill and bond liability. The trade difference is booked as an interest expense; (2) For an RS bill transaction, debit the RS bill and bond investment. The trade difference is booked as interest income.

8. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the financial instrument contract.

Financial assets and financial liabilities subject to the provisions of IFRS 9 "Financial Instruments" at the time of original recognition, were measured at fair value. The acquisition or issuance transaction costs that are directly attributable to the financial assets and financial liabilities (except for financial assets and financial liabilities that are classified as measured at fair value through profit or loss) are added or subtracted from the fair value of the financial assets and financial liabilities.

(1) Recognition and measurement of financial assets

The recognition and de-recognition of all the financial assets of the Group are handled with the trade date accounting.

The Group uses the following two items to have financial assets classified as subsequently measured at amortized cost, measured at fair value through other comprehensive income, or measured at fair value through profit or loss:

A. Operating model of financial assets management
B. Contractual cash flow characteristics of financial assets

<u>Financial assets measured at cost after amortization</u>

Financial assets that meet the following two criteria are to be measured at amortized cost and booked in the balance sheet in terms of notes receivable, accounts receivable, financial assets measured at amortized cost, and other receivables.

A. Operating model of financial assets management: financial asset is held to receive contractual cash flows

B. Contractual cash flow characteristics from the financial assets: from the financial asset: cash flow is the interest paid solely on the principal and the outstanding principal

These financial assets (excluding those involved in hedging) are subsequently measured at the amortized cost [the amount measured at the time of original recognition, less the principal paid, plus or minus the cumulative amortization amount (with the effective interest method) between the original amount and the amount due), and adjusting the allowance for loss]. For de-recognition, the benefits or losses are recognized in profit or loss through amortization procedures or recognition of impairment profit or loss.

Interest that is calculated with the effective interest method (having the effective interest rate multiplied by the total book value of financial assets) or the following conditions is recognized in profit or loss:

A. For a credit impairment financial asset purchased or originated, have the effective interest rate after credit adjustment multiplied by the amortized cost of financial assets.

B. Other than those stated in the preceding paragraph, but which subsequently become credit impaired, have the effective interest rate multiplied by the amortized cost of the financial assets.

Financial assets measured at FVOCI

Financial assets that meet the following two criteria are to be measured at fair value through other comprehensive income, and the financial assets measured at fair value through other comprehensive income are to be listed in the balance sheet:

A. Operating model of financial assets management: Collect contractual cash flows and sell financial assets.

B. Contractual cash flow characteristics from the financial assets: from the financial asset: cash flow is the interest paid solely on the principal and the outstanding principal.

The recognition of the profit or loss related to such financial assets is as follows:

A. Before de-recognition or reclassification, except for the impairment profit or loss and foreign currency exchange gains and losses recognized in profit or loss, the profit or loss is recognized in other comprehensive income.
B. At the time of de-recognition, the cumulative profit or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment.
C. Interest that is calculated with the effective interest method (having the effective interest rate multiplied by the total book value of financial assets) or the following conditions is recognized in profit or loss:
   (a) For a credit impairment financial asset purchased or originated, have the effective interest rate after credit adjustment multiplied by the amortized cost of financial assets.
   (b) Other than those stated in the preceding paragraph, but which subsequently become credit impaired, have the effective interest rate multiplied by the amortized cost of financial assets.

In addition, for equity instruments applicable to IFRS 9 and are not held as available-for-sale or applicable as a contingent consideration by the acquirer in business consolidation in IFRS 3, during initial recognition, the Company will choose (this is not reversible) to state its subsequent fair value changes in the other comprehensive income (loss). Amounts stated in other comprehensive income cannot be converted to income or loss (during disposal of such equity instrument, the accumulated amount stated in other equity item will be directly transferred to retained earnings), and will be stated in the Balance Sheet as financial assets measured at fair value through other comprehensive income (loss). Investment dividends will be recognized in income or loss, unless such dividends clearly represent a portion of the investment cost.

Financial assets measured at FVTPL

In addition to the aforementioned measurement at cost after amortization for having met certain conditions or measurement at fair value through other comprehensive income (loss), financial assets are all measured at fair value through income or loss, and are stated in the balance sheet as financial assets at fair value through profit or loss.

These financial assets are measured at fair value, and any gain or loss from their revaluation will be recognized as profit or loss. The gain or loss recognized as profit or loss includes any dividend or interest received from the financial asset.

(2) Impairments of financial assets

For the debt instrument investments measured at fair value through other comprehensive income, debt instrument investments measured at amortized cost, and off-balance sheet debt instrument, the Group has them recognized as expected credit loss and with the allowance for loss measured. For the debt instrument investment measured at fair value through other comprehensive income, allowance for loss is recognized in the other comprehensive income (loss), and the book value of the investment will not be reduced. Loans and receivables and off-balance sheet credit assets are recognized and measured in accordance with the expected credit losses. Also, adequate allowances, reserve for guarantee liability, and financing commitment reserves are appropriated according to whichever is higher according to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans."

The Group measures expected credit losses to reflect the following:

A. An amount that is unbiased and weighted by probability through evaluating each possible outcome
B. Time value of money
C. Reasonable and corroborative information (that can be obtained on the balance sheet date without excessive costs or inputs) relating to past events, current conditions, and future economic forecasts

The methods used for measuring allowance for loss are as follows:

A. It is measured by the 12-month expected credit loss amount: Including the credit risk that has not increased significantly since the original recognition of the financial assets, or it is determined as low credit risk on the balance sheet date. In addition, this also includes those with allowance loss measured by the expected credit loss during the previous reporting period, but no longer meets the condition in which the credit risk has significant increased since the original recognition on the balance sheet date.
B. The expected credit loss amount for the duration: Including the significant increase in credit risk of the financial assets since the original recognition,

or the financial assets with credit impairment purchased or originated.

C. For accounts receivable or contractual assets arising from transactions within the scope of IFRS 15, the Group measured the allowance for loss with the expected credit loss amount of the duration.

D. For the rent receivables arising from the transactions as stipulated in IFRS 16, the Group uses the expected credit losses for the duration of the period to measure the allowance for losses.

In addition to the aforementioned assessments, the Group also has the credit assets assessed and classified according to the following classification methods by referring to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans." Regarding the classification methods, except for the normal credit assets classified in Category I, non-performing credit assets are evaluated according to the status of the loan collateral and the length of time overdue, which are classified as Category II "Special Mention," Category III "Expected to be Recovered," Category IV "Doubtful" and Category V "Losses.”

The allowance for bad debt is appropriated for a minimum amount equivalent to the total of 1% of net Category I credit assets of the obligation to Taiwanese government agencies, 2% of Category II credit assets, 10% of Category III credit assets, 50% of Category IV credit assets, and 100% of Category V credit assets.

On each balance sheet date, the Group assesses whether the credit risk of financial instruments after the original recognition has increased significantly by comparing the changes in the default risk of the financial instruments on the balance sheet date and the original recognition date. In addition, please refer to Note XIV for information related to credit risk.

(3) Derecognizing financial assets

The Group’s financial assets will be derecognized when one of the following conditions occurs:

A. The contractual right from the cash flow of the financial asset is terminated.

B. When nearly all risk and compensations associated with ownership of a financial asset has been transferred.

C. Nearly all risk and compensations associated with ownership of an asset has neither been transferred nor retained, but the control of the asset has been transferred.

When a financial asset is derecognized in its entirety, the difference between its carrying amount and any cumulative gain or loss that has been received or is receivable and recognized in other comprehensive income (loss), will be recognized in profit or loss.

(4) Financial liabilities and equity instruments

Classification of liability or equity

The Group classifies the liabilities and equities instrument issued as financial liability or equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

Equity instruments refer to any contract with residual interest after subtracting all liabilities from assets. Equity instruments issued by the Group are recognized by the acquisition cost minus direct distribution costs.

Hybrid instruments

The Group recognizes the financial liabilities and equity components of the convertible corporate bonds issued in accordance with contractual terms. In addition, the conversion of corporate bonds issued is based on the assessment of whether the economic characteristics and risks of the embedded purchase and sale rights are closely related to the primary debt commodity before classifying the equity elements.

For liabilities that do not involve derivatives, the fair value is measured using the market interest rate of a bond of comparable nature and without conversion characteristics. This amount is classified as a financial liability measured by amortized cost before conversion or redemption settlement. For other embedded derivatives that are not closely related to the risk characteristics of the principal contract (for instance, the embedded buy-back and redemption rights are confirmed to be substantially inconsistent with the amortized cost of the debt commodity on each execution date), they will be classified as components of liability and is measured at fair value through profit or loss in subsequent periods except for equity components. The amount of the equity component is determined by the conversion of fair value of the corporate bonds subtract the component of the liability, and the carrying amount will not be remeasured in subsequent accounting periods. If the issued conversion corporate bonds from the Group do include an equity element, they are handled in accordance with IFRS 9 Hybrid Instruments.

The transaction costs are allocated to the liability and equity components in proportion to the ratio of the convertible corporate bonds' allocations to liability and equity components during initial recognition.

When the holder of the convertible corporate bonds should request to exercise conversion rights before the maturity of the convertible bond, the person should adjust the carrying amount of the liability component element to the carrying amount at the time of exercise as the basis of entry for issuance of ordinary shares.

Financial liabilities

Financial liabilities subject to the provisions of IFRS 9 are classified, at the original recognition, as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost.

Financial liabilities measured at FVTPL

Financial liabilities at fair value through profit or loss include available-for-sale financial liabilities and designated financial liabilities at fair value through profit and loss.

A financial asset will be classified as available-for-sale when it meets one of the following conditions:

A. The primary purpose for acquisition of the asset is short-term sales;
B. It is part of an identifiable financial instrument combination of the consolidated management at the time of initial recognition, and there is evidence that the combination is a short-term profit operating model in the near future; or
C. It is a derivative (except for financial guarantee contract or a designated and

effective hedging instrument).

For contracts that include one or multiple embedded derivative instruments, the entire hybrid (integrated) contract could be designated as a financial instrument at fair value through profit or loss. In addition, when it meets one the following conditions and can provide more relevant information, it could be designated as at fair value through profit or loss during initial recognition:

A. The designation can eliminate or significantly reduce the inconsistency of measurement or recognition; or
B. The performance of a group of financial liabilities or a group of financial assets and financial liabilities is managed and assessed on a fair value basis according to the written risk management or investment strategies; also, the portfolio information provided to the management within the consolidated company is also based on the fair value.

The benefits or losses arising from the re-measurement of such financial liabilities are recognized in profit or loss. The gain or loss recognized in profit or loss includes any interest paid on the financial liability.

<u>Financial liabilities measured at the amortized cost</u>

Financial liabilities measured at amortized cost include accounts payables and loans, and will continue to be measured through effective interest method after initial recognition. When financial liabilities are derecognized and amortized using effective interest method, related gain or loss and amortization will be recognized in profit or loss.

Calculation of the amortized cost will take discount or premium during acquisition and transaction cost into consideration.

<u>De-recognition of financial liabilities</u>

When the obligation of a financial liability is terminated, canceled or no longer effective, the financial liability will be derecognized.

When the Group and the creditors exchange debt instruments with significant differences, or make major changes to all or part of the existing financial liabilities (whether due to financial difficulties or otherwise), treatment will include derecognition of the original liabilities and the recognition of new liabilities. During derecognition of financial liabilities, the difference between the carrying amount and the total amount of the consideration paid or payable, including the transferred non-cash assets or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities can only be offset and presented in net terms on the balance sheet only when the recognized amounts currently contain exercise of legal rights for offset and are intended to be settled on a net basis or can be realized simultaneously and the debt can be settled.

9. Derivatives

Derivatives held or issued by the Group are used to hedge exchange rate risk and interest rate risk, of which, the designated and effective hedging items are reported as hedging assets or liabilities on the balance sheet. For those not designated but effective hedging, they are presented on the balance sheet as financial assets or financial liabilities measured at fair value through profit or loss.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in fair value of derivatives are recognized directly in profit or loss. In the case of effective cash flow hedging and foreign operating institutions net investment hedging, it is recognized in profit or loss or equity based on the type of hedging.

For the main contract that is a non-financial asset or non-financial liability, when it is embedded in the derivative of the main contract, its economic characteristics and risks are not closely related to the main contract; also, when the main contract is not measured at fair value through profit or loss, the embedded derivative should be treated as an independent derivative.

10. Fair value measurement

Fair value refers to the price required or transferred to an asset in an orderly transaction between market participants on a measurement date. Fair value measurement assumes that the transaction for the asset being sold or liability being transferred takes place in one of the following markets:

(1) Principal market of the asset or liability, or
(2) If no principal market exists, the most favorable market for the asset or liability

The Group needs to be able to enter the principal or most favorable market in order to carry out the transaction.

Fair value measurement of the asset or liability uses the assumption that market participants would adopt while pricing the asset or liability, where the assumption is that the market participants would take the most favorable economic conditions into consideration.

The fair value measurement of a non-financial asset takes into consideration the market participant’s use of the asset for its highest price and best use or by selling the asset to another market participant who will use the asset for its highest price and best use to generate economic benefits.

The Group uses valuation techniques that are appropriate and relevant in the relevant circumstances to measure fair value and maximize the use of observable inputs and to minimize the use of unobservable inputs.

11. Impairment of non-financial assets

At the end of every reporting period, the Group will evaluate all assets for indicators of impairment pursuant to IAS 36 “Impairment of Assets.” If signs of impairment exist or if regular annual impairment test is required for a certain asset, the Group will test it on the basis of individual assets or the cash generating unit to which the asset belongs. If result of the impairment test indicates that the carrying amount of the asset or the cash generating unit to which the asset belongs is greater than its recoverable amount, impairment loss will be recognized. The recoverable amount is the higher of fair value net of the disposal cost or the value in use.

At the end of every reporting period, the Group will evaluate all assets except for goodwill for indicators of whether previously recognized impairment loss no longer exists or has been reduced. If such signs exist, the Group will estimate the recoverable amount of the asset or the cash generating unit. If the estimated service potential of the asset changes, resulting in an increase in the recoverable amount, the impairment will be reversed to profit or loss. However, the carrying amount after reversal shall not exceed the amount of the depreciation or amortization of the asset after deducting the depreciation or amortization.

Impairment loss and reversal of continuing operations will be recognized in profit or loss.

12. Collateral accepted

The accepted collateral is booked at the cost of acceptance. Also, it is valued at the end of the period at the lower of cost or fair value net of selling cost (net realizable value).

13. Property, plant, and equipment

Property, plant, and equipment are recognized at the acquisition net cost of accumulated depreciation and accumulated impairment. The aforementioned cost includes the cost of dismantling, removing, and restoring the location of the property, plant, and equipment and the necessary interest expense arising from the construction in progress. Depreciation is provided separately for the significant parts of the property, plant, and equipment. When major parts of property, plant, and equipment are subject to periodic replacement, the Group treats the parts as an individual asset and recognizes it separately with specific periods of durability and depreciation method. The book value of these replaced parts is derecognized in accordance with the provision of IAS 16 "Property, Plant, and Equipment.” If the major repair and maintenance costs are in compliance with the recognition conditions, they are recognized as replacement costs and are recognized as part of the plant and equipment book value. Other repair and maintenance expenses are recognized in profit or loss.

Depreciation of the parent company is calculated and appropriated in accordance with the declining balance method and the estimated useful life of the following assets:

Buildings and structures	3 to 60 years
Transport equipment	3 to 5 years
Other equipment	3 to 10 years

Depreciation of the subsidiaries is calculated and appropriated in accordance with the straight-line method and the estimated useful life of the following assets:

Other equipment	3 to 10 years

After the original recognition of the property, plant, and equipment or any significant parts, if it is disposed or no economic effect arising from the use or disposal is expected, it will be derecognized and recognized in profit or loss.

The residual value, years of useful life, and depreciation method of the property, plant, and equipment are assessed at the end of each financial year. If the expected value is different from the previous estimate, the change is considered as a change in accounting estimates.

14. Investment property

The Group's investment property is measured at initial cost, including transaction costs for acquiring the properties. The carrying amount of investment property includes the cost of refurbishment or improvement of existing investment property that meet the criteria for cost recognition. However, general maintenance and repairs expenses are not regarded as parts of the cost. Unless classified as properties held for sale (or included in the category held for sale) in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations," investment properties are accounted for using the cost model under IAS 16 "Property, Plant and Equipment" after the initial recognition. However, such properties are accounted for using IFRS 16, if they are held as right-of-use assets and recognized as properties held for sale by the lessee in accordance with IFRS 5.

Depreciation is calculated and appropriated in accordance with the straight-line method and the estimated useful life of the following assets:

Buildings	20 years

The investment property is derecognized and any gain or loss is recognized upon disposal, if the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

The Group transfers its property to, or from investment property based on its actual use.

When the property is eligible or no longer eligible to be classified as investment property, and there is evidence of change in use, the Group transfers such property to or from investment property.

15. Leases

The Group assesses whether the contract is (or includes) a lease on the date the contract is made. If a contract is signed to have the control over the use of identified assets transferred for a period of time in exchange for a consideration, it is (or includes) a lease. In order to assess whether a contract is signed to have the control over the use of identified assets transferred for a period of time, the Group assesses whether there are the following two factors throughout the period of use:
(1) Obtaining almost all economic benefits from the use of identified assets; and
(2) Control the right-of-use of the identified assets.

For contracts that are (or include) leases, the Group will treat each lease component in the contract individually, and to separately treat them from the non-lease components in the contracts. For leases that include one lease component and one or more additional lease or non-lease components, the Group will use the single comparison price of each lease component and the aggregated single prices of non-lease components as the basis, and distribute the consideration in the contract to the lease component. The comparison single unit price of the lease and non-lease components will be decided upon the prices separately received by the lessor (or supplier) for such components. If observable single unit prices are not readily available, the Group will maximize the use of observable information to estimate their respective single unit prices.

The Group is the lessee

Except for leases that meet and select short-term leases or low-value asset leases, when the Group is the lessee of the lease contract, the right-of-use assets and lease liabilities are recognized for all leases.

On the commencement date, the Group measures the lease liability according to the present value of the lease payments that have yet to be paid on that date. If the lease implied interest rate is easy to determine, the lease payment is discounted according to the said implied interest rate. If the lease implied interest rate is not easy to determine, the incremental loan rate of the lessee shall prevail. On the commencement date, the lease payments included in the lease liability include the following payments relating to the use-of-rights underlying asset in the lease term that is yet to be paid on that date:

(1) Fixed payments (including real fixed payments) net of any collectable lease incentives;
(2) Lease payments depending on the change in an index or expense rate (measured at the index or expense rate on the commencement date);
(3) The lessee’s expected payment amount with the residual value guaranteed;
(4) The exercise price of the purchase option, if the Group can reasonably assure that the option will be exercised; and
(5) The penalty for the termination of the lease, if the lessee intends to exercise the option of having the lease terminated in the lease period.

After the commencement date, the Group measures the lease liability at the amortized cost, increases the book value of the lease liability by the effective interest method, and reflects the interest on the lease liability. The book value of the lease liability is reduced when the lease payment is made.

On the commencement date, the Group measures the right-of-use assets at cost. The cost of the right-of-use assets includes:

(1) The originally measured amount of the lease liability;
(2) Any lease payments paid on or before the commencement date, minus any lease incentives received;
(3) Any original direct costs incurred to the lessee; and
(4) The estimated cost for the lessee to have the underlying asset dismantled or removed and restore its location, or have the underlying asset restored to the form as stipulated in the clause and condition.

Subsequent measurement of the right-of-use asset is presented at cost net of the accumulated depreciation and accumulated impairment losses, that is, the right-of-use asset should be measured at cost.

If the ownership of the underlying assets is transferred to the Group at the end of the lease term, or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the depreciation of the right-of-use asset is appropriated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group has the depreciation of the right-of-use asset appropriated from the commencement date to the end of the useful life of the right-of-use asset or the expiration of the lease term whichever is sooner.

The Group applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is with impairment; also, handle the identified impairment losses.

Except for leases that meet and select short-term leases or low-value asset leases, the Group presents the right-of-use assets and lease liabilities on the balance sheet, and presents the depreciation expense and interest expense related to the lease separately in the comprehensive income statement.

For short-term leases and low-value asset leases, the Group chooses to have the related lease payments recognized as expenses over the lease period in accordance with the straight-line basis or a systematic basis.

16. Employee benefits

(1) Retirement benefits plan

The retirement method for employees of the Company and its domestic subsidiaries is applicable to all full-time employees. The employee retirement fund is fully appropriated to the Supervisory Committee of Business Entities' Labor Retirement Reserve and deposited in the pension fund account. The aforementioned pension is deposited in the name of the Supervisory Committee of Business Entities' Labor Retirement Reserve, which is completely separated from the Company and its domestic subsidiaries, so it is not included in the consolidated financial statements in the preceding paragraph.

For the defined contribution pension plan, the monthly pension payable rate of the Company and its domestic subsidiaries shall not be less than 6% of the employee's monthly salary, and the amount of the provision shall be recognized in the profit or loss of the current period.

For the defined contribution pension plan, an appropriation is made according to the project unit credit method and the actuarial report at the end of the annual reporting period. The re-measurement of net defined benefit liabilities (assets) includes the return on the plan asset and changes in the ceiling of the assets, deducting the net interest amount of the net defined benefit liabilities (assets) and the actuarial gains and losses. The net defined benefit liability (asset) re-measurement is included in other comprehensive income when incurred and immediately recognized in the retained earnings.

The prior-period service cost is the change in the present value of the defined benefit obligation arising from the revision or reduction of the pension plan and is recognized as an expense on the earlier of the following two dates:

A. When the plan revision or reduction occurs; and
B. When the Group recognizes the relevant restructuring costs or resignation benefits.

The net interest of the net defined benefit liability (asset) is determined by having the net defined benefit liability (assets) multiplied by the discount rate, both of which are determined at the beginning of the annual reporting period, and then consider the changes which have occurred in the net defined benefit liabilities (assets) for the period arising from the appropriation amount and benefit payment.

The pension cost for the interim period is calculated based on the actuarial cost ratio determined by the actuarial calculation at the end of the previous year. Calculation term is from the beginning of the period to the end of the period, and adjustments and disclosure will be made for post-period major market fluctuations, curtailment, settlement, or other significant one-time matters.

(2) Employees preferential deposit benefit

The Group provides preferential deposits, which include the payment of fixed preferential deposits for current employees and for retired employees (before January 1, 2010). The difference between the interest rate of these preferential deposits and the market interest rate is within the scope of employee benefits.

According to Article 28 of the "Regulations Governing the Preparation of Financial Reports by Public Banks," the excess interest arising from the retirement preferential deposit rate agreed upon with the employees over the general market interest rate shall be actuarially calculated according to the defined benefit plan as stipulated in IAS 19 that was approved by the Financial Supervisory Commission. However, the parameters of actuarial assumptions shall be handled in accordance with the provisions of the competent authority if it is available.

17. Treasury stock

When the Group obtains the shares (treasury stocks) of the parent company, it is recognized at the acquisition cost and is debited to the equity. The spread of treasury stock transactions is recognized in the equity.

18. Recognition of revenue

(1) Interest income from loans is estimated on an accrual basis. The overdue payment transferred to the collection account will cease to bear interest from the date of transfer and will be recognized as income upon collection. The interest income agreed to be posted as receivable due to the bail-out and the extension agreement is recognized as income upon collection.

(2) Service charge income is a fee charged for the various services provided to customers. The accounting treatment is as follows:
The service charge income of the Group is derived from the services provided at a specific point of time or for a certain period of time, or through the transaction services and it is recognized as income. When there is a transfer of services to the customer but without unconditional rights for collecting considerations, it is recognized as a contract asset. However, for some contracts, partial considerations are collected from the customers at the time of signing the contract, the Group must assume the obligation of providing services subsequently. Therefore, it is recognized as a contract liability.

The aforementioned contractual liabilities of the Group did not result in significant financial fluctuations.

19. Share-based payment transactions

The share-based payment transaction cost for equity clearing between the Group and its employees is measured at the fair value on the vesting date of the equity instruments. Fair value is measured by the appropriate pricing model.

The "share-based payment" transaction cost for the equity clearing is recognized on a period-by-period basis during the period in which the service conditions and performance conditions are fulfilled, and the increase in equity is recognized. The cumulative fees recognized for equity clearing transactions at the end of each reporting period prior to the vesting date reflect the process of the vested period and the best estimate of the ultimate vested equity instruments by the Group. The cumulative cost changes recognized for the share-based payment transactions at the beginning and end of each reporting period are recognized in profit or loss for the period.

If the share-based payment is not in compliance with the vested conditions, no expense will be recognized. However, if the vested conditions of the equity clearing transaction are related to the market price condition or the non-vested conditions, when all the service or performance conditions have been fulfilled, the relevant expenses will be recognized regardless of whether the market price condition or the non-vested condition is fulfilled.

20. Income tax

Income tax expense (profit) refers to the aggregated amount of current income tax and deferred income tax that is included in the current profit or loss.

Current income tax

The current income tax liabilities (assets) related to the current and prior periods are measured at the legislated or substantially legislated tax rates and tax laws at the end of the reporting period. The current income tax related to the items recognized in other comprehensive income or directly recognized in the equity is recognized in other comprehensive income or equity instead of being recognized in the profit or loss.

The additional business income tax levied on the undistributed earnings is recognized as income tax expense on the date when the distribution of earnings is resolved in the Shareholders' Meeting.

Deferred tax

The deferred income tax is calculated according to the temporary difference between the taxable amount of assets and liabilities and the book value on the balance sheet at the end of the reporting period.

All taxable temporary differences are recognized as deferred income tax liabilities except for the following two items:

(1) The original recognition of goodwill, or the original recognition of an asset or liability that does not arise from a business consolidation transaction and does not affect accounting profits and taxable income (loss) at the time of the transaction conducted;
(2) The taxable temporary difference arising from the investment in subsidiaries, associates, and joint equity. Also, the timing of reversal is controllable, and it is not likely to be reversed in the foreseeable future.

Except for the following two items, deductible temporary difference and deferred income tax assets arising from the taxable losses and income tax credit are recognized within the range of probable future taxable income:

(1) The original recognition of, or and of an asset or liability that does not arise from a business consolidation transaction and does not affect accounting profits and taxable income (loss) at the time of the transaction conducted;
(2) It is related to the deductible temporary differences arising from the investment in subsidiaries, associates, and the joint equity. It is recognized within the range of probable reversal in the foreseeable future and there is sufficient taxable income at the time the temporary difference occurred.

Deferred income tax assets and liabilities are measured at the tax rate of the expected asset realization or in the period in which the liability is settled. The tax rate is based on the legislated or substantially legislated tax rates and tax laws at the end of the reporting period. The measurement of deferred income tax assets and liabilities reflects the tax consequences arising from the manner in which the asset is expected to be recovered or the book value of the liability is settled at the end of the reporting period. If the deferred income tax is related to items that are not included in the profit or loss, it will not be recognized in profit or loss, but recognized in other comprehensive income according to the relevant transactions or directly recognized in equity. Deferred income tax assets are re-examined and recognized at the end of each reporting period.

Deferred income tax assets and liabilities can be offset against each other legally only in the current period, and the deferred income tax is related to the same taxation entity and is related to the income tax levied by the same taxation authority.

The interim income tax expense is accrued and disclosed at the tax rate applicable to the expected total income for the current year, meaning that the estimated annual average effective tax rate will be applied to pre-tax income of the interim period. The estimate of the annual average effective tax rate only includes current income tax expense, while deferred income tax is consistent with the annual financial report and is recognized and measured in accordance with the requirements of IAS 12 "Income Tax." When a tax rate change occurs in the interim period, the impact of the tax rate change on deferred income tax is recognized altogether in profit or loss, other comprehensive profit or loss, or directly in equity.

V. Main Source of Significant Accounting Judgment, Estimation, and Assumption Uncertainties

When the consolidated financial statements are prepared by the Group, the management must make judgments, estimates, and assumptions at the end of the reporting period, which will affect the disclosure of income, expenses, assets and liabilities, and contingent liabilities. However, the uncertainty of these significant assumptions and estimates may result in a significant adjustment to the book value of an asset or liability in the future period.

Estimation and assumption

The main source of information on the estimation and assumption uncertainties at the end of the reporting period has significant risks that result in significant adjustments to the book value of assets and liabilities in the next financial year. The explanations are given as follows:

(1) Loan impairment loss

The estimation of the Group's loan impairment loss is based on whether or not the credit risk has increased significantly since the original recognition to determine if it is necessary to have the allowance for loss assessed according to the 12-month expected credit loss amount or the expected credit loss amount throughout the duration. In order to measure the expected credit loss, the Group considers the default probability with the default loss rate included and then multiplied by the default risk exposure amount, and it also considers the impact of the time value of money to estimate the expected credit loss for 12 months as well as the duration. The Group considers historical experiences, current market conditions and forward-looking estimates on each reporting date to determine the assumptions and inputs to be used for calculating the impairments. Please refer to Note XIV for details.

(2) The fair value of financial instruments

When the fair value of financial assets and financial liabilities recognized in the balance sheet cannot be obtained from the active market, the fair value will be determined using evaluation techniques, including the income approach (such as, cash flow discount model) or market approach. The changes in the assumptions of the said approaches will affect the fair value of the financial instruments reported. Please refer to Note XIII.

(3) Retirement benefits plan

The present value of the defined benefit cost and the defined benefit obligations depends on the actuarial valuation. Actuarial valuation involves various assumptions, including: discount rate and changes in expected salary.

(4) Income tax

The uncertainty of income tax exists in the interpretation of complex tax regulations and the amount and timing of future taxable income. Due to a wide range of international business relationships and the long-term and complexity of contracts, the differences between actual results and assumptions made, or changes in such assumptions in the future, may cause the booked income tax benefits and expenses to be adjusted in the future. The appropriation of income tax is a reasonable estimation made according to the possible audit results of the local tax authorities of the countries in which the Group operates. The amount appropriated is based on different factors, such as: previous tax audit experience and the difference in tax law interpretation between the tax entity and the tax authority. The difference in interpretation may result in a variety of issues due to the local situation of the country where an individual enterprise of the Group operates.

The carryforwards of the taxable loss and income tax credit and deductible temporary differences are recognized as deferred income tax assets within the range of probable future taxable income or taxable temporary differences. The amount of the deferred income tax assets to be recognized is estimated according to the possible timing and level of the future taxable income and taxable temporary difference, and also, the future tax planning strategy.

(Unless otherwise provided, Unit: NTD Thousand)

VI. Descriptions of Material Accounting Items

1. Cash and cash equivalents

	2023.06.30	2022.12.31	2022.06.30
Cash on Hand	$1,365,527	$2,983,938	$1,403,914
Foreign currency on hand	31,715	40,169	31,148
Notes and checks for clearing	336,764	1,213,439	222,961
Due from Central Bank and other banks	1,063,942	870,335	1,267,558
Total	$2,797,948	$5,107,881	$2,925,581

For the purpose of preparing the cash flow statement, cash and cash equivalents are the sum of the following items.

	2023.06.30	2022.12.31	2022.06.30
Cash and cash equivalents recorded on the consolidated balance sheets	$2,797,948	$5,107,881	$2,925,581
Due from the Central Bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	9,026,335	6,635,333	5,110,663
Investments in bills and bonds purchased under resell agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	-	-	-
Cash and cash equivalents on the Consolidated Statement of Cash Flows	$11,824,283	$11,743,214	$8,036,244

2. Due from the Central Bank and call loans to other banks

	2023.06.30	2022.12.31	2022.06.30
Reserve for deposits—Type A	$5,685,859	$4,395,412	$4,772,019
Reserve for deposits—Type B	9,022,647	8,571,036	7,498,463
Reserve for deposits - Foreign currency	40,476	39,921	38,644
Call loans to other banks	3,300,000	2,200,000	300,000
Total	$18,048,982	$15,206,369	$12,609,126

(Unless otherwise provided, Unit: NTD Thousand)

The deposit reserve is calculated according to the monthly legal reserve appropriated for each type of deposit by law, the average daily amount and legal reserve ratio for the current period. Also, it is deposited with the Central Bank. Type A deposit reserve accounts and foreign currency depositor accounts do not bear interest and can be accessed at any time. Type B accounts bear interest, but they cannot be used except in compliance with the regulations.

3. Financial assets measured at FVTPL

	2023.06.30	2022.12.31	2022.06.30
Mandatorily measured at fair value through profit or loss:			
Stock	$6,690,611	$1,255,657	$6,155,240
Beneficiary certificates	-	-	14,700
Equity securities	-	-	47,462
Domestic and foreign bonds	38,198,180	35,787,190	34,431,739
Derivatives	40,603	7,389	35,078
Convertible corporate bonds	-	-	62,637
Real estate investment trust fund	-	-	435,799
Limited partnership	210,846	196,539	201,054
Total	$45,140,240	$37,246,775	$41,383,709

Please refer to Note VIII for details of the financial assets provided as collateral that the Group has them measured at fair value through profit or loss.

4. Financial assets measured at FVOCI

	2023.06.30	2022.12.31	2022.06.30
Debt instrument investments measured at FVOCI:			
Government bonds	$5,052,296	$5,521,383	$7,431,516
Corporate bonds	33,124,090	35,035,969	36,661,539
Financial bonds	2,135,249	2,999,058	2,471,225
Subtotal (total book value)	40,311,635	43,556,410	46,564,280
Valuation adjustment	(2,673,456)	(4,880,597)	(4,742,429)
Subtotal	37,638,179	38,675,813	41,821,851
Equity instrument investments measured at FVOCI:			
TWSE/TPEx-listed stocks	115,200	89,700	773,642
Non-TWSE/TPEx-listed stocks	4,088,513	3,652,025	4,027,313
Foreign Stock	-	-	226,135
Real estate investment trust fund	433,026	436,893	-

(Unless otherwise provided, Unit: NTD Thousand)

	2023.06.30	2022.12.31	2022.06.30
Subtotal	4,636,739	4,178,618	5,027,090
Total	$42,274,918	$42,854,431	$46,848,941

Please refer to Note VIII for details of the financial assets provided as collateral that the Group has them measured at fair value through other comprehensive income.

Please refer to Note VI for information on allowance for loss for the debt instrument investments measured at fair value through other comprehensive income. Also, please refer to Note XIV for information related to credit risk.

The recognized dividend income of the Group from equity instrument investments measured at fair value through other comprehensive income for the period from January 1 to June 30, 2023 and 2022 were NTD13,181 thousand and NTD58,291 thousand, respectively, of which NTD6,773 thousand and NTD58,233 thousand were related to investments held on the balance sheet date and the remainders were related to investments derecognized in the period from January 1 to June 30, 2023 and 2022.

The Group's investment in financial assets and equity measured at fair value through other comprehensive income was disposed in January 1 to June 30, 2023 and 2022, the fair values at the time of disposition were NTD282,716 thousand and NTD85,806 thousand, respectively. Additionally, the accumulated unrealized loss in valuation at the time of disposal for the amounts of NTD(6,985) thousand and NTD(9,523) thousand were transferred from other equity to retained earnings.

5. Financial assets measured at cost after amortization

	2023.06.30	2022.12.31	2022.06.30
Convertible certificate of deposit	$18,300,000	$17,600,000	$15,700,000
Less: Allowance for losses	(2,336)	(1,545)	(1,305)
Total	$18,297,664	$17,598,455	$15,698,695

The Group classifies certain financial assets into financial assets measured at amortized cost. Please refer to Note VI for the information provided on allowances for loss. Also, refer to Note XIV for information related to credit risk and it is not provided as collateral.

(Unless otherwise provided, Unit: NTD Thousand)

6. Receivables, net

	2023.06.30	2022.12.31	2022.06.30
Accounts receivable and notes	$11,496,026	$10,797,848	$8,878,174
Interests receivable	1,053,866	1,129,594	961,759
Clearing amount receivable	320,823	60,860	211,041
Other receivables	30,353	20,334	19,404
Subtotal (total book value)	12,901,068	12,008,636	10,070,378
Less: loss allowance	(170,121)	(145,255)	(143,062)
Net	$12,730,947	$11,863,381	$9,927,316

The Group assesses impairments in accordance with IFRS 9. Please refer to Note VI for the allowance for loss related information in detail; also, refer to Note XIV for the credit risk related information in detail.

Please refer to Note VIII for details of the Group's collateral over the accounts receivables.

7. Discounts and loans, net

	2023.06.30	2022.12.31	2022.06.30
Export Negotiations	$7,179	$7,081	$858
Overdrafts	11,250	111,897	13,003
Loans	243,919,339	245,756,243	222,501,432
Collections of overdue loans	42,020	35,821	37,365
Total amount	243,979,788	245,911,042	222,552,658
Less: allowance for bad debt	(3,662,691)	(3,576,131)	(3,339,509)
Net	$240,317,097	$242,334,911	$219,213,149

The Group assesses impairments in accordance with IFRS 9. Please refer to Note VI for the allowance for loss related information in detail; also, refer to Note XIV for the credit risk related information in detail.

8. Other financial assets, net

	2023.06.30	2022.12.31	2022.06.30
Short-term advance	$457	$42	$74
Subtotal (total book value)	457	42	74
Less: allowance for bad debt	-	-	-
Total	$457	$42	$74

(Unless otherwise provided, Unit: NTD Thousand)

9. Property, plant, and equipment

The Group's booked property and equipment are owned and used by the Group.

	Land	Buildings and structures	Transport equipment	Other equipment	Construction in progress and prepayments	Total
Cost:						
2023.01.01	$4,126,476	$1,191,735	$16,742	$271,228	$60,767	$5,666,948
Acquisition	-	6,649	1,704	24,692	305,321	338,366
Disposal	-	-	(1,282)	(3,489)	-	(4,771)
Other Changes	263,184	39,283	-	-	(302,467)	-
2023.06.30	$4,389,660	$1,237,667	$17,164	$292,431	$63,621	$6,000,543
2022.01.01	$3,169,370	$1,191,735	$16,314	$233,670	$38,194	$4,649,283
Acquisition	-	-	6,220	32,411	515,979	554,610
Disposal	-	-	(5,792)	(1,695)	-	(7,487)
Transfer	497,658	-	−	−	(497,658)	-
2022.06.30	$3,667,028	$1,191,735	$16,742	$264,386	$56,515	$5,196,406
Depreciation and impairment:						
2023.01.01	$-	$818,191	$11,647	$213,517	$-	$1,043,355
Depreciation	-	9,897	1,050	15,031	-	25,978
Disposal	-	-	(1,248)	(3,403)	-	(4,651)
Impairment	-	3,792	-	-	-	3,792
2023.06.30	$-	$831,880	$ 11,449	$225,145	$-	$1,068,474
2022.01.01	$-	$799,495	$14,971	$191,210	$-	$1,005,676
Depreciation	-	9,348	848	11,249	-	21,445
Disposal	-	-	(5,562)	(1,662)	-	(7,224)
2022.06.30	$-	$808,843	$10,257	$200,797	$-	$1,019,897
Net book value:						
2023.06.30	$4,389,660	$405,787	$5,715	$67,286	$63,621	$4,932,069
2022.12.31	$4,126,476	$373,544	$5,095	$57,711	$60,767	$4,623,593
2022.06.30	$3,667,028	$382,892	$6,485	$63,589	$56,515	$4,176,509

The Group did not provide property and equipment as collateral.

10. Investment property

The investment property of the Group refers to the self-owned investment properties and investment properties held under right-of-use assets.

(Unless otherwise provided, Unit: NTD Thousand)

	Land	Buildings	Construction in progress	Total
Cost:				
2023.01.01	$176,389	$59,624	$32,211	$268,224
Acquisition	570,000	-	-	570,000
Disposal	(69,106)	(34,794)	-	(103,900)
2023.06.30	$677,283	$24,830	$32,211	$734,324
2022.01.01	$114,345	$27,840	$-	$142,185
Acquisition	64,830	16,791	-	81,621
Disposal	(7,817)	-	-	(7,817)
2022.06.30	$171,358	$44,631	$-	$215,989
Depreciation and impairment:				
2023.01.01	$-	$2,622	$-	$2,622
Current depreciation	-	898	-	898
Disposal	-	(899)	-	(899)
2023.06.30	$-	$2,621	-	$2,621
2022.01.01	$-	$1,221	$-	$1,221
Current depreciation	-	814	-	814
2022.06.30	$-	$2,035	$-	$2,035
Net book value:				
2023.06.30	$677,283	$22,209	$32,211	$731,703
2022.12.31	$176,389	$57,002	$32,211	$265,602
2022.06.30	$171,358	$42,596	$-	$213,954

The Group did not provide investment property as collateral.

The investment property held by the Group is not measured at fair value, but its fair value information (Level III) is disclosed. The fair value of investment property held by the Group June 30, 2023 and 2022 was NTD737,222 thousand, and NTD219,520 thousand, respectively. The said fair value has not been evaluated by independent appraiser, but determined by the Group with reference to transaction prices of similar properties in the market.

(Unless otherwise provided, Unit: NTD Thousand)

11. Other assets, net

	2023.06.30	2022.12.31	2022.06.30
Prepayments	$30,651	$25,939	$61,791
Inter-bank clearing fund	1,000,361	1,636,270	800,465
Refundable deposits	282,390	323,150	449,638
Others	107,427	124,666	53,222
Net	$ 1,420,829	$2,110,025	$1,365,116

As of June 30, 2023, December 31, 2022 and June 30, 2022, the other assets—other accumulated impairment of each period amounted to NTD3,280 thousand, NTD3,280 thousand, and NTD20,280 thousand, respectively.

Please refer to Note VIII for details of the Group's collateral over other assets.

12. Deposits from the Central Bank and other banks

	2023.06.30	2022.12.31	2022.06.30
Deposits of other banks	$49	$2,775	$1,939
Call loans to other banks	24,344,490	24,089,484	19,217,386
Total	$24,344,539	$24,092,259	$19,219,325

13. Funds borrowed from Central Bank and other banks

	2023.06.30	2022.12.31	2022.06.30
Funds borrowed from other banks	$5,299,000	$5,049,000	$3,850,000

14. Financial liabilities measured at FVTPL

	2023.06.30	2022.12.31	2022.06.30
Available-for-sale financial liabilities:			
Derivatives	$32,978	$35,203	$28,735

15. Bills and bonds sold under repurchase agreements

	2023.06.30	2022.12.31	2022.06.30
Government bonds	$2,753,411	$4,576,847	$5,607,639
Corporate bonds	7,722,474	10,586,187	12,702,111
Financial bonds	1,294,937	664,095	-
Total	$11,770,822	$15,827,129	$18,309,750

The Group's liabilities of bonds and securities sold under repurchase agreements were processed at the agreed price for an amount of NTD11,816,852, NTD15,901,719 thousand, and NTD18,329,629 thousand on June 30, 2023, December 31, 2022, and June 30, 2022, respectively.

(Unless otherwise provided, Unit: NTD Thousand)

16. Payables

	2023.06.30	2022.12.31	2022.06.30
Accrued expenses	$253,606	$320,085	$145,421
Interest payable	337,830	295,928	117,441
Notes and checks in clearing	336,764	1,213,439	222,961
Clearing amount payable	242,510	-	397,334
Other payables - taxation	14,754	11,011	834,208
Others	991,827	686,163	498,174
Total	$2,177,291	$2,526,626	$2,215,539

17. Deposits and remittances

	2023.06.30	2022.12.31	2022.06.30
Check deposits	$2,308,618	$3,474,318	$2,137,406
Demand deposits	51,847,747	51,692,845	51,305,201
Time deposits	79,366,804	73,548,372	61,673,241
Savings deposit	158,563,830	154,786,762	148,813,049
Remittances	2,885	7,737	2,633
Total	$292,089,884	$283,510,034	$263,931,530

18. Other financial liabilities

	Interest rate collars	2023.06.30	2022.12.31	2022.06.30
Taiwan Finance Corporation	0.86%~2.16%	$1,350,000	$1,550,000	$1,550,000
China Bills Finance Corporation	1.06%~1.99%	1,500,000	800,000	850,000
Mega Bills	0.86%~2.00%	1,050,000	1,050,000	700,000
Grand Bills Finance Corporation	0.79%~2.09%	750,000	700,000	800,000
Taching Bills Finance Corporation	1.77%~2.16%	150,000	200,000	-
International Bills Finance Corporation	1.26%~2.04%	120,000	120,000	120,000
Taiwan Cooperative Bills Finance Corporation	1.96%~2.04%	120,000	120,000	-

(Unless otherwise provided, Unit: NTD Thousand)

	Interest rate collars	2023.06.30	2022.12.31	2022.06.30
Dah Chung Bills Finance Corporation	1.77%~2.00%	100,000	100,000	-
Subtotal		5,140,000	4,640,000	$4,020,000
Less: discount on commercial paper payable		(15,395)	(11,307)	(8,197)
Total		$5,124,605	$4,628,693	$4,011,803

19. Provisions

	2023.06.30	2022.12.31	2022.06.30
Retirement benefits plan	$72,205	$90,370	$131,473
Reserve for guarantee liability	161,230	152,313	186,251
Provision for commitment of financing	46,818	25,818	23,818
Total	$280,253	$268,501	$341,542

The changes in the provisions for guarantee liability are as follows:

	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Beginning balance	$152,313	$186,281
Amount appropriated (reversed) for the current period	8,916	(35)
Foreign exchange impact amount	1	5
Ending balance	$161,230	$186,251

The changes in the financing commitment reserve are as follows:

	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Beginning balance	$25,818	$21,818
Amount appropriated for the period	21,000	2,000
Foreign exchange impact amount	-	-
Ending balance	$46,818	$23,818

(Unless otherwise provided, Unit: NTD Thousand)

20. Retirement benefits plan

Defined contribution pension plan

The Group recognized the insurance expense of the defined contribution plan in the three-month period ended June 30, 2023 and 2022 at NTD10,232 thousand and NTD9,316 thousand, respectively; the Group recognized the insurance expense of the defined contribution plan in the six-month period ended June 30, 2023 and 2022 at NTD20,237 thousand and NTD18,547 thousand, respectively.

Defined benefit plan

The Group recognized the expense of the defined benefit plan in the three-month period ended June 30, 2023 and 2022 at NTD270 thousand and NTD239 thousand, respectively; the Group recognized the expense of the defined benefit plan in the six-month period ended June 30, 2023 and 2022 at NTD540 thousand and NTD479 thousand, respectively.

21. Other liabilities

	2023.06.30	2022.12.31	2022.06.30
Deposits received	$103,434	$107,966	$147,612
Advance income	54,673	74,443	63,268
Others	121,005	289,115	44,233
Total	$279,112	$471,524	$255,113

22. Equity

(1) Common stock

As of June 30, 2023, December 31, 2022 and June 30, 2022, the authorized capital stock of the Company were NTD18,000,000 thousand, NTD30,000,000 thousand and NTD30,000,000 thousand, respectively. The issued capital stock amounted to NTD11,112,343 thousand, NTD11,112,343 thousand and NTD11,212,343 thousand, for 1,111,234 thousand shares, 1,111,234 thousand shares and 1,121,234 thousand shares, respectively, issued at par value of NTD10. Each share is entitled to one vote and the right to receive dividends.

(Unless otherwise provided, Unit: NTD Thousand)

(2) Capital surplus

	2023.06.30	2022.12.31	2022.06.30
Common stock premium	$52,563	$52,563	$53,036
Treasury stock transactions	-	-	22,070
Others	2,629	2,629	2,629
Total	$55,192	$55,192	$77,735

Adjustment of various capital surplus on June 30, 2023, December 31, 2022 and June 30, 2022 was as follows:

	Common stock premium	Treasury stock transactions	Others	Total
Balance on January 1, 2023	$52,563	$-	$2,629	$55,192
Share-based payment transaction	-	-	-	-
Transfer of treasury stock	-	-	-	-
Adjustment based on percentage of ownership	-	-	-	-
Balance on June 30, 2023	$52,563	$-	$2,629	$55,192
Balance on January 1, 2022	$53,036	$22,070	$2,629	$77,735
Share-based payment transaction	-	-	-	-
Retirement of treasury stock	(473)	(22,070)	-	(22,543)
Adjustment based on percentage of ownership	-	-	-	-
Balance on December 31, 2022	$52,563	$-	$2,629	$55,192
Balance on January 1, 2022	$53,036	$22,070	$2,629	$77,735
Share-based payment transaction	-	-	-	-
Transfer of treasury stock	-	-	-	-

	Common stock premium	Treasury stock transactions	Others	Total
Adjustment based on percentage of ownership	-	-	-	-
Balance on June 30, 2022	$53,036	$22,070	$2,629	$77,735

According to the law, additional paid-in capital shall not be used for any purpose except for making up for Company losses. When the Company has no losses, a certain percentage of the additional paid-in capital from the stock premium and gifts can be applied to replenish capital every year. The aforementioned additional paid-in capital can be allocated in cash to shareholders proportionally to their original shareholding ratio.

(3) Earnings allocation and dividend policy

According to the Articles of Incorporation of the Company, if there are earnings at the annual final accounts, it should be distributed in the following order:

A. Payment of all taxes and dues.
B. Offset operation losses.
C. Appropriate 30% as the legal reserve.
D. Other special surplus reserve recognized or reversed in accordance with laws and regulations or supervisory authorities.
E. The remaining earnings shall be distributed by the Board of Directors according to the dividend policy, and reported to the shareholders' meeting.

The principle of dividend distribution of the Company is based on the business operation needs of the Company and the revision of major laws and regulations. The Board of Directors presents the proposal in the Shareholders' Meeting for resolutions with the ratio of the cash dividend moderately adjusted, which shall not be less than 1% of the total dividends. If the cash dividend per share is less than NTD0.1, it will not be distributed.

Pursuant to the Banking Act, legal capital reserve shall be appropriated until the total sum of which has reached the total paid-in capital. Unless and until the accumulated legal capital reserve equals the paid-in capital, the maximum cash surplus which may be distributed shall not exceed 15% of the total paid-in capital. The legal reserve can be used to set off deficits. When the Company has no loss, the portion of the legal reserve exceeds 25% of the paid-in capital should be distributed as new shares or cash to shareholders proportional to their original shareholding ratio.

According to the provisions of the Securities and Exchange Act, when the competent authorities consider it necessary, it may request the listed companies to have a certain percentage of special reserve appropriated in addition to appropriating the legal reserve lawfully at the time of distributing earnings.

When the Company distributes earnings that are distributable, an additional special reserve is appropriated for an amount equivalent to the difference between the balance of the special reserve appropriated at the first-time adoption of IFRSs and the net debit of other equity. If other stockholders' equity deductions are reversed afterward, the reversal part of net amount of the deduction of other equity and special reserve reversed may be applicable for the appropriation of earnings.

In accordance with Jin-Guan-Cheng-Fa-Zi No. 1090150022, issued by the FSC on March 31, 2021, upon the first-time adoption of IFRS, for the booked unrealized revaluation increase and aggregated adjustment amount (interest) that have been transferred into retained earnings on the transition date due to adoption of exemption items in IFRS 1 First-time Adoption of IFRS, the Company set aside special surplus reserve. Where relevant assets are subsequently used, disposed of, or reclassified, the original proportion of special reserve may be reversed for the distribution of earnings.

As of January 1, 2023 and 2022, the special reserve at the first-time adoption amounted to NTD45,549 thousand. In addition, the Company did not use, dispose of, or reclassify relevant assets in January 1 to June 30, 2023 and 2022 that would cause the reversal of special reserve to undistributed earnings. As of June 30, 2023 and 2022, the special reserve for the first time was NTD45,549 thousand.

(Unless otherwise provided, Unit: NTD Thousand)

The 2022 and 2021 earnings appropriation and distribution and the dividend per share were proposed and resolved in the Shareholders' Meetings on May 23, 2023 and May 9, 2022 as follows:

	Distribution of retained earnings		Dividends per share (NTD)	
	2022	2021	2022	2021
Legal reserve	$-	$1,755,271	-	-
Special reserve	1,420,578	-	-	-
Common stock cash dividends	1,222,358	2,354,592	$1.1	$2.1
Total	$2,642,936	$4,109,863	-	-

Please refer to Note VI for the relevant information on the estimation basis and recognition amount of the employee compensation and the remuneration to directors and supervisors.

23. Net interest income

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Interest revenue				
Discount and loan interest income	$1,948,419	$1,334,079	$3,783,115	$2,485,296
Due from bank and interbank offered interest income	32,549	6,944	58,873	11,729
Security investment interest income	493,465	438,385	974,273	841,957
Other interest incomes	186,826	144,164	373,354	278,410
Subtotal	2,661,259	1,923,572	5,189,615	3,617,392
Interest expenses				
Deposits Interest expenses	(851,135)	(269,458)	(1,638,446)	(456,022)
Interest expense of funds borrowed from Central Bank and other banks	(203,988)	(60,536)	(381,002)	(93,671)
Interest expense of the RP bonds	(114,419)	(26,066)	(239,122)	(37,040)
Others	(42,676)	(1,911)	(79,233)	(2,909)
Subtotal	(1,212,218)	(357,971)	(2,337,803)	(589,642)
Total	$1,449,041	$1,565,601	$2,851,812	$3,027,750

(Unless otherwise provided, Unit: NTD Thousand)

24. Net service fee income

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Service fee income	$539,784	$624,250	$1,111,638	$1,190,077
Service fee expenses	(16,123)	(12,899)	(29,410)	(25,747)
Total	$523,661	$611,351	$1,082,228	$1,164,330

25. Gain (loss) on financial assets and liabilities at fair value through profit and loss

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Stock investment	$825,239	$(998,792)	$1,424,534	$(1,159,542)
Bond investment	105,267	(152,853)	462,192	(297,249)
Derivatives	90,658	211,819	124,378	431,911
Others	6,374	(36,379)	691	(6,534)
Total	$1,027,538	$(976,205)	$2,011,795	$(1,031,414)

26. (Loss) gain on reversal of assets impairment and (provision) reversal of allowances for bad debts, commitments, and guarantee liabilities

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Financial assets measured at FVOCI	$(23,937)	$(61,898)	$(893,967)	$(1,307,763)
Financial assets measured at cost after amortization	(569)	(326)	(791)	(325)
Fixed asset	-	-	(3,792)	-
Subtotal	(24,506)	(62,224)	(898,550)	(1,308,088)
Loan and receivables bad debt reversal (appropriation)	(524,254)	344,828	(800,408)	426,732
Reversal (provision) of allowances for guarantees	(7,916)	35	(8,916)	35
Financing commitments reserve reversed (appropriation)	(4,000)	(1,000)	(21,000)	(2,000)
Subtotal	(536,170)	343,863	(830,324)	424,767
Total	$(560,676)	$281,639	$(1,728,874)	$(883,321)

Please refer to Note XIV for credit risk related information.

(Unless otherwise provided, Unit: NTD Thousand)

27. Leases

(1) The Group is a lessee

The Group leases several assets, including real estate (buildings and structures) and other equipment. The lease period for each contract is for 3-10 years.

The impacts of the lease on the Group's financial position, financial performance, and cash flow are as follows:

A. Amount recognized on the balance sheet

(a) Right-of-use assets

The book value of the right-of-use assets

	2023.06.30	2022.12.31	2022.06.30
Buildings and structures	$314,176	$322,485	$310,870
Other equipment	5,563	6,231	277
Total	$319,739	$328,716	$311,147

The Group added right-of-use assets at NTD1,866 thousand and NTD5,605 thousand in April 1 to June 30, 2023 and 2022, respectively; and added right-of-use assets at NTD37,294 thousand and NTD22,597 thousand in January 1 to June 30, 2023 and 2022, respectively.

(b) Lease liabilities

	2023.06.30	2022.12.31	2022.06.30
Lease liabilities	$325,504	$333,935	$315,766
Current	$325,504	$333,935	$315,766

The Group's interest expense of lease liabilities in the three-month period ended June 30, 2023 and 2022 was NTD926 thousand and NTD994 thousand, respectively; the Group's interest expense of lease liabilities in the six-month period ended June 30, 2023 and June 30, 2022 was NTD1,902 thousand and NTD1,992 thousand, respectively. For the maturity analysis of the lease liabilities on June 30, 2023, please refer to Note XIV.4 Liquidity Risk Management.

(Unless otherwise provided, Unit: NTD Thousand)

B. Amount recognized in the statements of comprehensive income

Depreciation of the right-of-use assets

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Buildings and structures	$22,825	$20,992	$45,604	$40,155
Other equipment	333	416	667	832
Total	$23,158	$21,408	$46,271	$40,987

C. The lessee and the lease activity related income, expense, and loss

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Short-term lease expense	$874	$611	$1,713	$1,185
Low-value asset lease expense (excluding the low-value assets lease expense of the short-term leases)	744	748	1,360	1,348

D. The lessee and the lease activity related cash outflow

The total cash outflow for the lease of the Group was NTD25,456 thousand and NTD22,371 thousand for the three-month period ended June 30, 2023 and 2022; the total cash outflow for the lease of the Group was NTD50,700 thousand and NTD44,412 thousand for the six-month period ended June 30, 2023 and 2022, respectively.

(Unless otherwise provided, Unit: NTD Thousand)

28. Operating expenses

The employee benefits, depreciation, and amortization expenses are summarized by function as follows:

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Employee benefits expenses				
Salaries and wages	$265,867	$220,588	$599,307	$440,444
Labor insurance and national health insurance	20,768	19,096	46,688	43,931
Pension expenses	10,502	9,555	20,777	19,026
Other employee benefits expenses	14,164	9,988	25,175	19,274
Depreciation	37,032	33,634	73,147	63,246
Amortization expense	728	-	1,455	-
Total	$349,061	$292,861	$766,549	$585,921

According to the Articles of Incorporation, if the Company has earnings for the year, no less than 0.01% of the earnings should be appropriated to pay employees' remuneration and no more than 2% of the earnings should be appropriated as remuneration to directors and supervisors. However, when there are accumulated losses, an equivalent amount should be appropriated to make up for losses. The aforementioned remuneration to employees is to be paid in the form of shares or cash. Approval for such benefits should be passed by at least half of the Directors in attendance in a Board meeting attended by no less than two-thirds of all Board members. The results should be reported during Shareholders' Meeting. Please refer to the "Market Observation Post System" of the Taiwan Stock Exchange Corporation for information on employee remuneration and remuneration to directors and supervisors resolved by the Board of Directors.

Based on the Company's profit for the three-month period ended June 30, 2023 and 2022, the Company appropriated 0.01% of the earnings to be remuneration to employees, NTD181 thousand and NTD92 thousand, respectively, which were listed in "salary expenses." Based on the Company's profit for the six-month period ended June 30, 2023 and 2022, the Company appropriated 0.01% of earnings to be remuneration to employees, NTD290 thousand and NTD111 thousand, respectively, which were listed in "salary expenses."

(Unless otherwise provided, Unit: NTD Thousand)

The Company's Board of Directors had resolved on February 20, 2023 to distribute the 2022 remuneration to employees and directors and supervisors at the amounts of NTD290 thousand and NTD0, respectively, which was not significantly different from the expenses booked in the 2022 financial report.

There is no significant difference between the actual employees' remuneration and remuneration to directors and supervisors distributed in 2022 and the expenses booked in the 2021 financial report.

29. Other comprehensive income

Other comprehensive income from January 1 to June 30, 2023 is as follows:

	Accrued in current year	Current reclassification adjustment	Other comprehensive income (loss)	Income tax benefit	After-tax amount
Items not reclassified to income:					
Gain or loss on evaluation of equity instruments at FVOCI	$448,175	$-	$448,175	$-	$448,175
Items may be re-classified subsequently to income:					
Exchange differences from the translation of financial statements of foreign operations	(5,643)	-	(5,643)	1,128	(4,515)
Gains or loss from debt instrument investment measured at FVOCI	1,043,971	143,834	1,187,805	-	1,187,805
Total	$1,486,503	$143,834	$1,630,337	$1,128	$1,631,465

(Unless otherwise provided, Unit: NTD Thousand)

Other comprehensive income from January 1 to June 30, 2022 is as follows:

	Accrued in current year	Current reclassification adjustment	Other comprehensive income (loss)	Income tax expenses	After-tax amount
Items not reclassified to income:					
Gain or loss on evaluation of equity instruments at FVOCI	$173,814	$-	$173,814	$-	$173,814
Items may be re-classified subsequently to income:					
Exchange differences from the translation of financial statements of foreign operations	21,603	-	21,603	(2,215)	19,388
Gains or loss from debt instrument investment measured at FVOCI	(5,656,842)	271	(5,656,571)	-	(5,656,571)
Total	$(5,461,425)	$271	$(5,461,154)	$(2,215)	$(5,463,369)

The Group's debt instrument investment measured at fair value through other comprehensive income for the six-month periods ended June 30, 2023 and 2022 are reclassified to profit or loss from the cumulative other comprehensive income at the time of de-recognition for an amount of NTD(143,834) thousand and NTD(271) thousand, respectively.

(Unless otherwise provided, Unit: NTD Thousand)

30. Income tax

The main composition of income tax expenses is as follows:

Income tax recognized in the profit or loss

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Current income tax expenses:				
Income tax payable for the current period	$204,023	$464,051	$415,446	$713,513
The income tax of the previous years adjusted in the current period	(14,885)	31,261	(14,885)	31,261
Deferred income tax expense (benefit):				
Deferred income tax expense related to the original generation of temporary difference and its reversal	81,802	(371,896)	139,668	(461,520)
Tax loss, tax credit, and temporary differences not recognized in previous years were recognized in this year	-	173	-	173
Income tax expenses	$270,940	$123,589	$540,229	$283,427

Income tax recognized in the other comprehensive income

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Deferred income tax (benefit) expense:				
Exchange differences from the translation of financial statements of foreign operations	$(1,064)	$(7,161)	$(1,128)	$2,215
Actuarial gain (loss) from defined benefit plan	-	-	-	-
The other comprehensive income related income tax	$(1,064)	$(7,161)	$(1,128)	$2,215

(Unless otherwise provided, Unit: NTD Thousand)

The amount of income tax expense and accounting profit multiplied by the applicable income tax rate is adjusted:

	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Net income before tax of the continuing business units	$2,892,557	$1,134,931
Tax amount calculated according to the domestic tax rate applicable to the income of the country concerned	$578,511	$226,986
Income tax effects of tax-exempt income	115,044	(519,588)
Income tax effects of non-deductible expenses on tax returns	99	52
Income tax effect of deferred income tax assets/liabilities	(138,540)	459,132
Basic tax adjustment	-	-
Surtax on undistributed earnings	-	85,584
The income tax of the previous years adjusted in the current period	(14,885)	31,261
Total income tax expense recognized in profit or loss	$540,229	$283,427

(Unless otherwise provided, Unit: NTD Thousand)

Deferred income tax assets (liabilities) balances related to the following items:

From January 1 to June 30, 2023

	Beginning balance	Recognized in the profit or loss	Recognized in the other comprehensive income (loss)	Ending balance
Temporary differences:				
Financial assets valuation measured at FVTPL	$89,954	$(206,520)	$-	$(116,566)
Allowance for bad debt	215,141	20,899	-	236,040
Impairment of Assets	73,896	47,576	-	121,472
Employees’ leave benefits liabilities	6,358	-	-	6,358
Compensation payable	1,903	-	-	1,903
Reserve for guarantee liability	12,529	2,009	-	14,538
Net determined benefit liability - non-current	18,387	(3,632)	-	14,755
Income from investment under equity method	28,447	-	-	28,447
Conversion difference from financial statements of foreign institutions	(1,506)	-	1,128	(378)
Gain on bargain purchase	(919)	-	-	(919)
Deferred income tax benefit (expense)		$(139,668)	$1,128	
Net deferred income tax assets	$444,190			$305,650
The information expressed on the balance sheet is as follows:				
Deferred tax assets	$446,615			$423,513
Deferred tax liabilities	2,425			117,863
Deferred income tax liabilities - land value incremental tax reserve	50,135			50,135
Total	$52,560			$167,998

(Unless otherwise provided, Unit: NTD Thousand)

From January 1 to June 30, 2022

	Beginning balance	Recognized in the profit or loss	Recognized in the other comprehensive income (loss)	Ending balance
Temporary differences:				
Financial assets valuation measured at FVTPL	$(137,807)	$296,804	$-	$158,997
Allowance for bad debt	124,370	88,993	-	213,363
Impairment of Assets	2,434	79,298	-	81,732
Employees' leave benefits liabilities	3,815	2,543	-	6,358
Compensation payable	1,149	754	-	1,903
Reserve for guarantee liability	10,344	4,461	-	14,805
Net determined benefit liability - non-current	18,146	(10,582)	-	7,564
Income from investment under the equity method	7,058	(751)	-	6,307
Conversion difference from financial statements of foreign institutions	3,159	-	(2,215)	944
Gain on bargain purchase	(919)	-	-	(919)
Deferred income tax benefit (expense)		$461,520	$(2,215)	
Net deferred income tax assets	$31,749			$491,054
The information expressed on the balance sheet is as follows:				
Deferred tax assets	$170,475			$491,973
Deferred tax liabilities	138,726			919
Deferred income tax liabilities - land value incremental tax reserve	50,135			50,135
Total	$188,861			$51,054

Income tax declaration and audit

As of June 30, 2023, the income tax returns of the Group is assessed and approved as follows:

	Income tax declaration and audit
The Company	Audited up to the year of 2021
Subsidiary—King's Town Bank International Lease Corporation	Audited up to the year of 2021
Subsidiary—King's Town Securities	Audited up to the year of 2021
Sub-subsidiary—King's Town Intl. Construction Management Corporation	Audited up to the year of 2021

31. Earnings per share

The basic earnings per share is calculated by having the net profit attributable to the holder of the common stock shares of the parent company divided by the weighted average number of common stock shares outstanding in the current period.

The diluted earnings per share is calculated by dividing the net profit of parent company ordinary shares by weighted average number of ordinary shares outstanding during the period, plus the weighted average number of common stock shares to be issued when all dilutive potential common stock shares were converted into common stock shares.

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
(1) Basic Earnings Per Share				
Net income attributable to the holders of common stock of the parent company (NTD thousands)	$1,511,829	$814,863	$2,352,328	$851,504
Weighted average number of common stock shares (thousand shares) of the earnings per share	1,111,234	1,121,234	1,111,234	1,121,234
Base earnings per share (NTD)	$1.36	$0.73	$2.12	$0.76

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
(2) Diluted earnings per share				
Net income attributable to the holders of common stock of the parent company (NTD thousands)	$1,511,829	$814,863	$2,352,328	$851,504
Weighted average number of common stock shares (thousand shares) of the earnings per share	1,111,234	1,121,234	1,111,234	1,121,234
Dilutive effect	-	-	-	-
Weighted average number of common stock shares (thousand shares) after adjusting the dilutive effect	1,111,234	1,121,234	1,111,234	1,121,234
Diluted earnings per share (NTD)	$1.36	$0.73	$2.12	$0.76

There was no other transaction performed to cause significant changes to the outstanding common stock shares or the potential common stock shares after the reporting period and before the release of the financial statements.

VII. Related Party Transactions

1. Names of related parties and their relationship with the Group

Name	Relationship with the Group
Chen-Chih Tai	Chairman of the Group
Chiung-Ting Tsai	Vice Chairman of the Group
Hung-Liang Chiang	President of the Group (assumed office on March 1, 2022)
Jih-Cheng Chang	President of the Group (resigned on February 28, 2022)
Tiangang Investment Co., Ltd	Director of the Group
Fu Chiang Investment Co., Ltd.	Director of the Group
Chao-Long Chen	Independent Director of the Group

(Unless otherwise provided, Unit: NTD Thousand)

Name	Relationship with the Group
Bing-Sung Wu	Independent Director of the Group (assumed office on May 9, 2022)
Chuan-Fu Hou	Independent Director of the Group
Others	Representatives of the Group's managers, incorporated directors and supervisors, and second degree of kinship and substantive stakeholders

2. Significant transactions with related parties

(1) Deposits

Account Item	Amount	% of the account balance
2023.06.30		
Deposits	$ 401,875	0.14%
2022.12.31		
Deposits	$521,570	0.18%
2022.06.30		
Deposits	$313,491	0.12%

For the deposit interest rate between the Group and its related parties, except for when the bank clerk's savings deposit amount within the prescribed limit with interest calculated according to a preferential deposit interest rate, the amount exceeding the threshold and the deposit interest rate of the other related party are same as the interest rate of the general customers.

(2) Loans

Account Item	Amount	% of the account balance
2023.06.30		
Loans	$31,868	0.01%
2022.12.31		
Loans	$43,278	0.02%
2022.06.30		
Loans	$50,576	0.02%

(Unless otherwise provided, Unit: NTD Thousand)

June 30, 2023

Type	Number of accounts or name of stakeholder	Current period maximum balance	Ending balance	Performance		Collateral contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	Non-performing loans		
Consumer loan	9	$4,048	$3,880	$3,880	$-	None	None
Residential mortgage Loan	6	6,176	5,986	5,986	-	Real estate	None
Other loans	You, OO	1,175	1,175	1,175	-	Certificate of Deposit	None
Other loans	Ou, OO	9,000	9,000	9,000	-	Real estate	None
Other loans	Chen, OO	1,500	1,500	1,500	-	Certificate of Deposit	None
Other loans	Chang, OO	10,327	10,327	10,327	-	Real estate	None

December 31, 2022

Type	Number of accounts or name of stakeholder	Current period maximum balance	Ending balance	Performance		Collateral contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	Non-performing loans		
Consumer loan	10	$5,249	$5,083	$5,083	$-	None	None
Residential mortgage Loan	7	12,794	12,567	12,567	-	Real estate	None
Other loans	Chou, OO	1,100	1,100	1,100	-	Real estate	None
Other loans	You, OO	1,175	1,175	1,175	-	Certificate of Deposit	None
Other loans	Ou, OO	9,000	9,000	9,000	-	Real estate	None
Other loans	Chen, OO	1,500	1,500	1,500	-	Certificate of Deposit	None
Other loans	Chang, OO	12,853	12,853	12,853	-	Real estate	None

(Unless otherwise provided, Unit: NTD Thousand)

June 30, 2022

Type	Number of accounts or name of stakeholder	Current period maximum balance	Ending balance	Performance		Collateral contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	Non-performing loans		
Consumer loan	11	$5,994	$5,769	$5,769	$-	None	None
Residential mortgage Loan	7	13,466	13,242	13,242	-	Real estate	None
Other loans	Chou, OO	2,000	2,000	2,000	-	Real estate	None
Other loans	Chen, OO	460	460	460	-	Certificate of Deposit	None
Other loans	You, OO	1,175	1,175	1,175	-	Certificate of Deposit	None
Other loans	Chen, OO	5,800	5,800	5,800	-	Real estate	None
Other loans	Ou, OO	9,000	9,000	9,000	-	Real estate	None
Other loans	Chen, OO	1,500	1,500	1,500	-	Certificate of Deposit	None
Other loans	Chang, OO	11,630	11,630	11,630	-	Real estate	None

(3) Leases

The rental expenses paid to the related party for the lease of the office in April 1 to June 30, 2023 and 2022 were NTD1,595 thousand and NTD960 thousand, respectively; the rental expenses paid to the related party for the lease of the office in January 1 to June 30, 2023 and 2022 were NTD3,191 thousand and NTD1,920 thousand, respectively.

(4) Guarantees: None.

(5) Derivative financial instrument transactions: None.

(6) Sales of non-performing loan: None.

(Unless otherwise provided, Unit: NTD Thousand)

(7) Remuneration of directors and key management personnel of the Group

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Short-term employee benefits	$4,283	$4,140	$24,304	$23,124
Retirement benefits	207	557	782	1,103
Total	$4,490	$4,697	$25,086	$24,227

VIII. Pledged Assets

The Group has the following assets provided as collateral:

	Book value			
Item	2023.06.30	2022.12.31	2022.06.30	Guaranteed debt
Financial assets measured at FVTPL	$4,335,473	$5,371,489	$5,544,679	RP transaction
Financial assets measured at FVTPL	715,330	698,814	717,646	Various business reserves and collaterals
Financial assets measured at FVTPL	29,850	27,500	30,050	Funds borrowed from other banks
Financial assets measured at FVOCI	8,352,073	11,711,565	14,238,249	RP transaction
Financial assets measured at FVOCI	1,407,098	1,593,274	1,409,200	Funds borrowed from other banks
Accounts Receivable	2,370,000	1,790,000	1,780,000	Funds borrowed from other banks
Other assets	60,000	60,000	30,000	Settlement money remittance guarantee
Total	$17,269,824	$21,252,642	$23,749,824	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) The Group has the following or various trust agents and guarantees:

	2023.06.30	2022.12.31	2022.06.30
Receivable and collection	$9,992,713	$11,808,019	$11,595,777
Receivable guarantees	8,860,633	8,949,674	11,219,634
Receivables from L/C	1,642	14,325	38,105
Trust and custody	41,693,859	41,681,285	41,134,489
Agreed financing amount	47,280,608	43,384,378	44,195,212

(Unless otherwise provided, Unit: NTD Thousand)

(2)

Major contents	Contract amount	Amount paid	Amount yet to be paid
Land in Guang Pu Phase II	$423,500-$653,400	$21,175	$402,325-$632,225

X. Contents and Amount of Trust Business Handled in Accordance with the Provisions of the Trust Enterprise Act

The Group provides the trust balance sheet, income statement, and property list to the Trust Department in accordance with Article 17 of the Enforcement Rules of the Trust Enterprise Act as follows:

Balance Sheet of Trust Accounts

Trust assets	2023.06.30	2022.06.30	Trust liabilities	2023.06.30	2022.06.30
Bank deposits	$1,276,076	$1,660,367	Mid-term borrowings	$4,581,230	$4,671,230
Stock	3,147,499	3,609,081	Long-term borrowings	614,806	614,806
Funds	10,410,106	10,108,419	Payables	21,086	17,659
Real estate	25,408,984	24,454,195	Other liabilities	94,259	86,402
Other assets	1,285,776	1,150,032	Trust capital	36,823,559	35,739,933
			Reserves and Cumulative earnings	(606,499)	(147,936)
Total trust assets	$41,528,441	$40,982,094	Total trust liabilities	$41,528,441	$40,982,094

Income Statement of Trust Accounts

Item	2023.01.01~2023.06.30	2022.01.01~2022.06.30
Trust revenue		
Interest revenue	$2,650	$913
Rent revenue	342,144	299,448
Dividend income	108,040	101,317
Unrealized capital gains	-	25,468
Unrealized exchange gains	208,715	-
Other profits	12,119	12,093
Subtotal	673,668	439,239

(Unless otherwise provided, Unit: NTD Thousand)

Trust expenses		
Administrative expenses	(34,827)	(34,292)
Tax expenses	(21,976)	(20,082)
Interest expenses	(53,698)	(33,582)
Unrealized capital loss	(1,118,908)	(449,634)
Unrealized exchange losses	-	(51,857)
Other Expenses	(13,424)	(12,456)
Subtotal	(1,242,833)	(601,903)
Net loss before tax	(569,165)	(162,664)
Income tax expenses	-	-
Profit after tax	$(569,165)	$(162,664)

Property Catalog of Trust Accounts

Investment	2023.06.30	2022.06.30
Bank deposits	$1,276,076	$1,660,367
Stock	3,147,499	3,609,081
Funds	10,410,106	10,108,419
Real estate		
Land	17,662,603	16,823,418
Buildings and structures	7,561,581	7,463,149
Construction in progress	184,800	167,628
Others	1,285,776	1,150,032
Total	$41,528,441	$40,982,094

The above funds accounted under the business of "handling of specific money in foreign currency trust's investment in foreign securities" of the international financial business branch on June 30, 2023 and June 30, 2022 amounted to NTD0 thousand and NTD19,025 thousand, respectively.

XI. Significant Disaster Loss

No such event.

XII. Significant Subsequent Events

No such event.

(Unless otherwise provided, Unit: NTD Thousand)

XIII. Fair Value and Grade Information of Financial Instruments

1. Information on the fair value of financial instruments

Financial assets:

	2023.06.30		2022.12.31	
	Book value	Fair value	Book value	Fair value
Financial assets measured at FVTPL:				
Mandatorily measured at fair value through profit or loss	$45,140,240	$45,140,240	$37,246,775	$37,246,775
Financial assets measured at FVOCI	42,274,918	42,274,918	42,854,431	42,854,431
Financial assets measured at cost after amortization:				
Debt instrument investments measured at amortized cost	18,297,664	18,297,664	17,598,455	17,598,455
Cash and cash equivalents (excluding cash on hand)	1,400,706	1,400,706	2,083,774	2,083,774
Due from the Central Bank and call loans to other banks	18,048,982	18,048,982	15,206,369	15,206,369
Receivables	12,730,947	12,730,947	11,863,381	11,863,381
Discounts and loans	240,317,097	240,317,097	242,334,911	242,334,911
Other financial assets	457	457	42	42

	2022.06.30	
	Book value	Fair value
Financial assets measured at FVTPL:		
Mandatorily measured at fair value through profit or loss	$41,383,709	$41,383,709
Financial assets measured at FVOCI	46,848,941	46,848,941
Financial assets measured at cost after amortization:		
Debt instrument investments measured at amortized cost	15,698,695	15,698,695
Cash and cash equivalents (excluding cash on hand)	1,490,519	1,490,519
Due from the Central Bank and call loans to other banks	12,609,126	12,609,126
Receivables	9,927,316	9,927,316
Discounts and loans	219,213,149	219,213,149
Other financial assets	74	74

(Unless otherwise provided, Unit: NTD Thousand)

Financial liabilities:

	2023.06.30		2022.12.31	
	Book value	Fair value	Book value	Fair value
Financial liabilities measured at cost after amortization:				
Deposits from Central Bank and other banks	$24,344,539	$24,344,539	$24,092,259	$24,092,259
Funds borrowed from Central Bank and other banks	5,299,000	5,299,000	5,049,000	5,049,000
Bills and bonds sold under repurchase agreements	11,770,822	11,770,822	15,827,129	15,827,129
Payables	2,177,291	2,177,291	2,526,626	2,526,626
Deposits and remittances	292,089,884	292,089,884	283,510,034	283,510,034
Lease liabilities	325,504	325,504	333,935	333,935
Financial liabilities measured at fair value through profit or loss:				
Held for transaction purposes	32,978	32,978	35,203	35,203

	2022.06.30	
	Book value	Fair value
Financial liabilities measured at cost after amortization:		
Deposits from the Central Bank and other banks	$19,219,325	$19,219,325
Funds borrowed from Central Bank and other banks	3,850,000	3,850,000
Bills and bonds sold under repurchase agreements	18,309,750	18,309,750
Payables	2,215,539	2,215,539
Deposits and remittances	263,931,530	263,931,530
Lease liabilities	315,766	315,766
Financial liabilities measured at fair value through profit or loss:		
Held for transaction purposes	28,735	28,735

The derivative financial instrument transactions are detailed as follows:

Item	Contract amount	Fair value
2023.06.30		
Foreign exchange contracts	$3,486,267	$7,625
2022.12.31		
Foreign exchange contracts	$3,797,927	$(27,814)
2022.06.30		
Foreign exchange contracts	$4,099,649	$6,343

2. Methods and assumptions used in the fair value of financial instruments

Fair value refers to the price required or transferred to an asset in an orderly transaction between market participants on a measurement date. The methods and assumptions used by the Company to measure or disclose the fair value of financial assets and financial liabilities are as follows:

(1) The fair value of short-term financial products is estimated based on the book value on the balance sheet. As the maturity date of such products is very close or the current collection price is equivalent to the book value, the book value is a reasonable basis for estimating the fair value. This method is applied to cash and cash equivalents, deposits at the Central Bank and inter-bank loans, RS bills and bond investments, receivables, deposits of the Central Bank and other banks, funds borrowed from Central Bank and other banks, RP bills and bond liabilities, payables, deposits and remittances, and other financial liabilities.
(2) For financial assets and liabilities measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, available-for-sale financial assets, and held-to-maturity financial assets, if there is a public market price available, such market price is the fair value, which refers to the closing price on the balance sheet date for the listed (OTC) equity security with a market price available, the net asset value on the balance sheet date for the fund, the closing price or reference price on the balance sheet date for the bond, and the settlement price or the counterparty's quote for the derivative financial products. If no market price is available for reference, the evaluation method is used for estimation. When the Group adopts the market price including the purchase price and the selling price, the Group will evaluate the selling (purchasing) position at the market buying (selling) price. If there is no market price available at the time of evaluation but there is the most recent market transaction price available, then the said transaction price is the fair value of such financial asset.
(3) Discounts, loans, and deposits are all interest-bearing financial assets and liabilities, so their book value is similar to the current fair value. The book value

of the collection is the estimated recovery amount net of the allowance for bad debt. Therefore, the book value is the fair value.

(4) For debt-based instruments that are without an active market price, the fair value is determined by the counterparty's quotation or valuation method. The valuation method is based on the discounted cash flow analysis. The assumptions of interest rate and discount rate are mainly based on information related to similar instruments (for example, Taipei Exchange reference yield curve, the Reuters commercial promissory interest rate average quotation, and credit risk information).

(5) The fair value of derivatives (including forward foreign exchange and foreign exchange transactions) is the amount that the Group is expected to obtain or pay if it wishes to terminate the contract at the agreed reporting date. The Group calculates the fair value of the position held based on the parameters or quotation information disclosed by the Reuters Information System.

(6) The fair value of the equity instruments (e.g., private company's stock shares) that do not have a market price available is estimated with the market approach, which is with the fair value estimated with the price generated in market transactions of the same or comparable company's equity instruments and other relevant information (e.g., lack of liquidity discount factor, the profit ratio of the similar company's stock, and the input value of the similar company's stock price book ratio).

Please refer to Note XIII.3 for the information on the fair value bracket of the Group's financial instruments.

3. Fair value hierarchy

(1) The definition of the Group's three-level fair value

① Level I

It refers to the public offer (unadjusted) of the same financial instrument available on the active market on the measurement date. The fair value of the listed (OTC) stocks, beneficiary certificates, corporate bonds, financial bonds, convertible corporate bonds, and derivatives with a market price available invested in by the Group is classified as Level I.

② Level II

It refers to the observable prices other than the quote in an active market, including the observable input parameters directly (as prices) or indirectly (e.g., derived from prices) acquired from an active market. This includes the convertible corporate bonds, Taiwan Central Government bonds, and general derivatives invested by the Group.

③ Level III

(Unless otherwise provided, Unit: NTD Thousand)

It means that the input parameters for measuring fair value are not based on information available from the market or by the quotations provided by the counterparty. This includes the unlisted stocks in which the Group invests.

For assets and liabilities that are recognized in the financial statements on a repetitive basis, the classification is re-evaluated at the end of each reporting period to determine whether there is a transfer between the fair value levels.

(2) Information on the fair value measurement levels:
The Group does not have non-repetitive assets measured at fair value. The information on the fair value level of repetitive assets and liabilities is shown below.

2023.06.30

	Total	Level I	Level II	Level III
Assets measured at fair value				
Financial assets measured at FVTPL				
Stock investment	$6,690,611	$6,690,611	$-	$-
Bond investment	38,198,180	2,946,670	35,251,510	-
Derivatives	40,603	-	40,603	-
Others	210,846	-	210,846	-
Financial assets measured at FVOCI				
Stock investment	4,203,713	115,200	-	4,088,513
Bond investment	37,638,179	32,661,237	4,976,942	-
Others	433,026	433,026	-	-
Liabilities measured at fair value				
Financial liabilities measured at FVTPL				
Derivatives	32,978	-	32,978	-

2022.12.31

	Total	Level I	Level II	Level III
Assets measured at fair value				
Financial assets measured at FVTPL				
Stock investment	$1,255,657	$1,255,657	$-	$-
Bond investment	35,787,190	2,083,063	33,704,127	-
Derivatives	7,389	-	7,389	-
Others	196,539	-	196,539	-

(Unless otherwise provided, Unit: NTD Thousand)

	Total	Level I	Level II	Level III
Financial assets measured at FVOCI				
Stock investment	3,741,725	89,700	-	3,652,025
Bond investment	38,675,813	33,241,237	5,434,576	-
Others	436,893	436,893	-	-
Liabilities measured at fair value				
Financial liabilities measured at FVTPL				
Derivatives	35,203	-	35,203	-

2022.06.30

	Total	Level I	Level II	Level III
Assets measured at fair value				
Financial assets measured at FVTPL				
Stock investment	$6,155,240	$6,155,240	$-	$-
Bond investment	34,494,376	141,504	34,352,872	-
Derivatives	35,078	-	35,078	-
Others	699,015	497,961	201,054	-
Financial assets measured at FVOCI				
Stock investment	5,027,090	999,777	-	4,027,313
Bond investment	41,821,851	34,475,680	7,346,171	-
Liabilities measured at fair value				
Financial liabilities measured at FVTPL				
Derivatives	28,735	-	28,735	-

(3) Transfer between Level I and Level II fair value

In January 1 to June 30, 2023 and 2022, the Group's assets and liabilities measured at repetitive fair value did not experience any transfer between fair value Level I and II.

(4) Changes in Repetitive Fair Value Level III Statement

For the Group's liabilities measured at repetitive fair value that are categorized as Level III, adjustments from beginning to ending balance is as follows:

(Unless otherwise provided, Unit: NTD Thousand)

	Financial assets measured at FVOCI - Stock
2023.01.01	$ 3,652,025
Total benefits recognized in the first half of 2023:	
Recognized in other comprehensive income (reported in “Equity instrument investments measured at FVOCI”)	426,488
Acquired in the period	10,000
2023.06.30	$4,088,513

	Financial assets measured at FVOCI - Stock
2022.01.01	$3,700,875
Total benefits recognized in the first half of 2022:	
Recognized in other comprehensive income (reported in “Unrealized gain (loss) on valuation of equity instrument investments measured at FVOCI ”)	326,438
Acquired in the period	-
2022.06.30	$4,027,313

Significant unobservable input value information of Level III fair value

For the Group’s assets measured at repetitive fair value and categorized in fair value Level III, the material unobservable input used toward fair value measurement is as follows:

	Valuation technique	Significant unobservable input value	Range	Relationship between input value and fair value
Financial assets measured at FVOCI				
Stock	Market approach	Lack of liquidity discount rate	20%~30%	The higher the lack of liquidity, the lower the estimated fair value

(Unless otherwise provided, Unit: NTD Thousand)

Evaluation process for Level III fair value

The financial instrument evaluation team of the Group's Risk Management Department is responsible for independent fair value verification. Data from an independent source is used to bring the evaluation results close to the market, to confirm that the data sources are independent, reliable, consistent with other resources, representing executable prices, and that the valuation model is regularly calibrated and evaluated, performing backtracking tests, updating input values and information required for the evaluation model, and any other necessary fair value adjustments to ensure that the valuation results are reasonable.

(5) Not measured at fair value but must disclose fair value level information

Assets in which only fair value is disclosed:

	Level I	Level II	Level III	Total
2023.06.30				
Debt instrument investments measured at amortized cost				
Convertible certificate of deposit	$-	$18,297,664	$-	$18,297,664
Investment property	-	-	737,222	737,222
2022.12.31				
Debt instrument investments measured at amortized cost				
Convertible certificate of deposit	$-	$17,598,455	$-	$17,598,455
Investment property	-	-	282,100	$282,100
2022.06.30				
Debt instrument investments measured at amortized cost				
Convertible certificate of deposit	$-	$15,698,695	$-	$15,698,695
Investment property	-	-	219,520	$219,520

4. Transfer of financial assets

Transferred financial assets that are not fully derecognized

(Unless otherwise provided, Unit: NTD Thousand)

In the daily trading activities of the Group, for the transferred financial assets that did not meet the overall de-recognizing conditions, most of them are RP debt securities as collateral held by the counterparty of the transaction. Such transactions are essentially secured borrowings and reflect the Group’s liabilities from repurchasing the obligation of the transferred financial assets at a fixed price in the future. For such transactions, the Group is unable to use, sell, or pledge the transferred financial assets during the effective period of the transaction, but the Group still bears the interest rate risk and credit risk. Therefore, it has not been derecognized entirely.

The table below shows the financial assets not qualified under all conditions and related financial liabilities:

June 30, 2023					
Category of financial assets	Book value of transferred financial assets	Book value of related financial liabilities	Fair value of transferred financial assets	Fair value of related financial liabilities	Net fair value position
Financial assets measured at FVTPL with R/P agreement	$4,335,474	$4,283,248	$4,335,474	$4,283,248	$52,226
Financial assets measured at FVOCI with R/P agreement	8,352,073	7,487,574	8,352,073	7,487,574	864,499

XIV. Financial Risk Management

1. Overview

The Group uses its business growth scale to establish a capital adequacy assessment process that meets the risk profile in order to maintain adequate capital. Also, based on overall risk exposure, the Group implements appropriate overall capital allocation, and establishes management mechanisms for various business risks in order to strengthen business performance. The risks in the businesses on and off the balance sheet, such as credit risk, market risk, operational risk, liquidity risk, country risk, and interest rate risk in the banking book, are included in the Group’ scope of risk management. Policies and methods such as the Credit Policy, Rules Governing Credit Review and Authorization, and Rules Governing Risks are stipulated according to different risks. Furthermore, management guidelines are formulated according to the needs of the policies and methods in accordance with the Rules Governing Risks, including the Regulations Governing Credit Risk, Regulations Governing Market Risk, and Regulations Governing Operational Risk, and these are reviewed and approved by the Board of Directors to effectively identify, measure, communicate, and monitor various risks.

2. Risk management organizational structure

The risk management of the Group is carried out by the Risk Management Department in accordance with the risk management policy approved by the Board of Directors. The Risk Management Department works closely with business units to identify, assess, and prevent risks. The Board of Directors has a written policy for risk management that covers specific risk exposure, such as, interest rate risk, credit risk, etc. In addition, the Audit Office reviews the risk management and operating procedures of the Group regularly (at least once a year) and as necessary to ensure that the Group’s risk management mechanism is operating effectively. Audit records related to various risks—such as transaction records, statements, and valuations—are kept for review by the Audit Office.

(1) Risk Management Committee

For the purpose of upgrading the risk management mechanism, improving various risks management, avoiding all possible adverse effects on the Group, and seeking maximized profits with limited risks, the Risk Management Committee is established with the President acting as the Chief Commissioner, and the department head of the Finance Department, Digital Service and Business Department, Risk Management Department, Credit Review Department, Administration Office, International Sales Department, Compliance Department, and the Business Management Department and other personnel designated by the President act as the Members of the Committee. The chief auditor may attend the Committee meeting, but is not entitled with voting rights. The Committee has a meeting held once a month with the following missions to fulfill:

① Add and amend the Group’s risk management policy.
② Coordinate the risk management issues of the Company, such as, credit risk, market risk, and operational risk.
③ Review the ratio of the Group’s regulatory capital to risk assets (referred to as "capital adequacy ratio")
④ Handle and review the major risk exposure and unauthorized events which occur.
⑤ Major issues or discussions related to risk management proposed by each unit.
⑥ Matters assigned by the Board of Directors, Chairman, and Vice Chairman.

The "Risk Management Department" is the execution unit of the Risk Management Committee and the risk management planning and management unit of the Bank. It independently monitors and manages the risks of the Bank. The department head of the Risk Management Department acts as the Executive Secretary who is appointed by the Board of Directors. The Risk Management Department is responsible for calculating and monitoring capital adequacy and comprehensively handles risk management and reports to the competent authorities in accordance with various risk management guidelines. It submits a risk control report to the Committee on a quarterly basis and forwards it to the Board of Directors, while the Committee sets rules to control various investment positions and transaction quotas, and handles transaction clearing and settlement, such as bank-wide fund scheduling and securities trading.

(2) Asset and Liability Management Committee

The President of the Group is the Chief Commissioner of the Company’s Asset and Liability Management Committee. The members are composed of the personnel designated by the President and the department head of the Digital Service and Business Department, the Risk Management Department, the Finance Department, and the Administration Office. In response to the domestic and foreign financial situation, the committee is responsible for adjusting the business strategy in a timely manner, maintaining liquidity, safety, and profitability, and holding regular meetings at least once a month. The main tasks are as follows:

① Assess the impact of changes in domestic and foreign political and economic situations and the trend of government policies on financial business operations.

② Predict the impact of domestic and foreign funds, exchange rates, interest rate trends, and other relevant financial indicators on the Group’s business operations.

③ Assess the Group’s operating performance, capital position, asset and liability risk position, and interest rate sensitivity, as well as study and adjust the best ratio of various assets and liabilities.

④ Assess the Group’s pricing strategy for deposit and loan interest rates.

⑤ Estimate the Group’s future operating performance and moderately adjust the Group’s business strategy.

⑥ Matters assigned by the Board of Directors, Chairman, and Vice Chairman.

(3) Credit Review Committee

The Credit Review Committee is chaired by the President and consists of the head of the Credit Review Department, the Risk Management Department, and the Digital Service and Business Department, and the personnel designated by the President to strengthen the review and risk control of credit extensions and to ensure the Group's credits. In principle, a meeting will be held once a week to review the credit cases to be granted by the Board of Directors, and the results of the review will be presented to the Board of Directors for approval. The process and transfer of the proposals will be handled by the Credit Review Department.

(4) Investment Management Committee

In order to respond to changes in domestic and foreign financial situations, the Group timely adjust investment strategies and control investment risks to maintain the safety and profitability of the Group's investment positions. The Investment Management Committee has been established as the highest management unit responsible for the Group's investment business. The Committee is chaired by the President, and the members include the head of the Finance Department and other personnel appointed by the President. The Committee holds meetings once a month with the following missions to fulfill:

① Set the Bank's investment strategies and principles according to the changes in domestic and foreign political and economic situations and trends in government policy.
② Assess whether the performance of the investment portfolio meets the expected objectives, predict the impact of changes in domestic and foreign capital situation, exchange rate, interest rate, and other relevant financial indicators on the investment position of the Group, and study whether the investment strategy should be adjusted.
③ Review the proportion, allocation, and reinvestment-orientation of various financial investment projects.
④ Review the source of funds and cost structure of the investment.

(5) Information Security Management Committee

The Information Security Management Committee was formed to improve the information security management system, respond to all information security-related laws and regulations, and comply with the relevant government regulations in order to reduce the risk impact and influence on the Group due to information security. The Committee has one convener appointed who is the

President or an individual appointed by the President. The members are the heads of the Risk Management Department, Information Office, Digital Service Department, and Compliance Department, and the department head or designated individual from the department designated by the convener. The Audit Department may attend the Committee meeting, but is not entitled with voting rights. The Committee will hold meetings from time to time as needed. The main tasks are as follows:

① Propose the information security policy of the Group.
② Promote the information security management system.
③ Assess the infrastructure of the information security management system.
④ Handle and review major information security incidents.
⑤ Major issues or discussions related to information security proposed by each unit.
⑥ Discussion of other information security issues.

3. Credit Risk

(1) Source and definition of credit risk

Credit risk refers to the risk of default loss caused by the borrower or counterparty due to the poor business condition or other factors (such as, disputes between the company and its counterparty), resulting in the borrower or counterparty not fulfilling its contractual obligations. The sources of credit risk included on- and off-balance sheet items. Regarding the Group’s credit risk exposure, the items on the balance sheet mainly come from discounts and loans, deposits and interbank lending, debt instrument investments and derivatives, etc. The off-balance sheet items are mainly guarantees, letters of credit, loan commitments, etc.

(2) Credit risk management policies

The Group’s written credit risk management strategy is prepared as a guideline for the credit operating procedure. Also, the relevant policies and operational guidelines are set up to ensure that the strategy can be implemented continuously and effectively in order to maintain rigorous loan granting standards, monitor credit risk, assess possible business opportunities, and identify and manage non-performing loans. The scope of management includes:

① Various credit risks (including individual credit cases, overall credit check, credit extension, non-performing loans, etc.) and credit risk offset instruments, such as, collateral and guarantee, of the businesses on and off the balance sheet.

② A credit risk related product or position of the banking book or transaction book.

In order to maintain a safe and sound credit extension business and control credit risk, the Regulations Governing Credit Risk were formulated to establish a credit risk control mechanism when planning various business to implement procedures of identification, measurement, communication, and monitoring. Under the hierarchical organization structure of credit management, each level shall, in accordance with the "Rules Governing Credit Review and Authorization," strictly execute case review within the authority to ensure the quality of credit assets. The Group also formulated the "Directions for Credit Review and Implementation," and the Credit Review Department is authorized by the Head Office in handling related matter to strengthen post-loan management, in aim to effectively control credit risk.

The credit risk management procedures and measurement methods for each major business of the Group are described below:

① Credit extension (including loan commitments and guarantees)

The classification of credit assets and credit quality rating are described as follows:

A. Credit asset classification

The Group's credit assets are classified into five categories. Except that the normal credit assets are classified as Category I, the non-performing credit assets are evaluated according to the loan guarantee status and the length of time overdue, which are classified as Category II "Special Mention," Category III "Expected to be Recovered," Category IV "Doubtful," and Category V "Losses." The Group has formulated the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" to establish the internal processing systems and procedures for asset quality assessment, appropriation of loss reserve, collection of overdue loans, and liquidation of bad debts. Also, it is handled in accordance with the requirements of the competent authorities and the Group. In order to speed up the liquidation of non-performing loans and reduce overdue loans, the Group has the "Rules Governing Non-Performing Loans" formulated to realize a sound financial structure and to enhance asset and liability management.

B. Credit quality rating

The Group has also formulated the Corporate Finance and Consumer

Finance Business Classification according to business characteristics and scales. The directions for credit rating are formulated for corporate and individual account holders. The credit rating scores of the debtors are classified into 10 grades (C1–C10), which is an internal credit rating and is used for risk management. The credit rating is used as reference for credit approval and as reference in determining credit conditions. Those with poor credit ratings are subject to more frequent credit review.

② Deposit and inter-bank lending

The Group evaluates the credit status of the counterparty before the transaction is initiated. Before the end of each year, the Group determines the NTD and foreign currency loan limits according to domestic and foreign financial interbank credit ratings. And such matters are submitted to the Credit Review Committee for review and reported to the Board of Directors for approval.

③ Debt instrument investment and derivative financial instruments

The Group’s credit risk management of debt instrument is to identify credit risk through the credit rating of debt instrument by domestic and international credit rating agencies, bond guarantee institutions, country risks, and counterparty risk. For the financial institutions that initiate investments in the Group’s derivative financial product transactions, set the ceiling of the financial transaction amount by the nature of the counterparty and the credit rating in accordance with the "Regulations Governing Derivatives Transactions Quota.”

(3) Credit risk hedge or mitigation policy

① Collateral

The Group adopts the methods of stipulation of credit limit restrictions, collection of collateral, and the guarantor or the transfer of the credit guarantee fund to reduce the credit risk for credit business in order to strengthen the credit claim of the Group. The Group has formulated The Rules Governing Collateral Appraisal and related procedural guidelines and regulations for regulating acceptable types of collateral and the valuation, management, and disposal of collateral, in order to ensure the Group’s credit claim. The Group has formulated the creditor ‘s right security clauses, collateral clauses, and offset clauses, which clearly define that in an event of credit, the credit limit may be reduced, repayment period may be reduced or deemed to be fully due, or the debt may be offset by debtor's deposit at the Group to reduce the credit risk.

The Group carries out on-site appraisal of the collateral on a regular basis or at any time. The Group carries out credit check or revaluation of collaterals according to the status of credit granting accounts. The Group also evaluates the degree of guarantee provided by debtor and the legal effectiveness of the guarantor in order to ensure the security of credit.

② Credit risk limit and credit risk concentration control

The Group has formulated a Credit Policy to properly plan and control the credit of the same natural person, legal person, public enterprise, related party, associate, or group; control single credit risks and enhance the efficiency of capital utilization by setting a ceiling on their respective ratios to the net worth of the Company (where the same public enterprise shall not exceed the net value of the Company, and the ceiling of the same group enterprise shall be adjusted and approved according to its credit rating and outlook). For the ratio of total credit balance of the same industry to the net value of the Company, the ceiling will be approved according to the industry and the overall economy and with reference to the non-performing loan ratio of the industry and future economic outlook. To strengthen the credit risk control of each enterprise overseas and in mainland China, respective limits are stipulated accordingly. For the ratio of the total credit balance secured by residential real estate to the total credit balance of the Company, it is divided into the categories of housing repair and working capital limit control by the intended use of funds. Credit orientation is also dynamically adjusted to hedge the overall risk and avoid excessive credit risk concentration.

③ Master netting arrangement

The Group's transactions are usually cleared on a gross amount and the Company agrees with the counterparties upon the clearing method, or all transactions with the counterparty are terminated with a net amount clearing arranged in the event of default in order to further reduce the credit risk.

(4) Maximum credit risk exposure

The maximum credit risk exposure of the assets stated in the consolidated balance sheet without the consideration of collaterals or other reinforced credit instruments approximate their book value. The maximum credit risk exposure amount (excluding collateral or other credit enhancement instruments, and irrevocable maximum risk exposure amount) associated with off-balance sheet items is as follows:

(Unless otherwise provided, Unit: NTD Thousand)

Off-balance sheet items	Maximum credit risk exposure amount		
	2023.06.30	2022.12.31	2022.06.30
Customer's developed and irrevocable loan commitments	$47,280,608	$43,384,378	$44,195,212
Customer's outstanding letters of credit amount	77,744	81,757	178,934
Guarantee payments	8,860,633	8,949,674	11,219,634
Total	$56,218,985	$52,415,809	$55,593,780

(5) The financial information related to asset on consolidated balance sheet, off-balance sheet collateral held as guarantees, master netting arrangement and other credit enhancements, that have impact on maximum credit risk exposure amount are shown below:

June 30, 2023	Collateral	Master netting arrangement	Total
On-balance sheet items			
Discounts and loans	$164,442,674	$ -	$164,442,674
Off-balance sheet items			
Customer's developed and irrevocable loan commitments	17,218,338	-	17,218,338
Customer's outstanding letters of credit amount	-	-	-
Guarantee payments	2,711,989	-	2,711,989
Total	$184,373,001	$ -	$184,373,001

(Unless otherwise provided, Unit: NTD Thousand)

December 31, 2022	Collateral	Master netting arrangement	Total
On-balance sheet items			
Discounts and loans	$163,066,904	$ -	$163,066,904
Off-balance sheet items			
Customer's developed and irrevocable loan commitments	15,874,381	-	15,874,381
Customer's outstanding letters of credit amount	-	-	-
Guarantee payments	2,727,520	-	2,727,520
Total	$181,668,805	$ -	$181,668,805

June 30, 2022	Collateral	Master netting arrangement	Total
On-balance sheet items			
Discounts and loans	$150,919,679	$ -	$150,919,679
Off-balance sheet items			
Customer's developed and irrevocable loan commitments	19,008,684	-	19,008,684
Customer's outstanding letters of credit amount	117,900	-	117,900
Guarantee payments	5,011,651	-	5,011,651
Total	$175,057,914	$ -	$175,057,914

The Group's management assesses and believes that the credit risk exposure amount of the off-balance sheet items could be controlled and minimized continuously because the Company and its subsidiaries have adopted a more stringent selection process during the credit approval and subsequent periodic review.

(6) Status of credit risk concentration

When a financial instrument counterparty is significantly concentrated on one person, or a financial instrument has several counterparties who are mostly engaging in similar business activities and have similar economic characteristics, so that their ability to perform contracts is affected by economic or other conditions in a similar manner, there is a significant concentration of credit risk.

(Unless otherwise provided, Unit: NTD Thousand)

The Group's credit risk concentration is derived from assets, liabilities, or off-balance sheet items, which are generated through transactions (regardless of products or services) performance or implementation, or a combination of cross-category risk exposure, including credit, deposit and inter-bank lending, marketable securities investments, receivables, and derivatives. There are no significant signs showing that the Group has trading concentrated on a single customer or single transaction counterparties. The total amounts of transaction with single customers or single transaction counterparties does not account for a significant part in the Group's discounts and loans and collection amount. The Group has the credit risk of the discount, loans, and collections illustrated by the industry, region, and collateral as follows:

① Industry

Industry	2023.06.30		2022.12.31		2022.06.30	
	Amount	%	Amount	%	Amount	%
1. Private enterprises	$183,447,719	75	$185,921,033	76	$166,576,460	75
2. Government agencies	-	-	-	-	-	-
3. Non-profit groups	216,301	-	226,027	-	223,358	-
4. Private	60,315,768	25	59,763,982	24	55,752,840	25
5. Financial institutions	-	-	-	-	-	-
Total	$243,979,788	100	$245,911,042	100	$222,552,658	100

(Unless otherwise provided, Unit: NTD Thousand)

② By region

The Group's main business is conducted in Taiwan and there is no significant concentration of credit risk by region.

③ Collateral categories

Collateral categories	2023.06.30		2022.12.31		2022.06.30	
	Amount	%	Amount	%	Amount	%
Unsecured	$79,537,114	33	$82,844,138	34	$71,632,980	32
Secured						
- Financial collateral	30,488,449	12	27,968,988	11	27,567,674	13
- Real estate	119,224,941	49	120,301,499	49	109,682,309	49
- Guarantee	7,520,486	3	7,422,926	3	6,896,374	3
- Other collaterals	7,208,798	3	7,373,491	3	6,773,321	3
Total	$243,979,788	100	$245,911,042	100	$222,552,658	100

(7) Analysis of the Group's financial assets that is overdue but without impairment

The Group had no financial assets that were overdue without impairment as of June 30, 2023, December 31, 2022 and June 30, 2022.

(8) Judgment that the Group's credit risk has increased significantly since the original recognition

Credit extension

The Group assesses the change in the risk of default in the expected duration of each type of credit asset on each reporting date to determine whether the credit risk has increased significantly since the original recognition. For the purpose of this assessment, the Group considers the information that evidences the significant and reasonable increase of credit risk (including forward-looking information) since the original recognition. The main considerations include:

① Quantitative indicators:

If the contract is overdue for more than 30 days on the reporting date, it is concluded that the credit risk has increased significantly since the original recognition.

② Qualitative indicators:

The Group evaluates based on the following criteria on the reporting date. If any of the following criteria are met, it is determined that the credit risk has increased significantly since the original recognition.

a. The records of bounced checks of the debtors reported by the Group.
b. The dishonored accounts announced by Taiwan Clearing House.
c. People whose collateral at the Bank is held by compulsory enforcement by other banks.
d. Informed of the incident that the debtors have applied for reorganization of their debts at other financial institutions when handling post-loan management procedures such as review or follow-up assessment.
e. Listed as a receivable on demand or written-off of bad debts.
f. Informed of the incident that the public certified accountants had issued an opinion on the financial statements of the debtors with a concern over the continuing operation of the audited debtors when implementing the post-loan management procedures of review, tracking, and assessment.
g. Informed of other non-performing loans of the debtors.

This assumption that "if the credit risk is determined to be low, the credit risk can be deems to have no significant increase since the original recognition" is not applicable to various credit assets of the Group.

<u>Debt instruments</u>

The Group assesses the change in the risk of default in the expected duration of each type of debt instrument on each reporting date to determine whether the credit risk has increased significantly since the original recognition. For the purpose of this assessment, the Group considers the changes in credit rating that indicates the main evaluation indicator is a quantitative indicator since the original recognition. When the credit rating on each reporting date is lower to an extent than the credit rating on the original recognition date, it is determined that the credit risk has increased significantly since the original recognition.

This assumption that "if the credit risk is determined to be low, the credit risk can be deems to have no significant increase since the original recognition" is not applicable to various debt instrument the Group.

(9) Definition of the Group's default and credit impairment financial assets

Credit extension

The Group's definition of default on various types of credit assets is the same as the default and credit impairment of each type of credit assets. If one or more of the following conditions are met, the Group determines that the various types of credit assets have been defaulted with credit impairment resulted:

① Quantitative indicators

If the contract is overdue for more than 90 days on the reporting date, it is concluded that default and credit impairment have occurred.

② Qualitative indicators

The Group evaluates based on the following criteria on the reporting date. If the matter shows objective evidence of impairment (i.e., agreement, bail-out, rehabilitated, etc.), it is determined that default and credit impairment have occurred.

Debt instruments

The Group's definition of default on a debt instrument is the same as the credit impairment of a debt instrument. If one or more of the following conditions are met, the Group determines that the debt instrument has defaulted with credit impairment:

① Quantitative indicators

If the credit rating on each reporting date reaches the default level, it is determined as defaulted with credit impairment.

② Qualitative indicators

The Group evaluates based on the following criteria on the reporting date. If any of the following criteria are met, it is determined that default and credit impairment have occurred.

a. An event of default occurred.
b. The issuer's significant financial difficulties.
c. The issuer is likely to apply for bankruptcy or other financial restructuring.

The foregoing definition of default and credit impairment is applicable to all financial assets held by the Group and is consistent with the definitions used for the internal credit risk management purposes of the financial assets and are applied to the relevant impairment assessment model.

If the financial assets on the reporting date no longer meet the definition of default and credit impairment, they are concluded to be in the status of performance and are no longer regarded as financial assets that have defaulted with credit impairment.

(10) Write-off policy

When the Group cannot reasonably expect the financial assets to be recovered entirely or partially, it will write off the whole or part of the financial assets in a timely manner in accordance with the requirements of the competent authorities and in line with the Group's asset quality policy.

(11) Measurement of expected credit loss

For the purpose of assessing expected credit losses, the Group classifies financial assets into the following combinations according to the credit asset/debt instrument categories, credit ratings, and subject matter claim order:

Credit asset/debt instrument category	Definition
Corporate banking loan	Grouped by risk characteristics, company size, and credit category
Consumer banking loan	Grouped by product category, loan type, etc.
Corporate bonds and financial bonds	Classified by long-term issuer rating (mainly Moody's) and subject matter claim order
Government bonds and Central Bank's convertible certificate of deposit	Classified by sovereign rating (primarily Moody's) and subject matter claim order

For financial instruments that have not significantly increased in credit risk (Stage 1) after their original recognition, the Group measures the allowance for loss of the financial instrument according to the expected credit loss amount within 12 months. For financial instruments with significant increases in credit risk after their original recognition (Stage 2) or with credit impairment (Stage 3), these are measured by the expected credit loss amount of the duration.

In order to measure the expected credit losses, the Group, while considering the probability of default (PD) of the borrower/issuer in the next 12 months and the duration, includes the loss given default (LGD) and multiplies it by the exposure at default (EAD), taking into account the impact of the time value of money to calculate the expected credit losses for 12 months and the duration. However, for off-balance sheet credit assets, it must be multiplied by the credit conversation factor (CCF) that is regulated with the Basel II standardized approach.

The probability of default (PD) and loss given default (LGD) used in the impairment assessment of the Group's credit business/investment business are adjusted and calculated according to the internal and external information of each combination and based on current observable information and forward-looking macroeconomic information (e.g., global economic growth rate, inflation rate, etc.).

The Group assesses the amount of financial asset default risk on the reporting date. In addition, based on internal and external information, the Company considers the financial assets to be used within 12 months after the reporting date and the amount expected to be used in order to determine the default risk exposure amount for the calculation of the expected credit loss.

There was no significant change in the estimation techniques or material assumptions that were used in the second quarter of 2023 to assess the expected credit loss.

(12) Consideration of prospective information

The Group uses archive data to analyze and identify the economic factors that affect the credit risk and expected credit losses of each asset portfolio, and estimates the impairment parameters after prospective adjustment based on the regression model or imputation adjustment method. The relevant economic factors and their impact on PD and LGD vary according to the type of financial instruments.

The relevant economic factor of credit assets identified by the Group in 2023 was the economic growth rate. The relevant economic factors of debt instrument identified by the Group in 2023 were the global economic growth rate and inflation rate.

(Unless otherwise provided, Unit: NTD Thousand)

(13) Allowance for loss

<u>Changes in allowances for bad debts related to discounts and loans</u>

Changes in the allowances for bad debts related to discounts and loans for the period from January 1 to June 30, 2023 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non-purchased or originated credit impairment)	Impairment appropriated according to IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Total
Beginning balance	$293,702	$3,218	$20,532	$317,452	$3,258,679	$3,576,131
Changes in financial instruments recognized at the beginning of the period:						
- Converted to expected credit losses of the duration	(3,539)	17,207	-	13,668	-	13,668
- Converted to financial assets with credit impairment	-	(6)	1,936	1,930	-	1,930
- Converted to 12-month expected credit loss	26	(130)	-	(104)	-	(104)
- Financial assets derecognized in the current period	(78,555)	(574)	(3,282)	(82,411)	-	(82,411)
Purchased or originated new financial assets	267,794	1,589	831,470	1,100,853	-	1,100,853
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	(118,853)	(118,853)
Write-off bad debts	-	-	(831,579)	(831,579)	-	(831,579)
Recovered amount after write-off bad debts	-	-	176,870	176,870	-	176,870
Other Changes (Note)	-	-	(176,870)	(176,870)	-	(176,870)
Changes in exchange rate	-	-	-	-	3,056	3,056
Ending balance	$479,428	$21,304	$19,077	$519,809	$3,142,882	$3,662,691

Note: Due to the changes in allowance for bad debt are not affected by the recovered amount after write-off bad debts, which is fairly represented, the same amount is deducted from other changes.

(Unless otherwise provided, Unit: NTD Thousand)

Changes in the allowances for bad debts related to discounts and loans for the period from January 1 to June 30, 2022 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non-purchased or originated credit impairment)	Impairment appropriated according to IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Total
Beginning balance	$239,069	$9,673	$29,344	$278,086	$2,891,703	$3,169,789
Changes in financial instruments recognized at the beginning of the period:						
- Converted to expected credit losses of the duration	(858)	1,691	(678)	155	-	155
- Converted to financial assets with credit impairment	(5)	(17)	4,548	4,526	-	4,526
- Converted to 12-month expected credit loss	2,109	(6,616)	-	(4,507)	-	(4,507)
- Financial assets derecognized in the current period	(73,496)	(272)	(9,462)	(83,230)	-	(83,230)
Purchased or originated new financial assets	93,629	172	32,682	126,483	-	126,483
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	144,608	144,608
Write-off bad debts	-	-	(32,682)	(32,682)	-	(32,682)
Recovered amount after write-off bad debts	-	-	686,447	686,447	-	686,447
Other Changes (Note)	-	-	(686,447)	(686,447)	-	(686,447)
Changes in exchange rate	-	-	-	-	14,367	14,367
Ending balance	$260,448	$4,631	$23,752	$288,831	$3,050,678	$3,339,509

Note: Due to the changes in allowance for bad debt are not affected by the recovered amount after write-off bad debts, which is fairly represented, the same amount is deducted from other changes.

(Unless otherwise provided, Unit: NTD Thousand)

Changes in the total book value of discount and loan

Changes in the total book value for the period from January 1 to June 30, 2023 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non-purchased or originated credit impairment)	Total
Beginning balance	$244,336,795	$1,503,854	$70,393	$245,911,042
Converted to expected credit losses of the duration	(1,975,209)	1,916,768	-	(58,441)
Converted to financial assets with credit impairment	(578)	(6,807)	7,403	18
Transferred out from the financial assets with credit impairment	20,797	(22,324)	-	(1,527)
Discount and loan assessed collectively	-	-	-	-
Originated or purchased discounts and loans	68,411,681	116,773	81	68,528,535
Write-off bad debts	-	-	(831,579)	(831,579)
Derecognition	(69,663,088)	(726,130)	820,958	(69,568,260)
Ending balance	$241,130,398	$2,782,134	$67,256	$243,979,788

(Unless otherwise provided, Unit: NTD Thousand)

Changes in the total book value for the period from January 1 to June 30, 2022 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non-purchased or originated credit impairment)	Total
Beginning balance	$206,426,018	$3,003,338	$97,368	$209,526,724
Converted to expected credit losses of the duration	(832,583)	803,655		(28,928)
Converted to financial assets with credit impairment	(5,813)	(13,908)	18,398	(1,323)
Transferred out from the financial assets with credit impairment	2,176,776	(2,179,253)	(2,977)	(5,454)
Discount and loan assessed collectively	-	-	-	-
Originated or purchased discounts and loans	77,749,238	93,091	34	77,842,363
Write-off bad debts	-	-	(32,682)	(32,682)
Derecognition	(64,552,102)	(196,651)	711	(64,748,042)
Ending balance	$220,961,534	$1,510,272	$80,852	$222,552,658

(Unless otherwise provided, Unit: NTD Thousand)

Changes in expected credit losses of the financial assets - debt instrument measured at fair value through other comprehensive income by the Group are as follows:

Financial assets at fair value through other comprehensive income - allowance for losses	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Expected credit losses as of January 1, 2023	$24,998	$329,440	$-	$1,106,527	$1,460,965
Changes in financial instruments recognized on January 1, 2023					
Converted to expected credit losses of the duration	(1,223)	32,072	-	-	30,849
Converted to financial assets with credit impairment	-	-	-	-	-
Converted to 12-month expected credit loss	-	-	-	-	-
Financial assets derecognized in the current period	(2,373)	-	-	-	(2,373)
Financial assets written off in the current period	-	-	-	(1,106,527)	(1,106,527)
Purchased or originated new financial assets	2,407	-	-	-	2,407
Changes in model/risk parameters	5,208	46,225	-	-	51,433
Other changes and exchange rate changes	293	4,582	-	-	4,875
Expected credit losses as of June 30, 2023	$29,310	$412,319	$-	$-	$441,629

(Unless otherwise provided, Unit: NTD Thousand)

Financial assets at FVOCI—allowance for losses	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Expected credit losses as of January 1, 2022	$14,542	$79,009	$-	$-	$93,551
Changes in financial instruments recognized on January 1, 2022					
Converted to expected credit losses of the duration	-	-	-	-	-
Converted to financial assets with credit impairment	(1,097)	-	-	1,313,103	1,312,006
Converted to 12-month expected credit loss	-	-	-	-	-
Financial assets derecognized in the current period	(904)	-	-	-	(904)
Purchased or originated new financial assets	4,675	-	-	-	4,675
Changes in model/risk parameters	7,561	32,626	-	-	40,187
Other changes and exchange rate changes	893	5,809	-	-	6,702
Expected credit losses as of June 30, 2022	$25,670	$117,444	$-	$1,313,103	$1,456,217

(Unless otherwise provided, Unit: NTD Thousand)

Changes in the total book value of the Group's financial assets—debt instruments measured at FVOCI are further explained as follows:

Financial assets measured at FVOCI - total book value	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Total book value on January 1, 2023 (note)	$38,581,533	$3,167,476	$-	$1,807,401	$43,556,410
Converted to expected credit losses of the duration	(1,413,166)	1,433,439	-	-	20,273
Converted to financial assets with credit impairment	-	-	-	-	-
Transferred out from the financial assets with credit impairment	-	-	-	-	-
Purchased or originated new financial assets	3,474,283	-	-	-	3,474,283
Financial assets derecognized in period	(4,808,713)	-	-	-	(4,808,713)
Financial assets written off	-	-	-	(1,807,401)	(1,807,401)
Other changes and exchange rate changes	(163,127)	39,910	-	-	(123,217)
Total book value on June 30, 2023 (note)	$35,670,810	$4,640,825	$-	$-	$40,311,635

Note: Total book value does not include an evaluation adjustment.

(Unless otherwise provided, Unit: NTD Thousand)

Financial assets measured at FVOCI—total book value	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Total book value on January 1, 2022 (note)	$37,600,533	$1,858,109	$-	$-	$39,458,642
Converted to expected credit losses of the duration	-	-	-	-	-
Converted to financial assets with credit impairment	(2,050,264)	-	-	2,199,113	148,849
Transferred out from the financial assets with credit impairment	-	-	-	-	-
Purchased or originated new financial assets	7,096,174	-	-	-	7,096,174
Financial assets derecognized in period	(2,096,103)	-	-	-	(2,096,103)
Other changes and exchange rate changes	1,823,029	133,689	-	-	1,956,718
Total book value on June 30, 2022 (note)	$42,373,369	$1,991,798	$-	$2,199,113	$46,564,280

Note: Total book value does not include an evaluation adjustment.

(Unless otherwise provided, Unit: NTD Thousand)

The allowance for loss of the Company's receivables is measured with the expected credit loss amount of the duration. The assessments of the allowances for loss on June 30, 2023 and June 30, 2022 are described as follows:

The Group's receivables are not overdue. Considering counterparties' credit rating and regional and industrial factors, along with measuring the allowance for loss with the provision matrix, total book values were NTD12,901,068 thousand and NTD10,070,378 thousand, respectively, and the allowance for loss is measured with an expected credit loss rate of 0%~1%, for amounts of NTD170,121 thousand and NTD143,062 thousand, respectively.

Changes in allowances or loss of notes and accounts receivables of the Company in the six-month periods ended June 30, 2023 and 2022 are as follows:

	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Beginning balance	$145,255	$111,145
Amount appropriated in current period	62,195	71,680
Write-off amount	(51,341)	(83,073)
Recovery of write-off amount	14,012	43,310
Ending balance	$170,121	$143,062

(14) The Group's financial assets with the maximum credit risk exposures as of June 30, 2023, December 31, 2022 and June 30, 2022 amounted to NTD277,513,647 thousand, NTD279,549,759 thousand and NTD259,578,783 thousand, respectively. These include financial assets measured at FVOCI and discounts and loans.

(15) The maximum credit risk exposure amount of the financial instruments that are not subject to impairment requirements is as follows:

	2023.06.30	2022.12.31	2022.06.30
Financial assets measured at FVTPL			
- Debt instruments	$38,198,180	$35,787,190	$34,494,375
- Derivatives	40,603	7,389	35,078

(16)Collateral and other credit enhancements

The Group adopts a series of policies and measures for the credit business to reduce credit risk, one of the commonly uses methods is to request the borrowers to provide collateral. For the collateral assessment management and loan collateral value calculation, the Group has procedures for the range of collateral collected, the valuation, management, and disposal of collateral formulated to ensure loans. The main types of collateral for the Group's financial assets are as follows:

- Real estate mortgage: The loan amount is set separately according to the location of the real estate. For larger amount or special products, the public appraisers are entrusted to perform price evaluation.
- Stocks: The reasonable loan amount and evaluation criteria are formulated by the conditions of listing, OTC, emerging market, and unlisted stocks.
- Property: An appropriate loan amount is determined according to the nature of disposition and cost.
- Certificate of Deposit: Mainly refers to the Bank's certificate of deposit in foreign currency.
- Credit insurance: It is handled with credit insurance for small and medium-sized enterprises.
- Rights pledge: Special rights, such as, land rights and creditor's rights are judged separately on a case-by-case basis.

The credit contract states the creditor 's right security clauses and collateral clauses, which clearly define that in an event of credit, the credit limit may be reduced, repayment period may be reduced or deemed to be fully due, and others to reduce the credit risk.

The collateral of other non-credit business is subject to the nature of the respective financial instrument. Only asset-based securities and other similar financial instruments are secured by a group of asset-based financial instruments.

The Group's collateral policy has no significant change occurring on the balance sheet date and there has been no significant change in the quality of the overall collateral.

The Group closely observes the value of collateral for financial instruments and determines the impairment to be appropriated for the financial assets with credit impairment occurred. The financial assets with credit impairment are as follows:

	Total book value	Provision for impairment	Total exposure (cost after amortization)
Impaired financial assets:			
Discounts and loans	$62,651	$16,279	$46,372
Total financial assets with impairment	$62,651	$16,279	$46,372

4. Liquidity Risk

(1) Sources and definitions of liquidity risk

The definition of the Group's liquidity risk refers to the possible financial losses due to the inability of having assets cashed or obtaining loans to have the funds needed to liquidate the financial liabilities, for example, depositors' terminating deposits before the maturity date, financing channels and conditions for inter-bank lending become worse or difficult due to specific market influences. Also, the debtor's credit default situation has deteriorated, which makes the recovery of funds abnormal and the realization of financial instruments difficult. The aforementioned circumstances may weaken the Group's source of cash for financial activities, such as, loans, trading, and investment. In some extreme situation, the lack of liquidity may result in a decline in the position of the balance sheet, the sale of the asset, or the failure in meeting the borrowing commitment. Liquidity risk exists in the inherent risks of all banking operations and may be affected by various industry-specific or market-wide events, including but not limited to: credit events, mergers or acquisitions, systemic impact, and natural disasters.

(2) Liquidity risk management policy

The liquidity management procedures of the Group are executed separately in the Finance Department and the Risk Management Department. However, the branches are required to notify the Finance Department of the funding gap for the unified control of the Finance Department and are monitored by the independent Risk Management Department. The procedures include:

① Schedule daily finds, monitor future cash flows to ensure the fulfillment of various needs.

(Unless otherwise provided, Unit: NTD Thousand)

② Maintain an appropriate amount of high liquidity assets that can be easily realized to buffer unforeseen and unexpected events that may interrupt cash flow.

③ Monitor the liquidity ratio of the consolidated balance sheet in accordance with the internal management purposes and external regulatory requirements.

The monitoring process is based on the measurement and speculation of the flow of funds one day and one month in the future (such period is used by the Group for the management of liquidity risk). The estimation of future cash flows begins with an analysis of the contractual maturity date of financial liabilities and the expected cash realization date of financial assets. The Risk Management Department of the Group also monitors the extent and pattern of contingent liabilities, such as mid-term and long-term borrowing commitments, discount quotas, and guarantee letters.

Relevant information is regularly reported to the Group’s Risk Management Committee and the Board of Directors.

(3) Regarding the financial liabilities held for the purpose of managing the liquidity risk, the due date of the Group’s financial liability contracts is summarized in the table below. The amounts disclosed in the table are based on contractual cash flows, so the amount disclosed in some of projects does not correspond to the related items on the consolidated balance sheet.

2023.06.30

	Not more than 1 month	1~3 months	3 months ~ 1 year	More than 1 year	Total
Non-derivative financial liabilities					
Deposits from the Central Bank and other banks	$24,344,539	$-	$-	$-	$24,344,539
Funds borrowed from Central Bank and other banks	1,050,000	3,000,000	1,000,000	249,000	5,299,000
Securities sold under agreements to repurchase	10,117,822	1,653,000	-	-	11,770,822
Deposits and remittances	31,131,159	34,765,149	112,911,797	113,281,779	292,089,884
Lease liabilities (Note)	7,634	15,219	63,465	248,421	334,739
Other liabilities	1,619,052	2,265,822	1,239,731	-	5,124,605

(Unless otherwise provided, Unit: NTD Thousand)

Derivative financial liabilities					
Derivative financial liabilities measured at FVTPL					
Foreign exchange derivatives					
Cash outflow	$3,451,483	$-	$-	$-	$3,451,483
Cash inflow	3,418,505	-	-	-	3,418,505
Net cash flow	$(32,978)	$-	$-	$-	$(32,978)

2022.12.31

	Not more than 1 month	1~3 months	3 months ~ 1 year	More than 1 year	Total
Non-derivative financial liabilities					
Deposits from the Central Bank and other banks	$24,092,259	$-	$-	$-	$24,092,259
Funds borrowed from Central Bank and other banks	1,100,000	1,800,000	1,800,000	349,000	5,049,000
Securities sold under agreements to repurchase	11,340,985	4,486,144	-	-	15,827,129
Deposits and remittances	39,389,804	43,560,035	90,085,223	110,474,972	283,510,034
Lease liabilities (Note)	7,638	15,103	64,588	255,474	342,803
Other liabilities	1,219,493	2,715,441	693,759	-	4,628,693
Derivative financial liabilities					
Derivative financial liabilities measured at FVTPL					
Foreign exchange derivatives					
Cash outflow	$4,490,237	$-	$-	$-	$4,490,237
Cash inflow	4,455,034	-	-	-	4,455,034
Net cash flow	$(35,203)	$-	$-	$-	$(35,203)

(Unless otherwise provided, Unit: NTD Thousand)

2022.06.30

	Not more than 1 month	1~3 months	3 months ~ 1 year	More than 1 year	Total
Non-derivative financial liabilities					
Deposits from the Central Bank and other banks	$19,219,325	$-	$-	$-	$19,219,325
Funds borrowed from Central Bank and other banks	300,000	1,700,000	1,700,000	150,000	3,850,000
Securities sold under agreements to repurchase	17,005,750	1,304,000	-	-	18,309,750
Deposits and remittances	41,023,103	35,827,013	80,872,130	106,209,284	263,931,530
Lease liabilities (Note)	7,008	13,898	59,425	246,420	326,751
Other liabilities	799,723	2,515,864	696,216	-	4,011,803
Derivative financial liabilities					
Derivative financial liabilities measured at FVTPL					
Foreign exchange derivatives					
Cash outflow	$3,051,254	$-	$-	$-	$3,051,254
Cash inflow	3,022,519	-	-	-	3,022,519
Net cash flow	$(28,735)	$-	$-	$-	$(28,735)

Note 1. Further information on the maturity analysis of the lease liabilities is provided in the following table:

Lease liabilities	Period to expiry				
	Less than 1 year	1~5 years	6~10 years	10~15 years	Total
2023.06.30	$86,318	$215,544	$32,877	$-	$334,739
2022.12.31	$87,329	$224,353	$31,121	$-	$342,803
2022.06.30	$80,331	$204,846	$41,574	$-	$326,751

5. Market Risk

(1) Source and definition of market risk

Market risk refers to the loss of the positions that may occur on and off the balance sheet due to the changes in market prices. The so-called market price refers to interest rate, exchange rate, stock price, and product price.

The Group shall classify the holding position into a trading book and a banking book according to its purpose. The market risks faced by each position can be divided into four risk categories: interest rate, equity securities, foreign exchange, and product.

① The "trading book" includes the position of the financial products (including goods and derivative financial products) and physical products held for the purpose of trading or for the risk hedging of the trading book position. The “purpose of trading” stated in the preceding refers to the intention of a short-term gain or the generation or securing of arbitrage from actual or expected short-term price fluctuations.

② Financial products and physical products that are not held for the aforementioned purpose are within the scope of the "banking book."

③ Market risk management scope:

I. For interest rates and equity securities, it is only necessary to compute the capital needed for market risk of the trading book.

II. For foreign exchange and products, it is necessary to compute the capital needed for all market risks.

(2) Market risk management strategy

① Market risk management strategies should be documented to explain market risk management objectives and to ensure consistency in market risk management of the Bank.

② The market risk management strategies shall be appropriately adjusted in response to the Group’s operating environment and changes in risk. They shall also be in line with the Group’s business strategies and objectives, and cover all key market risks associated with the business.

③ The market risk management strategies shall include at least the following:

I. Market risk measurement methods: including qualitative and quantitative methods.

II. Market risk monitoring methods: such as limits management, stop-loss mechanism, etc.

III. The Group shall establish an approval hierarchy and regulate the standard operating procedure for overrun.

(3) Market risk management process

The market risk management process includes risk identification, measurement, communication, and monitoring. The Group shall effectively identify, measure, communicate, and monitor market risks associated with all major trading products, trading activities, processes, and systems.

① Risk identification

I. The so-called market risk factor refers to the market ratio and price that influence the price of the position. The Group’s risk measurement system should have sufficient risk factors to measure the risks in the on- and off-balance sheet trading position.

II. For any structured financial product, the market risk factors of each part should be identified in order to provide the basis for a correct measurement of the market risk exposure of the structured product.

III. The selection of risk factors includes interest rates, exchange rates, equity securities prices, and product prices.

IV. Each unit of the Group shall identify the market risk in business activities or financial products.

② Risk measurement

I. The risk management personnel of the Group’s business trading units shall establish reasonable verification and control procedures for the sources of market data, such as, product market price, interest rate, and exchange rate.

II. When the risk management personnel of the business transaction units measure market risk, they should consider the market liquidity risk caused by insufficient market depth, low market transparency, or market disorder.

III. The risk management personnel of the financial transaction unit shall evaluate the trading position base on the market price at least once a day. All model parameters should be evaluated daily if the model is used for evaluation.

IV. The Group should develop a procedure for measuring the overall position risk exposure according to the scale and complexity of the portfolio held to avoid excessive concentration of the investment portfolio on a certain risk factor. When performing risk measurement, the individual risk of the subject matter of the transaction and the possible risk dispersion effect should be taken into account upon evaluating the volatility and correlation of the subject matter of the transaction. And a position with poor liquidity or insufficient market price transparency should be evaluated conservatively in order to fully assess the market risks faced by the Group.

③ Risk communication

I. Internal report

i. Market risk reports shall regularly provide accurate, consistent, and timely information to senior executives as a reference for their decisions.

ii. The Group should establish various operating procedures to ensure that overruns and exceptions (e.g., violations of policies and procedures) can be immediately reported to the governing management.

II. External disclosure

i. The market risks faced by the Group should be fully disclosed.

ii. The computed capital of the following risks should be disclosed: Interest rate risk, equity securities risk, foreign exchange risk, and product risk.

iii. The extent of information disclosure should be in line with the scale, risk profile, and complexity of the Group’s sales operations.

④ Risk monitoring

I. Each business unit of the Group shall establish a transaction limit system, which shall be controlled by the risk management personnel on a daily basis. If there is a lack of risk management, such as, overrun or other special circumstances, it shall be reported in due course to facilitate the adoption of the response measures.

II. The status of the transaction shall be monitored immediately and comprehensively, such as whether the changes in position, changes in profit or loss, trading patterns, and subject matter of the transaction are within the scope of business authorization.

III. Information needed for the review of financial products valuation should be obtained by the Group externally or through a channel other than the trading unit in order to avoid manipulation of price data due to conflicts of interest.

IV. The Group shall stipulate the limits management, stop-loss mechanism, and overrun process to effectively monitor market risks.

i. Limits management

The responsible business department shall set the limits for financial product transactions according to the product characteristics and authorization hierarchy, such as, traders, risk category, counterparty's trading position limits, stop-loss limits, etc.

ii. Stop-loss mechanism

The responsible business department shall establish a clear stop-loss mechanism and implement it to effectively control the loss within the expected range.

iii. Overrun processing

The responsible business department shall clearly establish a defined limit and overrun mechanism and implement it to effectively handle the extraordinary cases.

(4) Trading book risk management policy

Financial transactions should be divided into trading books and banking books according to the intention of holding, which are defined as follows:

① The scope and definition of the trading book: The trading book includes the position held for the purpose of trading or risk hedging of the trading book. The position must be free from any contractual restrictions in trade, or the risk can be completely hedged. The positions included in the trading book are summarized as follows:

I. The positions held for earning a profit from the actual or expected spread.

II. The positions held for earning a profit from other price changes.

III. The position held due to engaging in the brokerage and trade business.

IV. The position held to offset all or most of the risks of another asset position or portfolio on the trading book.

V. All positions that can be traded within the predetermined investment amount.

② Trading Book Authorization Projects:

I. Monetary market transactions: short-term bill (bond) within one year.

II. Capital market transactions: More than one year government bonds, corporate bonds, financial bonds, beneficiary securities, asset securitization bonds, stocks, various types of fund beneficiary certificates, and convertible corporate bonds.

III. Derivative financial product transactions: including exchange rates, interest rates and stocks, etc.

IV. Foreign exchange market transactions: foreign exchange spot, swap, forward foreign exchange, and forward rate agreement.

③ Evaluation mechanism of the transaction book:

The evaluation mechanism of the Group's trading book position shall be handled by the risk management personnel who are independent of the trading desk. The trading book position shall be valued on a daily or weekly basis in accordance with the "Market to Market Method" with information from an independent source and readily available, such as, exchange prices, electronic screen quotes, or quotes from independent brokers, which should be presented to the Board of Directors for approval and future reference.

④ Management specifications and procedures for the position limits, monitoring, early warning, stop-loss, and reporting: These should be handled in accordance with the Group's Regulations Governing Market Risk, Regulations Governing Security Investment, Regulations Governing Derivatives Transactions, Regulations Governing Foreign Exchange Business, Regulations Governing Loans Business, Interest Rate Risk Management Policy, Liquidity Risk Management Policy, and other relevant regulations.

(5) Management of interest rate risk in banking book

① Management strategy and process

Make adequate adjustment to respond to the changes in the Group's operating environment and the changes in risks. Maintain the Group's operational strategies and deepen the Group's operations. Enhance the performance of the Bank's asset portfolio. Assess the impact of changes in interest rate on economic value or earnings. Establish the interest rate risk in banking book control mechanism in accordance with the "Regulations Governing Interest Rate Risks in Banking Book," which is implemented in accordance with the procedures of identification, measurement, communication, and monitoring, so that the interest rate risk is maintained at an appropriate level. Consistency of objectives and coverage of all-important interest rate risks in banking book associated with the business.

② Management organization and structure

A. The Board of Directors is the highest decision-making authority of the Group's interest rate risk in banking book management and bears ultimate responsibility for the Group's interest rate risk in banking book.

B. The Asset and Liability Management Committee is responsible for assessing the Group's operating performance, capital position, asset and liability risk position and interest rate sensitivity, as well as researching and adjusting the best ratio of various assets and liabilities, and evaluating the Group's deposit and loan interest rate pricing strategy.

C. The Risk Management Committee is responsible for implementing the interest rate risk in banking book management decisions approved by the Board of Directors, coordinating the interest rate risk in banking book management matters, and continuously monitoring the performance of risk management.

D. The Risk Management Department is the exclusive unit for the Group's interest rate risk in banking book management. It is responsible for planning, establishing, and integrating the Group's interest rate risk in banking book management operations, and implementing the Bank's overall interest rate risk in banking book management and monitoring work in order to assess the impact of changes in interest rate on the economic value or earnings. Also, regularly aggregating the Bank's interest rate risk in banking book management information and then report it to the Risk Management Committee and the Board of Directors, and disclose risk management information according to the regulations of the competent authorities.

E. The business units in the head office are responsible for setting and managing the respective regulations and operating procedures for the interest rate risks in banking book, and assisting the Risk Management Department to manage the interest rate risk position related to their business.

F. All units (including business units) of the Company are responsible for identifying the interest rate risks in the banking book, cooperating with the implementation of the interest rate risk in banking book management decisions, and adopting the risk offset treatment method or response measures approved by the President to operate and adjust the interest rate risk exposure position on and off the balance sheet.

③ Risk reporting/measurement system scope, characteristics, and frequency
The Group makes the "The Ratio of Change in Economic Value of Equity (△EVE) Accounting for Net Tier 1 Capital When Banking Book Position Is under the Scenarios of Interest Rate Volatility of Six Management and Supervision Recommendations" the supervision and management index to control the Group’s interest rate risk in the banking book within the tolerance, and reports it to the Risk Management Committee on a monthly basis. The Group analyzes the changes and compares them to the conditions of the last month. The Group also provides the management with correct, consistent, and prompt information as a reference for their decision-making and have it disclosed in the risk control report to the Board of Directors on a quarterly basis. The content and scope of the risk control report are as follows: (I) Measurement indicators: 1. Earnings perspective (interest rate risk warning and reporting) and 2. Economic value (The Ratio of Change in Economic Value of Equity (△EVE) Accounting for Net Tier 1 Capital When Banking Book Position Is under the Scenarios of Interest Rate Volatility of Six Management and Supervision Recommendations); (II) Stress test: (1) the impact of changes in interest rate on the "earnings" of the next year and (2) the impact of interest rate volatility on economic value. The Information Department and the business units are to provide the information of relevant electronic files or written materials to the Risk Management Department in order to effectively grasp overall risk position and provide appropriate risk measurement results to assist with the interest rate risk in banking book management.

④ Risk hedging/risk-reducing policies and strategies and processes for keeping the monitoring and hedging/reducing risk tools effective continuously.
When handling banking book interest rate risk related businesses and transactions, assess the probability of occurrence of the event or transaction loss and the severity of the loss. Also, adopt countermeasures such as, risk hedging, risk reduction or transfer, risk control, and risk endurance.

In case of special circumstances that may seriously affect the Group’s earnings or economic value, the Risk Management Department or the business units in the head office shall report it to the President and adopt appropriate risk offset methods or response measures to reduce the banking book interest rate sensitivity net impacted position or increase the Group’s capital.

(6) Market risk assessment

① Stress test

The stress test is used to assess the Group’s risk tolerance ability under a stress scenario so that the Group is able to develop specific and feasible hedging strategies and response plans in order to monitor possible changes in risk conditions under various scenarios. Also, the Board of Directors and the executives are authorized to determine whether the Group’s risk exposure is suitable for its risk appetite. This serves as one of the important tools for identifying, measuring, and controlling capital adequacy and liquidity planning decisions.

※ The Group has investments classified according to the investment classification principle:

A. Domestic and foreign bonds and bills and equity investments in banking books

a. Domestic bond investment: Book value on the base date is treated as the exposure at default (EAD) and included for calculation. The default rate (PD) is calculated according to the risk linked indicator and referring to the default rate table, and the loss given default (LGD) is divided into with and without guarantee, which are estimated separately by referring to the experience of recovery.

b. Domestic equity investment: The book value on the base date is treated as the exposure at default (EAD). The probability of default (PD) is estimated by referring to the stress test of the credit risk of the credit position, and the loss given default (LGD) is estimated at 100% since the probability of recovery is very small.

c. Foreign bills and bonds and equity investments: The assets related to foreign bill and bond investments and equity investments has a fixed loss rate (PD*LGD) given to calculate the expected losses under stress scenario. Among them, sovereign state-based risk is mainly based on its external rating results to give a default rate, and stress tests are only conducted for more serious scenarios. Otherwise, counterparties are given a different probability of default (PD) depending on whether the counterparties belong to the financial industry. For the calculation of the exposure at default, the investment position is calculated on the basis of the book value.

B. Securities and derivative products transactions in the trading book

Based on the current calculation of the market risk stress test of the second pillar, the Group uses market risk factor sensitivity analysis to calculate the impact on profit or loss arising from asset impairment due to the changes in risk factors, including equity security, interest rates, gold and exchange rates, products, and credit-derived products. Changes in each risk factor lead to different benefits and losses depending on the severity of the scenario. Among all risk factors and domestic and foreign scenarios, there may be losses in certain parts of the position and gains in other parts in the same scenario. The greatest loss resulting from fluctuations in scenario is deemed as the estimated loss in the stress scenario.

② Sensitivity Analysis

Test items: For the main trading book positions in different markets, the listed scenario test is carried out if the computed market risk capital of the position accounts for more than 5% of the total market risk capital.

A. Interest rate risk

Assuming all other factors were unchanged, if the yield curves of all markets in the world shifted downward/upward by 100 basis points on June 30, 2023, the Group's net profit or loss would increase/decrease by NTD1,687,659 thousand.

(Unless otherwise provided, Unit: NTD Thousand)

B. Exchange rate risk

Assuming all other factors were unchanged, if the major currency exchange rates on June 30, 2023 relatively appreciated/depreciated by 3%, the Group's net profit or loss before tax would increase/decrease by NTD25,909 thousand. The main currencies are the USD, EUR, and JPY.

C. Equity securities price risk

Other things being equal, if the price of equity securities on June 30, 2023 were relatively increased/decreased by 15%, the Group's net profit or loss before tax would increase/decrease by NTD930,100 thousand.

D. Sensitivity analysis is compiled as follows:

2023.01.01～2023.06.30

Market category	Scenario	Affected profit or loss amount	Minimum capital computed for market risk	Percentage
Equity market	Major stock markets +15%	930,100	2,281,899	40.76%
	Major stock markets -15%	(930,100)		-40.76%
Interest rate market	Main interest rate +100bp	(1,687,659)		-73.96%
	Main interest rate -100bp	1,687,659		73.96%
Foreign exchange market	Main currency +3%	25,909		1.14%
	Main currency -3%	(25,909)		-1.14%
Product market	Product price +15%	-		0.00%
	Product price -15%	-		0.00%
General scenario	Main stock markets -15%, main interest rates +100bp, main currencies +3%, product prices -15%	(2,591,850)		-113.58%

2022.01.01～2022.06.30

Market category	Scenario	Affected profit or loss amount	Minimum capital computed for market risk	Percentage
Equity market	Major stock markets +15%	1,099,196	2,407,962	45.65%
	Major stock markets -15%	(1,099,196)		-45.65%
Interest rate market	Main interest rate +100bp	(1,715,343)		-71.24%
	Main interest rate -100bp	1,715,343		71.24%
Foreign exchange market	Main currency +3%	22,087		0.92%
	Main currency -3%	(22,087)		-0.92%
Product market	Product price +15%	-		0.00%
	Product price -15%	-		0.00%
General scenario	Main stock markets -15%, main interest rates +100bp, main currencies +3%, product prices -15%	(2,792,452)		-115.97%

(7) Exchange rate risk concentration information

The Group's foreign currency financial assets and liabilities with significant impact are as follows:

	2023.06.30			2022.12.31		
	Foreign currency (thousand)	Exchange rate	NTD	Foreign currency (thousand)	Exchange rate	NTD
Financial assets						
Monetary items						
USD	$1,524,236	31.14	$47,457,078	$1,558,354	30.71	$47,853,926
HKD	213,717	3.97	849,269	214,942	3.94	846,504
AUD	4,103	20.61	84,585	4,750	20.83	98,942
JPY	8,297,477	0.21	1,783,128	8,615,067	0.23	2,002,141
EUR	1,746	33.79	58,994	2,357	32.71	77,113
RMB	34,209	4.28	146,505	38,061	4.41	167,764
Non-monetary items	-	-	-	-	-	-
Financial liabilities						
Monetary items						
USD	$1,597,418	31.14	$49,735,603	$1,657,626	30.71	$50,902,392
HKD	14,552	3.97	57,827	11,429	3.94	45,010
AUD	31,366	20.61	646,592	33,971	20.83	707,598
JPY	2,604,067	0.21	559,614	2,098,883	0.23	487,780
EUR	1,737	33.79	58,711	2,355	32.71	77,024
RMB	212,388	4.28	909,571	226,959	4.41	1,000,389
Non-monetary items	-	-	-	-	-	-

	2022.06.30		
	Foreign currency (thousand)	Exchange rate	NTD
Financial assets			
Monetary items			
USD	$1,571,243	29.73	$46,706,758
HKD	145,033	3.79	549,500
AUD	7,010	20.45	143,370
JPY	8,622,880	0.22	1,881,513
EUR	4,662	31.05	144,732
RMB	208,485	4.44	925,695
Non-monetary items	-	-	-
Financial liabilities			
Monetary items			
USD	$1,730,902	29.73	$51,452,807
HKD	15,490	3.79	58,688
AUD	38,944	20.45	796,467
JPY	1,605,899	0.22	350,407
EUR	4,646	31.05	144,236
RMB	237,650	4.44	1,055,190
Non-monetary items	-	-	-

Due to the wide variety of foreign currencies of the Group, it is impossible to disclose the exchange gains and losses information of monetary financial assets and financial liabilities by each foreign currency with significant impact. The Group's foreign exchange profit and loss in January 1 - June 30, 2023 and January 1 - June 30, 2022 were NTD(49,940) thousand and NTD(224,280) thousand, respectively.

(8) Others

Due to the outbreak of Russo-Ukrainian War in 2022, credit rating agencies have downgraded the sovereign rating of Russia, which has increased the credit risk of financial instruments in the Group's investment in Russia. When preparing the financial report, the Group has considered the relevant impacts and made appropriate provision for impairment. However, it is assessed that the overall economic environment has no material impact on the Group's financial condition and ability as a going concern.

XV. Capital Management

1. Overview

   In response to the trend of capital management, the Group's overall business monitoring indicators are established to match the business development strategy and to reflect the overall risk situation. The various capital management indicators of the Group are as follows:

   (1) The Bank's overall capital adequacy ratio shall not be less than 10.5%.
   (2) Tier 1 capital shall not be less than 8.5% of the total risk assets.
   (3) The common stock equity shall not be less than 7.0% of the total risk assets.
   (4) The total business reserve and allowance for bad debt as stated in Tier 2 capital with a credit risk standard adopted shall not exceed 1.25% of the total amount of credit risk and weighted risk assets.

2. Capital management procedure

   (1) The Group's capital management objectives are based on the "Legal Capital":
   Legal Capital Management Objectives: To meet the legal capital requirements of the supervisory authority, set the Company's capital adequacy ratio target, and ensure that the Company can operate safely and steadily.

   (2) Legal capital management

   ① Demand legal capital
   The Group uses the "Methods for calculating Bank's regulatory capital and Risk Weighted Assets" (hereinafter referred to as the "calculation methods") that is issued by the competent authority to calculate the unanticipated losses arising from the credit risk, market risk, and operational risk under the existing assets and operating conditions, and compute the relative capital in response to the situation accordingly.

   ② Legal capital available
   The Group's legal capital available is based on the rules published by the competent authorities to have the Group's capital classified by its source and characteristics as follows:

   Tier 1 Capital:

   1) Refers to the common stock equity net of intangible assets, deferred income tax assets arising from the losses of previous years, business reserve and insufficient appropriation of the allowance for bad debt, revaluation increments of real estate, unamortized loss of the bad debts sold, and other legal adjustment items specified and stipulated according to the calculation methods.

Common stock equity: Includes common stock and its share premium, advance capital, additional paid-in capital, legal reserve, special reserve, accumulated profit or loss, non-controlling equity, and other equity items.

2) Other Tier 1 capital other than common stock equity: Includes perpetual non-cumulative preferred stock and its share premium, non-cumulative subordinated bonds without a maturity date, perpetual non-cumulative preferred stock and its share premium issued by the subsidiaries that are not directly or indirectly held by Bank, and non-cumulative subordinated bonds without a maturity date.

Tier 2 Capital:
Includes perpetual cumulative preferred stock and its share premium, cumulative subordinate bonds without a maturity date, convertible subordinate bonds, long-term subordinate bonds, non-perpetual preferred stock and its share premium, real estate's first-time adoption of IAS, increase of retained earnings arising from the fair value or the revaluation value used as the cost, the valuation increments arising from the subsequent measurement of investment real estate at fair value and 45% of the unrealized benefits of the financial assets measured at FVOCI, business reserve and allowances for bad debts, perpetual cumulative preferred stock and its share premium issued by the subsidiaries that are not directly or indirectly held by Bank, and cumulative subordinated bonds without maturity date, convertible subordinate bonds, long-term subordinate bonds, and non-perpetual preferred stock and its share premium. The items ought to be deducted as stipulated in the explanation of the calculation methods.

The allowance for bad debt included in Tier 2 capital in the preceding paragraph refers to the amount that the bank's allowance for bad debt exceeds the estimated loss of the bank based on historical losses.

③ The management of legal capital is to convert the unanticipated losses of each risk to the total amount of risk assets, and then divide the legal capital available by the total amount of the risk assets to calculate the capital adequacy ratio. The basic objective is to ensure that the Group's capital adequacy ratio is higher than the mandatory legal ratio.

(3) Capital Adequacy
The Group's consolidated qualified regulatory capital ratio and risk assets ratio on June 30, 2023, December 31, 2022, and June 30, 2022 were 14.37%, 14.05%, and 13.55%, respectively. These were in line with the capital management regulations of the competent authorities.

XVI. Supplementary Disclosure

1. Information on significant transactions
   (1) Cumulative amount of the stock of the same investee purchased or sold totaling NTD300 million or more than 10% of the paid-in capital: None.
   (2) Acquisition of real estate totaling NTD300 million or more than 10% of the paid-in capital: None.
   (3) Disposal of real estate totaling NTD300 million or more than 10% of the paid-in capital: None.
   (4) Discount of service charges in transaction with related party totaling more than NTD5 million: None.
   (5) Receivables from related party totaling NTD300 million or more than 10% of the paid-in capital: None.
   (6) Information regarding sale of non-performing loan: None.
   (7) The types of securitized products and related information applied and approved for process according to the "Financial Assets Securitization Act" or the "Clauses of the Real Estate Securitization Act": None.
   (8) Business relationships or significant transactions and amounts between parent company and subsidiaries and among subsidiaries: Please refer to Table 1.
   (9) Other important transactions sufficient to affect the decision-making of financial statements users: None.

2. Information on reinvestment and total shareholding
   (1) Information on reinvestment: None.
   (2) Loaning to others: Please refer to Table 2.
   (3) Endorsements/guarantees to others: None.
   (4) Marketable securities held at the end of the period: Please refer to Table 3.
   (5) Cumulative amount of the stock of the same investee purchased or sold totaling NTD300 million or more than 10% of the paid-in capital: None.
   (6) Information on trading in derivative instruments: None.
   (7) Acquisition of real estate totaling NTD300 million or more than 10% of the paid-in capital: None.
   (8) Disposal of real estate totaling NTD300 million or more than 10% of the paid-in capital: None.

(9) Discount of service charges in transaction with related party totaling more than NTD5 million: None.
(10) Receivables from related party totaling NTD300 million or more than 10% of the paid-in capital: None.
(11) Information regarding sale of non-performing loan: None.
(12) The types of securitized products and related information applied and approved for process according to the "Financial Assets Securitization Act" or the "Clauses of the Real Estate Securitization Act": None.
(13) Other important transactions sufficient to affect the decision-making of financial statements users: None.

3. Setting up branches and investments in Mainland China

No such event.

4. Information on major shareholders: Please refer to Table 4.

5. Disclosure of other supplementary information
(1) Loans and receivables and allowance for bad debt assessment form: Please refer to XIV. 3 (13) for details.
(2) Quality of assets: Please refer to Table 5.
(3) Non-performing loans or overdue accounts receivable exempted from report: Please refer to Table 6.
(4) Concentration of credit risk: Please refer to Table 7 and Table 7-1.
(5) Interest rate sensitive assets and liabilities analysis table: Please refer to Table 8 and 8-1.
(6) Profitability: Please refer to Table 9.
(7) Maturity date structure analysis table: Please refer to Table 10 and Table 10-1.
(8) Capital adequacy: Please refer to Tables 11 and 11-1.

XVII. Department Information

1. The Group has the department operation information disclosed in the consolidated financial statements.
(1) Branch business operation department: Handle deposits and loans, foreign exchange, guarantees, discounts and cashiers, safe deposit boxes, trust business promotion, and assets, liabilities, income, and expenses that cannot be directly attributed or cannot be classified to an operating department.
(2) Financial market operation department: Take charge of the Bank's fund scheduling and investment related work.

(Unless otherwise provided, Unit: NTD Thousand)

The management individually monitors the operational results of each operating department and has made decisions on resource allocation and performance evaluation. The performance evaluation of the department is based on the operating profit or loss. The accounting policies of the operating department are the same as the summary of the significant accounting policies described in Note 4.

2023.01.01～2023.06.30

	Branch business	Financial market	Adjustments and elimination	Total
Interest income	$2,477,278	$374,534	$-	$2,851,812
Service fee income	1,082,228	-	-	1,082,228
Investment profit	79,452	837,052	-	916,504
Other income and expenditures	122,030	-	-	122,030
Total revenue	3,760,988	1,211,586	-	4,972,574
Depreciation and amortization	(43,262)	(31,340)	-	(74,602)
Total operating expenses	(1,009,389)	(165,702)	-	(1,175,091)
Other major non-cash accounts				
Bad debt appropriation	(830,324)	-	-	(830,324)
Segment profit/loss	$1,878,013	$1,014,544	$-	$2,892,557

(Unless otherwise provided, Unit: NTD Thousand)

2022.01.01～2022.06.30

	Branch business	Financial market	Adjustments and elimination	Total
Interest income	$2,277,692	$750,058	$-	$3,027,750
Service fee income	1,164,330	-	-	1,164,330
Investment profit	(32,586)	(2,494,584)	-	(2,527,170)
Other income and expenditures	50,053	-	-	50,053
Total revenue	3,459,489	(1,744,526)	-	1,714,963
Depreciation and amortization	(34,360)	(28,886)	-	(63,246)
Total operating expenses	(849,328)	(92,225)	-	(941,553)
Other major non-cash accounts				
Bad debt appropriation	424,767	-	-	424,767
Segment profit/loss	$3,000,568	$(1,865,637)	$-	$1,134,931

The information relating to the assets of the Group's operating department on June 30, 2023, December 31, 2022, and June 30, 2022 is shown in the following table:

	Branch business	Financial market	Adjustments and elimination	Total
2023.06.30				
Segment assets	$282,984,565	$104,028,028	$423,513	$387,436,106
2022.12.31				
Segment assets	$283,040,645	$96,499,536	$446,615	$379,986,796
2022.06.30				
Segment assets	$252,003,546	$102,669,771	$491,973	$355,165,290

2. Product information:
   The Bank and its subsidiaries are divided into operating departments on the basis of business operations. Therefore, no further business information will be disclosed.

3. Regional information:
   The revenues of the Bank and its subsidiaries are entirely generated in Taiwan.

4. Important customer information:
   The Bank and its subsidiaries did not generate revenues from one specific external customer for an amount more than 10% of the Bank’s income.

Table 1

Business Relationships and Significant Transactions Between Parent Company and Subsidiaries: Unit: NTD thousand

Serial No. (Note 1)	Trader’s name	Counterparty	Relationship with trader (Note 2)	2023.01.01~2023.06.30			
				Transactions			
				Account	Amount	Terms and conditions	Percentage of consolidated total revenue or total assets (Note 3)
0	The Company	Kings Town Bank International Lease Corporation	1	Deposits and remittances	107,471	General	0.03
0	The Company	Kings Town Bank International Lease Corporation	1	Other non-interest net profit or loss	924	General	0.02
0	The Company	Kings Town Intl. Construction Management Corporation	1	Deposits and remittances	7,587	General	－
0	The Company	Kings Town Intl. Construction Management Corporation	1	Other non-interest net profit or loss	288	General	0.01
0	The Company	Kings Town Securities Co., Ltd.	1	Deposits and remittances	296,766	General	0.08
0	The Company	Kings Town Securities Co., Ltd.	1	Payables	215	General	－
0	The Company	Kings Town Securities Co., Ltd.	1	Other business and administrative expenses	984	General	0.02
0	The Company	Kings Town Securities Co., Ltd.	1	Other non-interest net profit or loss	306	General	0.01

Note 1: The information about transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:

1. 0 is for the Parent Company.
2. Subsidiaries are numbered from number 1.

Note 2: There are three types of relationships with traders, please mark the type intended.

1. Parent company vs. subsidiaries
2. Subsidiaries vs. parent company
3. Subsidiary vs. subsidiary

Note 3: For computing the percentage of trade amount to total sales revenue or total assets, if it is for asset and liability account, the computation is based on the ratio of ending balance to total consolidated assets; however, if it is for income and expense account, the computation is based on the ratio of interim cumulative amount to total consolidated revenue.

Table 2

Loaning to Others

Unit: NTD thousand

Serial No. (Note 1)	Lender of fund	Borrower of fund	Transaction title	Are they related parties	Maximum balance for the period	Ending balance	The actual amounts disbursed	Interest rate range	Nature of loan (Note 4)	Business transaction amount (Note 5)	Reasons for necessity of short-term financing (Note 6)	Amount of provision for bad debt allowance	Collateral		Loan limit amount for each individual (Note 2)	Total limit on financing amount (Note 3)
													Name	Value		
1	King's Town Bank International Leasing Co., Ltd	Company A	Accounts Receivable	No	549,659	518,455	518,455	5%~16%	1	500		10,582	Real estate	501,315	2,490,220	19,921,762
1	King's Town Bank International Leasing Co., Ltd	Company B	Accounts Receivable	No	500,000	500,000	300,000	5%~16%	1	500		3,050	Real estate	238,717	2,490,220	19,921,762
1	King's Town Bank International Leasing Co., Ltd	Company C	Accounts Receivable	No	480,000	480,000	480,000	5%~16%	1	100		4,870	Real estate	537,879	2,490,220	19,921,762
1	King's Town Bank International Leasing Co., Ltd	Company D	Accounts Receivable	No	418,000	418,000	418,000	5%~16%	1	80,000		4,305	Real estate	201,464	2,490,220	19,921,762
1	King's Town Bank International Leasing Co., Ltd	Company E	Accounts Receivable	No	400,000	400,000	400,000	5%~16%	1	100		4,180	Real estate	436,882	2,490,220	19,921,762
1	King's Town Bank International Leasing Co., Ltd	Other customers	Accounts Receivable	No	6,119,257	4,790,010	4,319,144	5%~16%	1	904,060		58,267	No/Movable property/Real estate	5,711,285	2,490,220	19,921,762
1	King's Town Bank International Leasing Co., Ltd	Other customers	Accounts Receivable	No	444,353	386,639	295,639	5%~16%	2	-	Operation needs	3,210	No/Real estate	517,262	415,037	664,059

Note 1: The financial information of the Company and its subsidiaries should be indicated in the corresponding column. The numbering method is as follows:

(1) For the column of the issuer, please fill in "0."

(2) Investee is numbered starting from number 1.

Note 2: Subsidiary's limit amount for each individual:

(1) Business counterparty:

Unsecured: The individual loan amount shall not exceed 50% of the lending company's net value in the most recent financial report audited by the certified public accountant.

Total secured/unsecured amount: The individual loan amount shall not exceed 150% of the lending company's net value in the most recent financial report audited by the certified public accountant.

(2) Those who need financial support: The individual loan amount shall not exceed 25% of the lending company's net value in the most recent financial report audited by the certified public accountant.

Note 3: The subsidiary's loan amount may not exceed 40% of the lending company's net value in the most recent financial report audited by the certified public accountant. For the business counterparty, the loan amount may not exceed 12 times of the lending company's net value in the most recent financial report audited by the certified public accountant.

Note 4: The nature of loan is illustrated as follows:

(1) For the business counterparty, please fill in "1."

(2) For those who need a short-term loan, please fill in "2."

Note 5: For the nature of type 1, the amount of business dealings should be provided. The amount of business dealings refers to the amount business transaction amount between the lender and the borrower in the most recent year.

Note 6: For the nature of type 2, the reasons for the need, purpose and use of the loan shall be provided. Such reasons may include repayment of loans, purchase of equipment, operation needs, etc.

Note 7: The investee, King's Town International Leasing Co., Ltd., has granted loans to 87 customers; however, a detailed list has not been prepared as no individual loan amount exceeds 5% of the total loaned.

Table 3

Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Venture): Unit: NTD thousand

Holding company	Types and names of securities (Note 1)	Relationship with the securities issuer	Accounts in books	End of period				Note
				Shares (thousand shares)	Book value	Shareholding ratio	Fair value	
King's Town Bank International Leasing Co., Ltd	Bank of Panhsin	-	Financial assets measured at FVOCI	12,416	106,404	0.75%	106,404	
King's Town Bank International Leasing Co., Ltd	Hoyii Life Co., Ltd.	-	Financial assets measured at FVOCI	526	490	2.49%	490	
King's Town Bank International Leasing Co., Ltd	Long-Shun Green Energy Technology Ltd.	-	Financial assets measured at FVOCI	250	10,648	0.71%	10,648	
King's Town Bank International Leasing Co., Ltd	Cathay No. 1 Real Estate Investment Trust (Trustee - Land Bank)	-	Financial assets measured at FVOCI	24,164	433,026	-	433,026	
King's Town Bank International Leasing Co., Ltd	Forest Water Environmental Engineering Co., Ltd.	-	Financial assets measured at FVTPL	3,758	112,178	2.56%	112,178	
King's Town Bank International Leasing Co., Ltd	Radium Life Tech Co., Ltd.	-	Financial assets measured at FVTPL	1,530	13,877	0.17%	13,877	
King's Town Bank International Leasing Co., Ltd	Lian Ding Capital Investment Limited Partnership	-	Financial assets measured at FVTPL	-	210,846	10.23%	210,846	
King's Town Securities Co, Ltd.	Taiwan Futures Exchange	-	Financial assets measured at FVOCI	227	21,484	0.05%	21,484	
King's Town Securities Co, Ltd.	United Microelectronics Corporation	-	Financial assets measured at FVTPL	3,300	160,050	0.03%	160,050	
King's Town Securities Co, Ltd.	Compeq Manufacturing Co., Ltd.	-	Financial assets measured at FVTPL	400	17,760	0.03%	17,760	
King's Town Securities Co, Ltd.	YAGEO Corporation	-	Financial assets measured at FVTPL	320	157,280	0.08%	157,280	
King's Town Securities Co, Ltd.	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Financial assets measured at FVTPL	250	144,000	-	144,000	

Note 1: Securities as stated in this table are the stocks, bonds, beneficiary certificates, and the securities deriving from the above items within the scope of IFRS 9, "Financial Instruments."

Table 4

Information on major shareholders

Shareholding / Name of major shareholder	No. of shares held (shares)	Shareholding ratio
Chen-Chih Tai	78,209,000	7.03%
Tien-Tsan Tsai	72,752,033	6.54%

Remarks:

(1) The major shareholders in this table are shareholders holding more than 5% of the common and preference shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company’s financial report and the number of shares actually delivered by the Company without physical registration may differ due to calculation basis.

(2) For the above are shares entrusted by the shareholders, the information thereto shall be based on the shares disclosed by the individual trust account of opened by the trustees. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings include their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, please refer to MOPS.

Table 5

Quality of Assets

Non-performing Loans and Overdue Accounts Receivable

Unit: NTD thousand, %

Year / month			June 30, 2023					June 30, 2022				
Business category/Items			Non-performing loan (NPL) amount (Note 1)	Total amount of loans	NPL ratio (Note 2)	Amount of bad debt allowance	Allowance for bad debt coverage rate (Note 3)	Non-performing loan (NPL) amount (Note 1)	Total amount of loans	NPL ratio (Note 2)	Amount of bad debt allowance	Allowance for bad debt coverage rate (Note 3)
Corporate banking	Secured		$32,773	$147,776,460	0.02%	$2,245,245	6,850.90%	$26,403	$132,683,271	0.02%	$2,022,971	7,661.90%
	Unsecured		-	79,782,813	-	1,153,851	-	-	71,752,045	-	1,028,040	-
Consumer banking	Residential mortgage loans (Note 4)		5,772	13,234,973	0.04%	218,029	3,777.36%	10,571	13,851,118	0.08%	229,591	2,171.89%
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small credit loans (Note 5)		284	75,780	0.37%	1,994	702.11%	345	163,225	0.21%	3,439	996.81%
	Others (Note 6)	Secured	3,591	3,061,480	0.12%	42,909	1,194.99%	3,590	4,066,085	0.09%	54,944	1,530.58%
		Unsecured	-	48,282	-	663	-	-	36,914	-	524	-
Total amount			$42,420	$243,979,788	0.02%	$3,662,691	8,634.35%	$40,909	$222,552,658	0.02%	$3,339,509	8,163.26%
			Overdue receivable amount	Balance of accounts receivable	Overdue receivable ratio	Amount of bad debt allowance	Allowance for bad debt coverage rate	Overdue receivable amount	Balance of accounts receivable	Overdue receivable ratio	Amount of bad debt allowance	Allowance for bad debt coverage rate
Credit card			$469	$469	100.00%	$337	71.86%	$469	$469	100.00%	$337	71.86%
Non-recourse receivables factoring business (Note 7)			-	-	-	-	-	-	-	-	-	-

Note 1: The non-performing loan is the overdue amount reported in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans. The Non-performing credit card amount is reported according to Jin-Guan-Yin-(IV)-Zi Letter No. 0944000378, dated July 6, 2005.

Note 2: Non-performing loan ratio = Non-performing loan/total loan amount. Non-performing credit card ratio = Non-performing amount/balance of accounts receivable.

Note 3: Coverage ratio of allowance for bad debt = Allowance for bad debt appropriated for loans/NPL amount. Coverage ratio of allowance for bad debt of credit card = Allowance for bad debt appropriated for credit card receivables/NPL amount.

Note 4: The residential mortgage loan refers to the borrower providing the resident purchased (owned) by the borrower of his/her spouse or minors as collateral to financial institutions in exchange for funds in order to purchase or construct or furnish houses.

Note 5: Small credit loans refer to small credit loans other than credit cards and cash cards. These are also subject to Jin-Guan-Yin-(IV)-Zi Official Letter No. 09440010950 dated, dated December 19, 2005.

Note 6: “Other” consumer finance refers to secured or unsecured consumer finance loans other than residential mortgage loans, cash cards, and small credit loans, excluding credit cards.

Note 7: The accounts receivable business without recourse is reported as non-performing loans within three months upon confirming that the accounts receivable factoring banks or insurance companies decline to compensate in accordance with the Jin-Guan-Yin-(V)-Zi No. 094000494 Official Letter dated July 19, 2005.

Table 6

Non-performing Loans or Overdue Accounts Receivable Exempted from Report

Unit: NTD thousand

	June 30, 2023		June 30, 2022	
	Total NPL exempted from report	Total non-performing receivable accounts exempted from report	Total NPL exempted from report	Total non-performing receivable accounts exempted from report
Exempted amount after a debt negotiation and contractual performance (Note 1)	$956	$15	$1,635	$23
Performance of debt clearance program and rehabilitation program (Note 2)	3,328	2	5,378	9
Total	$4,284	$17	$7,013	$32

Note 1: For the Jin-Guan-Yin-(I)-Zi No. 09510001270 Official Letter dated April 25, 2006. It is regarding the matters to be disclosed additionally according to the credit reporting methods and information disclosure requirement of the cases approved according to the "Unsecured Debt Negotiation Mechanism for Consumer Finance Cases of the Bankers Association of the Republic of China."

Note 2: For the Jin-Guan-Yin-(I)-Zi No 09700318940 Official Letter dated September 15, 2008. It is regarding the matters to be disclosed additionally according to the credit reporting and information disclosure requirements of the pre-negotiation, rehabilitation, and liquidation cases approved according to the "Consumer Debt Clearance Act."

Table 7

Concentration of Credit Risk

Unit: NTD thousand, %

Year	June 30, 2023		
Ranking (Note 1)	Industry that Company or Group is engaged in (Note 2)	Total balance of loan (Note 3)	Ratio of current net value (%)
1	Company (Group) A—Construction engineering business	7,593,200	16.81%
2	Company (Group) B—Film and television production business	5,785,098	12.81%
3	Company (Group) C—Unclassified other financial service business	4,793,880	10.61%
4	Company (Group) D—Unclassified other financial service business	4,518,000	10.00%
5	Company (Group) E—Real estate development business	4,319,888	9.56%
6	Company F—Other holding business	3,736,200	8.27%
7	Company (Group) G—Power supply business	3,565,079	7.89%
8	Company (Group) H—Non-alcoholic beverage wholesale business	3,419,591	7.57%
9	Company (Group) I—Advertising industry	3,399,666	7.53%
10	Company (Group) J—Unclassified other financial service business	3,201,704	7.09%

Note 1: Ranked according to the total credit balance of the debtors. Please list the names of the top 10 debtors that are not government agencies or state-owned enterprises. If the debtor is an enterprise of the Group, the credit amount of said enterprise should be attributed and included in the total amount, as well as disclosed in the form of "code" + "industry" [for example: Company (or Group) A Manufacture of Liquid Crystal Panel and Components]. For an enterprise of the Group, the industry with the highest risk exposure to the enterprise of the Group should be disclosed. The industry should be classified in the "detailed category" according to the Standard Industrial Classification System of the Republic of China as issued by the Directorate-General of Budget, Accounting and Statistics.

Note 2: The group refers to those defined in Article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.

Note 3: The total credit balance refers to the total amount of various loans (including import bill advance, export bills negotiations, discounts, overdrafts, short-term loans, short-term secured loans, securities receivables factoring, mid-term loans, mid-term secured loans, long-term loans, long-term secured loans, collection), inward remittance, non-recourse receivables factoring, remittance receivables, and guarantee balances.

Table 7-1

Concentration of Credit Risk

Unit: NTD thousand, %

Year	June 30, 2022		
Ranking (Note 1)	The industry that the Company or the Group engaged in (Note 2)	Total balance of loan (Note 3)	Ratio of current net value (%)
1	Company (Group) A—Construction engineering business	7,520,250	17.94%
2	Company (Group) B—Glass container manufacturing business	4,850,000	11.57%
3	Company (Group) C—Unclassified other financial service business	4,719,576	11.26%
4	Company (Group) D—Unclassified other financial service business	4,369,597	10.43%
5	Company (Group) E—Real estate development business	3,982,208	9.50%
6	Company F—Other holding business	3,567,120	8.51%
7	Company (Group) G—Power supply business	3,495,205	8.34%
8	Company (Group) H—Real estate development business	3,268,786	7.80%
9	Company (Group) I—Unclassified other financial service business	3,246,691	7.75%
10	Company (Group) J—Wholesale of metal building materials	3,072,800	7.33%

Note 1: Ranked according to the total credit balance of the debtors. Please list the names of the top 10 debtors that are not government agencies or state-owned enterprises. If the debtor is an enterprise of the Group, the credit amount of said enterprise should be attributed and included in the total amount, as well as disclosed in the form of “code” + “industry” [for example: Company (or Group) A Manufacture of Liquid Crystal Panel and Components]. For an enterprise of the Group, the industry with the highest risk exposure to the enterprise of the Group should be disclosed. The industry should be classified in the “detailed category” according to the Standard Industrial Classification System of the Republic of China as issued by the Directorate-General of Budget, Accounting and Statistics.

Note 2: The group refers to those defined in Article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.

Note 3: The total credit balance refers to the total amount of various loans (including import bill advance, export bills negotiations, discounts, overdrafts, short-term loans, short-term secured loans, securities receivables factoring, mid-term loans, mid-term secured loans, long-term loans, long-term secured loans, collection), inward remittance, non-recourse receivables factoring, remittance receivables, and guarantee balances.

Table 8

Interest Rate Sensitive Assets and Liabilities Analysis Table (NTD)

2023.06.30

Unit: NTD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	$243,517,167	$16,613,433	$541,109	$40,650,670	$301,322,379
Interest rate sensitivity liabilities	231,441,744	9,236,606	32,297,019	1,548,560	274,523,929
Interest rate sensitivity gap	12,075,423	7,376,827	(31,755,910)	39,102,110	26,798,450
Net value					47,652,121
Interest rate sensitivity assets and liabilities rate					109.76
Interest rate sensitivity gap and net value rate					56.24

2022.06.30

Unit: NTD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	$221,491,570	$12,283,163	$1,598,184	$38,642,857	$274,015,774
Interest rate sensitivity liabilities	221,237,368	10,819,880	13,221,782	1,170,469	246,449,499
Interest rate sensitivity gap	254,202	1,463,283	(11,623,598)	37,472,388	27,566,275
Net value					45,181,528
Interest rate sensitivity assets and liabilities rate					111.19
Interest rate sensitivity gap and net value rate					61.01

Note 1. This table is prepared to report the amount in NTD (excluding foreign currency) of the head office and domestic and foreign branches.
2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.
3. Interest rate sensitivity gap=Interest rate sensitivity assets - Interest rate sensitivity liabilities.
4. Interest rate sensitivity assets and liabilities rate = Interest rate sensitivity assets ÷ interest rate sensitivity liabilities (i.e., interest rate sensitivity assets and interest rate sensitivity liabilities in NTD)

Table 8-1

Interest rate sensitivity assets and liabilities analysis data (USD)

2023.06.30

Unit: USD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	$378,583	$7,254	$42,639	$1,079,151	$1,507,627
Interest rate sensitivity liabilities	1,289,360	95,129	201,187	3,701	$1,589,377
Interest rate sensitivity gap	(910,777)	(87,875)	(158,548)	1,075,450	(81,750)
Net value					(79,459)
Interest rate sensitivity assets and liabilities rate					94.86
Interest rate sensitivity gap and net value rate					102.88

2022.06.30

Unit: USD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	$404,822	$45,238	$15,895	$1,073,483	$1,539,438
Interest rate sensitivity liabilities	1,601,900	59,725	65,238	-	$1,726,863
Interest rate sensitivity gap	(1,197,078)	(14,487)	(49,343)	1,073,483	(187,425)
Net value					(109,902)
Interest rate sensitivity assets and liabilities rate					89.15
Interest rate sensitivity gap and net value rate					170.54

Note: 1. This table is prepared to report the amount in USD of the head office and domestic branches, international financial business branches, and overseas branches, excluding contingent assets and contingent liabilities.
2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.
3. Interest rate sensitivity gap=Interest rate sensitivity assets - Interest rate sensitivity liabilities.
4. Interest rate sensitivity assets and liabilities rate = Interest rate sensitivity assets ÷ interest rate sensitivity liabilities (i.e., interest rate sensitivity assets and interest rate sensitivity liabilities in USD)

Table 9

(Unless otherwise provided, Unit: NTD Thousand)

Profitability

Unit: %

Item		2023.06.30	2022.06.30
Return on Assets (ROA)	Before tax	0.75	0.33
	After tax	0.61	0.24
Return on Equity (ROE)	Before tax	6.60	2.50
	After tax	5.37	1.88
Net profit rate		47.31	49.65

(Note):

Note 1: ROA = Income before (after) tax / Average total assets

Note 2: ROE = Income before (after) tax / Average net value

Note 3: Profit rate = Income after tax / income-net

Note 4: Income before (after) tax means the income accumulated from January of the current year until the current quarter

Table 10

Maturity Date Structure Analysis Table (NTD)

2023.06.30

Unit: NTD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	$329,141,561	$80,088,669	$22,325,707	$32,895,009	$53,806,586	$140,025,590
Outward remittance of due fund	373,414,695	46,778,781	37,670,724	50,760,052	76,704,953	161,500,185
Period difference	(44,273,134)	33,309,888	(15,345,017)	(17,865,043)	(22,898,367)	(21,474,595)

2022.06.30

Unit: NTD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	$300,143,112	$76,165,833	$17,344,695	$26,458,627	$46,774,831	$133,399,126
Outward remittance of due fund	341,334,607	54,737,615	40,338,072	44,712,441	49,503,251	152,043,228
Period difference	(41,191,495)	21,428,218	(22,993,377)	(18,253,814)	(2,728,420)	(18,644,102)

Table 10-1

Maturity Date Structure Analysis Table (USD)

2023.06.30

Unit: USD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	$1,597,468	$188,559	$8,994	$16,341	$42,660	$1,340,914
Outward remittance of due fund	1,579,057	934,588	291,653	95,586	201,757	55,473
Period difference	18,411	(746,029)	(282,659)	(79,245)	(159,097)	1,285,441

2022.06.30

Unit: USD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	$1,683,922	$172,940	$14,624	$75,452	$13,139	$1,407,767
Outward remittance of due fund	1,667,410	1,110,256	391,771	64,410	65,317	35,656
Period difference	16,512	(937,316)	(377,147)	11,042	(52,178)	1,372,111

Table 11

Capital Adequacy (Explanation 1)

Unit: NTD thousand

Items		Year (Explanation 2)	June 30, 2023	December 31, 2022
Self-owned capital	Common stock equity		$45,027,863	$42,301,965
	Other Tier 1 Capital		-	-
	Tier 2 Capital		3,738,953	3,713,615
	Self-owned capital		48,766,816	46,015,580
Total risk-weighted assets	Credit Risk	Standardized approach	293,705,132	292,957,404
		Internal ratings-based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	15,593,389	15,593,389
		Standard Method/Selective Standard Method	-	-
		Advanced Measurement Method	-	-
	Market Risk	Standardized approach	30,155,715	18,938,873
		Internal models approach	-	-
	Total risk-weighted assets		339,454,236	327,489,666
Capital adequacy ratio			14.37%	14.05%
Ratio of Common Stock Equity to Risk-Based assets			13.26%	12.92%
Ratio of Tier 1 capital to Risk-Based Assets			13.26%	12.92%
Leverage ratio			11.24%	10.72%

Explanation:

1. The amount of the regulatory capital, weighted risk assets, and total risk exposure should be calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Description and Table of Calculation Methods for Capital and Risk Assets of Banks."
2. The capital adequacy ratio for the current period and the previous period should be filled in the annual financial statement. The interim financial statements shall, in addition to disclosing the ratio of the current period and the previous period, also disclose the capital adequacy ratio at the end of the previous year.
3. This table should demonstrate the following formula:
   (1) Self-owned capital = Common stock equity + Other Tier 1 Capital + Tier 2 Capital.
   (2) Total amount of risk-weighed-assets = Credit risk-weighted assets + Capital charge of (operational risk + market risk) x 12.5.
   (3) Capital Adequacy ratio = Total self-owned capital / Total amount risk-weighted assets.
   (4) Ratio of common stock equity to risk assets = Common stock equity / Total risk weighted assets
   (5) Ratio of Tier 1 capital to risk-based assets = (Common stock equity + Tier 1 capital) / Total risk-weighted asset.
   (6) Leverage ratio = Tier 1 capital / Total exposure.
4. This table may not be disclosed in the financial statements for Q1 and Q3.

Table 11-1

Capital Adequacy (Explanation 1)

Unit: NTD thousand

Items		Year (Explanation 2)	June 30, 2022
Self-owned capital	Common stock equity		$41,491,998
	Other Tier 1 Capital		-
	Tier 2 Capital		3,771,556
	Self-owned capital		45,263,554
Total risk-weighted assets	Credit Risk	Standardized approach	286,511,869
		Internal ratings-based approach	-
		Asset securitization	-
	Operational risk	Basic indicator approach	16,450,703
		Standard Method/Selective Standard Method	-
		Advanced Measurement Method	-
	Market Risk	Standardized approach	31,151,648
		Internal models approach	-
	Total risk-weighted assets		334,114,220
Capital adequacy ratio			13.55%
Ratio of Common Stock Equity to Risk-Based assets			12.42%
Ratio of Tier 1 capital to Risk-Based Assets			12.42%
Leverage ratio			11.13%

Explanation:

1. The amount of the regulatory capital, weighted risk assets, and total risk exposure should be calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Description and Table of Calculation Methods for Capital and Risk Assets of Banks."
2. The capital adequacy ratio for the current period and the previous period should be filled in the annual financial statement. The interim financial statements shall, in addition to disclosing the ratio of the current period and the previous period, also disclose the capital adequacy ratio at the end of the previous year.
3. This table should demonstrate the following formula:
   (1) Self-owned capital = Common stock equity + Other Tier 1 Capital + Tier 2 Capital.
   (2) Total amount of risk-weighed-assets = Credit risk-weighted assets + Capital charge of (operational risk + market risk) x 12.5.
   (3) Capital Adequacy ratio = Total self-owned capital/Total amount risk-weighted assets.
   (4) Ratio of common stock equity to risk assets = Common stock equity / Total risk weighted assets
   (5) Ratio of Tier 1 capital to risk-based assets = (Common stock equity + Tier 1 capital) / Total risk-weighted asset.
   (6) Leverage ratio = Tier 1 capital / Total exposure.
4. This table may not be disclosed in the financial statements for Q1 and Q3.