

**MEGA INTERNATIONAL COMMERCIAL
BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED DECEMBER 31, 2023 AND
2022**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

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INDEPENDENT AUDITORS' REPORT

PWCR23000361

To the Board of Directors and Stockholders of Mega International Commercial Bank Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Mega International Commercial Bank Co., Ltd. and subsidiaries (collectively the “Bank and subsidiaries”) as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and subsidiaries as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants, Jin-Guan-Yin-Fa-Zi Letter No.10802731571 and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Bank and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Bank and subsidiaries' 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Bank and subsidiaries' 2023 consolidated financial statements are stated as follows:

Impairment assessment of discounts and loans

Description

The impairment and assessment of discounts and loans complies with the regulations under IFRS 9 "Financial Instruments" and relevant regulations issued by the competent authority. For the accounting policy of impairment and assessment of discounts and loans, please refer to Note 4(9); for critical accounting judgements, estimates, and assumption uncertainty of the recognition and measurement of expected credit losses on discounts and loans, please refer to Note 5(2). For information on gross discounts and loans and allowance for bad debts, which amounted to NT\$2,169,518,741 thousand and NT\$36,176,730 thousand, respectively, as at December 31, 2023, please refer to Note 6(7); for disclosures of related credit risks, please refer to Note 8(3).

The Bank and subsidiaries assess the impairment of its discounts and loans based on the expected credit loss model. At each financial reporting date, financial instruments are categorized into three stages based on the degree of change in its credit risk since initial recognition. Provision for impairment loss is measured either using 12-month expected credit losses (i.e. stage 1, there has been no significant increase in credit risk since initial recognition) or lifetime expected credit losses (i.e. stage 2, there has been a significant increase in credit risk since initial recognition; or stage 3, the credit has impaired). The measurement of expected credit losses, which includes various parameters and assumptions and reflects reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. For example, the probability of default and loss given default are estimated using grouping and historical data and subsequently calibrated according to forward-looking information.

The aforementioned impairment and assessment of discounts and loans, which involves various assumptions, estimates, and judgements, as well as predictions and assessments

of future economic conditions and credit behavior of debtors. The amounts, recognized in accordance with regulations and interpretations, are directly subject to the measurement results. Thus, we have included the assessment of expected credit losses on discounts and loans as one of the key audit matters in our audit.

How our audit addressed the matter

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

1. Obtained an understanding and assessed the related written policies and internal control system, the expected credit loss impairment model and methodology, and the approval process of discounts and loans.
2. Sampled and tested the implementation effectiveness of internal controls related to the recognition and measurement of expected credit losses, including management of collateral and its value assessment, controls for changes in parameters, and approval for provisioning of expected credit losses.
3. Sampled and tested the consistency of measurement criteria for the samples in the three stages of expected credit loss with the judgement results of the system.
4. Sampled and tested probability of default, loss given default, exposure at default, and the discount rate.
 - (1) Sampled and tested assumptions for the parameters of the expected credit loss model, including the historical data on probability of default, loss given default, and exposure at default.
 - (2) Sampled and tested whether the calculation method of the discount rate of loss given default is in accordance with existing policy.
5. Sampled and tested forward-looking information.
 - (1) Sampled and tested the data on macroeconomics (economic growth rate, price index, etc.) adopted by management to measure expected credit losses under IFRS 9.
 - (2) Assessed the forward-looking scenarios and their respective weights adopted by the management.
6. Sampled and tested cases in stage 3 (credit impaired) with material amounts that were assessed individually.

Assessed the reasonableness and calculation accuracy of the various assumed parameter values (including the borrower's time of past due, financial and operational conditions, guarantees provided by external parties and historical data) adopted in the estimation of future cash flows.

7. Assessed whether the provision of impairment loss is in compliance with the relevant regulations of the competent authority.

Fair value measurement of unlisted stocks without an active market

Description

For the accounting policy for unlisted stocks without an active market (included financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income), please refer to Note 4(7); for critical accounting judgements, estimates, and assumption uncertainty of unlisted stocks without an active market, please refer to Note 5(1); for details on financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, please refer to Notes 6(3) and (4). The fair values of unlisted stocks without an active market were classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income as at December 31, 2023, and amounted to NT\$8,466,102 thousand and NT\$15,883,349 thousand, respectively.

The fair value of unlisted stocks is determined by valuation techniques since these financial instruments have no quoted prices from active market. Management uses the market approach and net asset approach to measure the fair value. The market approach is based on the fair value of comparable listed companies in similar industries or recently published price-to-book ratios of industries in which the valuation target operates, and incorporates discounting factor according to market liquidity or specified risk.

The aforementioned fair value measurement involves various assumptions and significant inputs that are not observable. This leads to estimates that are highly uncertain and rely on the subjective judgement of management. Any changes to the judgements and estimates will affect the final measurement results, and in turn affect the financial condition of the Bank and subsidiaries. Thus, we have included the fair value measurement of unlisted stock without active market as one of the key audit matters in our audit.

How our audit addressed the matter

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

1. Obtained an understanding and assessed the related written policies, internal control system, fair value measurement models, and approval process of the fair value measurement of stocks of unlisted companies.
2. Sampled and assessed the measurement methodology used by the management is commonly used by the industry.

3. Sampled and assessed the reasonableness of similar and comparable companies used by management.
4. Sampled and examined the inputs and calculation formulas used in the valuation models and agreed such data to the supporting documents.

Other matter- Parent company only financial report

We have audited and expressed an unqualified opinion on the parent company only financial statements as at and for the years ended December 31, 2023 and 2022.

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

Management is responsible for the preparation and fair representation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Public Banks, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including supervisors, are responsible for overseeing the Bank and subsidiaries' financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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



Kuo, Puo-Ju



Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

February 29, 2024

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets	Notes	December 31, 2023	(Reclassified) December 31, 2022	(Reclassified) January 1, 2022
Assets				
Cash and cash equivalents	6(1)	\$ 133,879,647	\$ 84,279,178	\$ 92,619,241
Due from the Central Bank and call loans to banks	6(2) and 11(3)	554,414,511	441,782,413	484,867,108
Financial assets at fair value through profit or loss	6(3)	56,784,719	56,560,188	56,993,024
Financial assets at fair value through other comprehensive income	6(4)	407,864,306	404,518,469	407,244,111
Investments in debt instruments at amortized cost	6(5)	611,637,902	560,759,936	643,731,305
Securities purchased under resell agreements	11(3)	11,317,301	1,221,780	949,170
Receivables, net	6(6)	39,813,113	45,401,972	38,875,674
Current tax assets		1,130	5,020	2,386
Discounts and loans, net	6(7) and 11(3)	2,133,342,011	2,079,441,292	2,037,354,980
Investments measured by equity method, net	6(8)	5,718,101	4,853,500	5,340,153
Other financial assets, net	6(9)	424,121	271,001	245,968
Property and equipment, net	6(10)	15,221,658	14,996,720	14,802,762
Right-of-use assets, net	6(11) and 11(3)	2,324,670	2,146,580	1,803,703
Investment property, net	6(13)	582,564	582,887	583,197
Intangible assets, net		1,190,924	1,118,112	873,973
Deferred income tax assets	6(36)	6,389,907	6,074,447	6,075,618
Other assets, net	6(14)	7,411,241	4,574,215	5,784,928
Total assets		<u>\$ 3,988,317,826</u>	<u>\$ 3,708,587,710</u>	<u>\$ 3,798,147,301</u>
Liabilities and equity				
Liabilities				
Deposits from the Central Bank and banks	6(15) and 11(3)	\$ 616,869,181	\$ 409,289,256	\$ 389,500,956
Due to the Central Bank and banks	6(16) and 11(3)	2,870,805	3,250,380	27,288,973
Financial liabilities at fair value through profit or loss	6(17)(20)(38)	24,715,665	21,031,585	18,872,023
Securities sold under repurchase agreements	6(3)(4)	39,912,828	34,830,461	16,836,542
Payables	6(18)	43,478,915	29,046,186	30,340,067
Current tax liabilities	11(3)	8,960,131	9,405,201	9,772,613
Deposits and remittances	6(19) and 11(3)	2,857,119,005	2,849,503,486	2,971,731,600
Bank notes payable	6(20)(38)	15,500,000	15,000,000	1,000,000
Other financial liabilities	6(22)	18,452,135	15,934,138	6,339,600
Provisions	6(21)	15,693,882	14,644,152	16,566,648
Lease liabilities	6(11) and 11(3)	2,384,592	2,202,348	1,853,788
Deferred income tax liabilities	6(36)	2,708,630	2,441,615	2,385,723
Other liabilities	6(23)	8,432,491	12,052,362	6,552,379
Total liabilities		<u>3,657,098,260</u>	<u>3,418,631,170</u>	<u>3,499,040,912</u>
Equity attributable to owners of parent				
Capital				
Common stock	6(24)	85,362,336	85,362,336	85,362,336
Capital surplus	6(24)	62,437,396	62,219,540	62,219,540
Retained earnings				
Legal reserve	6(24)	119,281,053	112,293,953	106,587,497
Special reserve	6(24)	16,174,049	4,210,485	4,218,295
Unappropriated earnings		46,931,008	39,852,517	35,065,180
Other equity interest	6(26)	1,033,724	(13,982,291)	5,653,541
Total equity		<u>331,219,566</u>	<u>289,956,540</u>	<u>299,106,389</u>
Total liabilities and equity		<u>\$ 3,988,317,826</u>	<u>\$ 3,708,587,710</u>	<u>\$ 3,798,147,301</u>

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

Items	Notes	For the years ended December 31,		Changes Percentage (%)
		2023	2022	
Interest income	6(27) and 11(3)	\$ 113,882,667	\$ 67,164,223	70
Less: interest expenses	6(27) and 11(3)	(76,422,961)	(30,306,775)	152
Net interest revenue (expense)		37,459,706	36,857,448	2
Net revenue other than interest				
Net service fee revenue (charge)	6(28) and 11(3)	7,499,494	6,842,717	10
Gain on financial assets and liabilities at fair value through profit or loss	6(29)	19,545,513	4,828,580	305
Realized gains on financial assets at fair value through other comprehensive income	6(30)	1,929,566	2,344,156	(18)
Gain (loss) arising from derecognition of financial assets measured at amortized cost	6(5)(7)	2	(38,867)	(100)
Foreign exchange gains		2,542,877	2,671,954	(5)
Impairment losses and reversal gains on assets	6(31)	(66,690)	127,813	(152)
Share of profit (loss) of associates and joint ventures accounted for using equity method	6(8)	(81,085)	(131,988)	(39)
Net other revenue other than interest income	6(32)	434,298	483,053	(10)
Net revenue		69,263,681	53,984,866	28
Bad debts expense, commitment and guarantee liability provision	8(3)	(6,742,483)	(3,100,136)	117
Operating expenses				
Employee benefits expenses	6(33) and 11(3)	(17,542,464)	(15,828,711)	11
Depreciation and amortization expenses	6(34)	(2,158,400)	(2,057,908)	5
Other general and administrative expenses	6(35) and 11(3)	(7,369,514)	(6,196,895)	19
Consolidated income from continuing operations before tax		35,450,820	26,801,216	32
Income tax expense	6(36)	(4,426,226)	(2,619,781)	69
Consolidated income from continuing operations, net of tax		\$ 31,024,594	\$ 24,181,435	28

(Continued)

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

Items	Notes	For the years ended December 31,		Changes Percentage (%)
		2023	2022	
Other comprehensive income				
Components of other comprehensive income that will not be reclassified to profit or loss				
(Losses) gains on remeasurements of defined benefit plans	6(21)	(\$ 1,198,168)	\$ 1,920,256	(162)
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	6(4)(26)	12,409,700	(4,993,560)	(349)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(8)(26)	12,406	(12,896)	(196)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(36)	239,634	(384,052)	(162)
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation	6(26)	129,942	2,717,629	(95)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(8)(26)	317,208	(143,687)	(321)
Revaluation gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	6(4)(26)	2,471,877	(19,737,494)	(113)
Impairment loss (reversal of impairment loss) from investments in debt instruments measured at fair value through other comprehensive income	6(4)(26)	35,691	(100,826)	(135)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(36)	(129,597)	207,696	(162)
Total other comprehensive income (loss), net of tax		<u>\$ 14,288,693</u>	<u>(\$ 20,526,934)</u>	(170)
Total comprehensive income		<u>\$ 45,313,287</u>	<u>\$ 3,654,501</u>	1140
Consolidated profit attributable to:				
Owners of the parent		<u>\$ 31,024,594</u>	<u>\$ 24,181,435</u>	28
Consolidated comprehensive income attributable to:				
Owners of the parent		<u>\$ 45,313,287</u>	<u>\$ 3,654,501</u>	1140
Consolidated earnings per share	6(37)			
Basic and diluted earnings per share (In New Taiwan Dollars)		<u>\$ 3.63</u>	<u>\$ 2.83</u>	

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Equity attributable to owners of the parent								Total equity
		Retained earnings					Other equity interest			
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Others	
<u>For the year ended December 31, 2022</u>										
Balance, January 1, 2022		\$ 85,362,336	\$ 62,219,540	\$ 106,587,497	\$ 4,218,295	\$ 35,065,180	(\$ 5,121,246)	\$ 10,772,130	\$ 2,657	\$ 299,106,389
Profit		-	-	-	-	24,181,435	-	-	-	24,181,435
Other comprehensive income (loss)		-	-	-	-	1,536,204	2,728,095	(24,778,700)	(12,533)	(20,526,934)
Total comprehensive income (loss)		-	-	-	-	25,717,639	2,728,095	(24,778,700)	(12,533)	3,654,501
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(4)	-	-	-	-	(2,427,306)	-	2,427,306	-	-
Earnings distribution for 2021	6(25)									
Cash dividends		-	-	-	-	(12,804,350)	-	-	-	(12,804,350)
Legal reserve		-	-	5,706,456	-	(5,706,456)	-	-	-	-
Special reserve		-	-	-	29,011	(29,011)	-	-	-	-
Reversal of special reserve		-	-	-	(36,821)	36,821	-	-	-	-
Balance, December 31, 2022		<u>\$ 85,362,336</u>	<u>\$ 62,219,540</u>	<u>\$ 112,293,953</u>	<u>\$ 4,210,485</u>	<u>\$ 39,852,517</u>	<u>(\$ 2,393,151)</u>	<u>(\$ 11,579,264)</u>	<u>(\$ 9,876)</u>	<u>\$ 289,956,540</u>
<u>For the year ended December 31, 2023</u>										
Balance, January 1, 2023		\$ 85,362,336	\$ 62,219,540	\$ 112,293,953	\$ 4,210,485	\$ 39,852,517	(\$ 2,393,151)	(\$ 11,579,264)	(\$ 9,876)	\$ 289,956,540
Profit		-	-	-	-	31,024,594	-	-	-	31,024,594
Other comprehensive income (loss)		-	-	-	-	(958,534)	138,477	15,108,866	(116)	14,288,693
Total comprehensive income (loss)		-	-	-	-	30,066,060	138,477	15,108,866	(116)	45,313,287
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(4)	-	-	-	-	231,212	-	(231,212)	-	-
Reversal of special reserve due to disposal of property and equipment	6(24)	-	-	-	(3,075)	3,075	-	-	-	-
Share-based payment transaction	6(24)	-	217,856	-	-	-	-	-	-	217,856
Earnings distribution for 2022	6(25)									
Cash dividends		-	-	-	-	(4,268,117)	-	-	-	(4,268,117)
Legal reserve		-	-	6,987,100	-	(6,987,100)	-	-	-	-
Special reserve		-	-	-	12,018,428	(12,018,428)	-	-	-	-
Reversal of special reserve		-	-	-	(51,789)	51,789	-	-	-	-
Balance, December 31, 2023		<u>\$ 85,362,336</u>	<u>\$ 62,437,396</u>	<u>\$ 119,281,053</u>	<u>\$ 16,174,049</u>	<u>\$ 46,931,008</u>	<u>(\$ 2,254,674)</u>	<u>\$ 3,298,390</u>	<u>(\$ 9,992)</u>	<u>\$ 331,219,566</u>

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	For the years ended December 31,	
	2023	2022 (Reclassified)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 35,450,820	\$ 26,801,216
Adjustments		
Adjustments to reconcile (profit) loss		
Depreciation expense	1,496,313	1,490,938
Amortization expense	662,087	566,970
Bad debts expense, commitment and guarantee liability provision	6,742,483	3,100,136
Interest expense	76,422,961	30,306,775
Interest income	(113,882,667)	(67,164,223)
Dividend income	(2,550,062)	(3,001,238)
Share of loss of associates and joint ventures accounted for using equity method	81,085	131,988
Gain on disposal of property and equipment	(36,748)	(995)
Loss on retirement of property and equipment	6,641	232
Impairment loss and (reversal gain) on assets	66,690	(127,813)
Employee share-based payment expense	211,925	-
Others	(4,281)	(11,807)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and call loans to banks	(140,919,312)	78,959,678
(Increase) decrease in financial assets at fair value through profit or loss	(224,531)	432,836
Decrease (increase) in financial assets at fair value through other comprehensive income	11,535,715	(22,005,412)
(Increase) decrease in investments in debt instruments measured at amortized cost	(50,908,965)	82,998,356
Decrease (increase) in receivables	8,770,354	(1,802,852)
Increase in discounts and loans	(60,757,805)	(44,977,291)
Increase in other financial assets	(139,465)	(25,102)
(Increase) decrease in other assets	(2,841,996)	1,202,511
Increase in deposits from the Central Bank and banks	207,579,925	19,788,300
Increase in financial liabilities at fair value through profit or loss	3,684,080	1,570,354
Increase in securities sold under repurchase agreements	5,082,367	17,993,919
Increase (decrease) in payables	9,497,499	(4,376,901)
Increase (decrease) in deposits and remittances	7,615,519	(122,228,114)
Increase in other financial liabilities	2,517,997	9,594,538
Decrease in provisions for employee benefits	(87,249)	(264,368)
Increase in other liabilities	1,897,521	698,982
Cash inflow generated from operations	6,968,901	9,651,613
Interest received	110,766,144	62,469,896
Dividends received	2,623,058	3,173,162
Interest paid	(71,487,731)	(27,223,480)
Income taxes paid	(4,805,813)	(3,109,120)
Net cash flows from operating activities	44,064,559	44,962,071
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	(755,563)	-
Proceeds from capital reduction of investments measured by equity method	41,085	25,500
Acquisition of property and equipment	(1,108,231)	(1,047,646)
Proceeds from disposal of property and equipment	46,253	1,079
Acquisition of intangible assets	(729,729)	(752,027)
Net cash flows used in investing activities	(2,506,185)	(1,773,094)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to the Central Bank and banks	(379,575)	(24,038,593)
Issuance of bank notes	1,500,000	14,000,000
Redemption of bank notes	(1,000,000)	-
Increase in financial liabilities at fair value through profit or loss	-	589,208
(Decrease) increase in guarantee deposits received	(5,511,307)	4,825,013
Payments of lease liabilities	(610,093)	(601,193)
Cash dividends paid	(4,268,117)	(12,804,350)
Net cash flows used in financing activities	(10,269,092)	(18,029,915)
EFFECT OF EXCHANGE RATE CHANGES	119,428	2,647,900
NET INCREASE IN CASH AND CASH EQUIVALENTS	31,408,710	27,806,962
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	431,717,424	403,910,462
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 463,126,134	\$ 431,717,424
CASH AND CASH EQUIVALENTS COMPOSITION:		
Cash and cash equivalents reported in the balance sheet	\$ 133,879,647	\$ 84,279,178
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	317,929,186	346,216,466
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	11,317,301	1,221,780
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 463,126,134	\$ 431,717,424

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE
INDICATED)

1. HISTORY AND ORGANISATION

- (1) Mega International Commercial Bank Co., Ltd. (the “Bank”; formerly the International Commercial Bank of China Co., Ltd.) was reorganized on December 17, 1971 in accordance with the “Law for International Commercial Bank of China” as announced by the President of the Republic of China (R.O.C.) (which was then abolished in December, 2005) and other related regulations. As of December 31, 2002, the Bank became an unlisted wholly owned subsidiary of Mega Financial Holding Co. Ltd., through a share swap transaction. With the view to enlarging business scale and increasing market share, the Bank entered into a merger agreement with Chiao Tung Bank Co., Ltd. on August 21, 2006, the effective date of the merger. The Bank was later renamed Mega International Commercial Bank Co., Ltd. Mega Financial Holding Co., Ltd. holds 100% equity interest in the Bank and is the Bank’s ultimate parent company.

The Bank and Mega Life Insurance Agency Co., Ltd. (“Mega Life Insurance Agency”) are both wholly owned subsidiaries of Mega Financial Holding Co. Ltd. To integrate all the resource of the Group and create synergies, the Bank merged with Mega Life Insurance Agency on May 12, 2020, and concurrently engages in personal insurance agent business.

- (2) The Bank engages in the following operations: (a) commercial banking operations authorized by the R.O.C. Banking Law; (b) foreign exchange and related operations; (c) import and export financing and guarantees; (d) financial operations related to international trade; (e) trust operations; (f) investment services on consignments by clients; (g) loan operations, including mid-term to long-term development loan and guarantee operations; (h) venture capital activities; (i) the insurance agent business which commercial banks are permitted to engage in under Insurance Act; and (j) other related operations approved by the R.O.C. government.
- (3) The Bank’s business and operations are widely managed by the head office. The Bank expands its network by opening branches at key locations in both domestic and foreign markets. The Bank was incorporated as company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.). As of December 31, 2023, in addition to Offshore Banking Unit, the Bank had 108 domestic branches (excluding Head Office business unit), 24 overseas branches, 1 overseas subsidiary, 7 overseas sub-branches, 2 overseas representative offices, and 1 marketing office.
- (4) As of December 31, 2023 and 2022, the Bank and subsidiaries had 7,093 and 6,913 employees, respectively.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on February 29, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board (“IASB”)
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 2023

Except for the following, the above standards and interpretations have no significant impact to the Bank and subsidiaries’ financial condition and financial performance based on the Bank and subsidiaries’ assessment.

Amendments to IAS 12, ‘International tax reform - pillar two model rules’

The amendments give companies temporary relief from accounting for deferred income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD). An entity shall neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Bank and subsidiaries

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024
Amendments to IAS 7 and IFRS 7, ‘Supplier finance arrangements’	January 1, 2024

The above standards, interpretations have no significant impact to the financial condition, financial performance of the Bank and subsidiaries.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Initial application of IFRS 17 and IFRS 9-comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025
The above standards, interpretations on the financial condition, financial performance of the Bank and subsidiaries are yet to be assessed.	

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Bank and subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, International Financial Reporting Standards, International Accounting standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis for preparation

- A. Except for financial assets and financial liabilities (including derivatives) recognized at fair value, financial assets at fair value through other comprehensive income, and defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements have been prepared under the historical cost convention.
- B. The analysis of expense is classified based on the nature of expenses.
- C. The management has to make certain significant accounting estimates based on their professional judgement and decide the accounting policy according to the IFRSs that came into effect as endorsed by the FSC. Any change in the assumption could result in a significant change in the financial statements. The management of the Bank and subsidiaries believes that the assumptions used in the consolidated statements are appropriate. For highly complicated matters, matters requiring high level of judgements, significant judgements that could have an impact on the consolidated financial statements and estimates and key sources of assumption uncertainty, please refer to Note 5 for further details.

(3) Basis for preparation of consolidated financial statements

- A. All subsidiaries are included in the Bank and subsidiaries' consolidated financial statements. Subsidiaries are all entities controlled by the Bank. The Bank controls an entity when the Bank is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Bank obtains control of the subsidiaries and ceases when the Bank loses control of the subsidiaries.

Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Bank and subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Bank.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent. Total comprehensive income is also attributed to the owners of the parent.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiaries	Major business activities	Percentage of holding shares (%)	
			December 31, 2023	December 31, 2022
The Bank	Mega International Commercial Public Co., Ltd. (Thailand)	Commercial Banking	100.00	100.00

C. Subsidiaries not included in the consolidated financial statements:

Name of investor	Name of subsidiaries	Major business activities	Percentage of holding shares (%)	
			December 31, 2023	December 31, 2022
The Bank	Mega Management Consulting Co., Ltd.	Investment consulting, corporate management consulting and venture investment management consulting	100.00	100.00
The Bank	Cathay Investment & Warehousing Co., S.A.	Real estate investments	100.00	100.00
The Bank	Ramlett Finance Holdings Inc.	Real estate investments	100.00	100.00
The Bank	Yung-Shing Industries Co.	Agency of manpower and printing, packaging service	99.56	99.56
The Bank	China Products Trading Company	Investments in products businesses, storage businesses and other	68.27	68.27
Yung-Shing Industries Co.	Win Card Co., Ltd.	Corporate management consulting, data processing business, general advertising services, general merchandise, credit card agency services, overdue accounts receivable	100.00	100.00
Yung-Shing Industries Co.	ICBC Assets Management & Consulting Co., Ltd.	Investment consulting, corporate management consulting and venture investment management consulting	100.00	100.00

As the individual total assets or operating revenue amounts of the above subsidiaries are immaterial, the accounts of these subsidiaries are not included in the Bank's consolidated financial statements although the Bank holds more than 50% equity interest in these subsidiaries. The investments of certain subsidiaries are accounted for using equity method.

D. Adjustments for subsidiaries with different balance sheet dates : None.

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company:
None.

(4) Foreign currency translations

A. Functional and presentation currency

Items included in the financial statements of each of the Bank and subsidiaries' entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Bank's functional and the Bank and subsidiaries' presentation currency.

B. Transactions and balances

The transactions denominated in foreign currency or to be settled in foreign currency are translated into a functional currency at the spot exchange rate between the functional currency and the underlying foreign currency on the date of the transaction.

Foreign currency monetary items should be reported using the closing rate (market exchange rate) at the date of each balance sheet. When multiple exchange rates are available for use, they should be reported using the rate that would be used to settle the future cash flows of the foreign currency transactions or balances at the measurement date. Foreign currency non-monetary items measured at historical cost should be reported using the exchange rate at the date of the transaction. Foreign currency non-monetary items measured at fair value should be reported at the rate that existed when the fair values were determined.

Exchange differences arising when foreign currency transactions are settled or when monetary items are translated at rates different from those at which they were translated when initially recognized or in previous financial statements are reported in profit or loss in the period.

If a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss is also recognized in other comprehensive income. Conversely, if a gain or loss on a non-monetary item is recognized in profit or loss, any foreign exchange component of that gain or loss is also recognized in profit or loss.

C. Translation of foreign operations

The operating results and financial position of the entire Bank and subsidiaries' entities in the consolidated financial statements that have a functional currency (which is not the currency of a hyperinflationary economy) different from the presentation currency are translated into the presentation currency as follows:

- (A) Assets and liabilities presented are translated at the Bank and subsidiaries' closing exchange rate at the date of that balance sheet;
- (B) The profit and loss presented is translated by the average exchange rate in the period (except for the situation that the exchange rate on the trade date shall be adopted when the exchange rate fluctuate rapidly); and
- (C) All resulting exchange differences are recognized in other comprehensive income.

The translation differences arising from above processes are recognized as 'Exchange differences on translation of foreign financial statements' under equity items.

(5) Cash and cash equivalents

‘Cash and cash equivalents’ in the consolidated balance sheet includes cash on hand, due from other banks, short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. In respect of the consolidated statements of cash flows, cash and cash equivalents include cash and cash equivalents in the consolidated balance sheet, due from the Central Bank and call loans to banks, and securities purchased under resell agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7 “Cash Flow Statements” as endorsed by the FSC.

(6) Securities sold under repurchase or resell agreements

The transactions of bills and bonds with a condition of repurchase agreement or resell agreement are accounted for under the financing method. The interest expense and interest income are recognized as incurred at the date of sale and purchase and the agreed period of sale and purchase. The repo trade liabilities, bond liabilities, reverse repo trade bills and bond investments are recognized at the date of sale or purchase.

(7) Financial assets or liabilities

A. Financial assets

Financial assets owned by the Bank and subsidiaries are classified based on both the Bank and subsidiaries' business model for managing the financial assets and the contractual cash flow characteristics of the financial assets into ‘discounts and loans’, ‘receivables’, ‘financial assets at fair value through profit or loss’, ‘financial assets at fair value through comprehensive income’, and ‘investments in debt instrument at amortized cost’.

Business model refers to the method by which the Bank and subsidiaries manage the financial assets to generate cash flows, which originates from collecting contractual cash flows, selling financial assets, or both. When determining whether the contractual cash flows of the asset are solely payments of principal and interest on principal amount outstanding, the Bank and subsidiaries assess whether the contractual cash flows are consistent with those required in a basic loan agreement. In other words, the Bank and subsidiaries determine whether interest is solely based on the time value of money, credit risk related to the principal amount outstanding on specified dates, other risks and costs associated with the basic loan agreement, and marginal profits consideration.

(A) A regular way purchase or sale

The Bank and subsidiaries recognize a regular way purchase or sale of financial assets using trade date accounting based on their category and accounting classification.

(B) Discounts and loans

Discounts and loans consist of export bills negotiation, export bills discount, loans, and overdue receivables arising from loans. Discounts and loans are measured at amortized cost using the effective interest rate method. Measurement at initial investment amount is allowed if effect of discounting is immaterial.

If a discount and loan held by the Bank and subsidiaries is renegotiated or has its terms modified due to financial difficulties of the borrower, so that it is required to be derecognized,

entirely or partially, in accordance with IFRS 9, the old financial assets is derecognized, and a new financial asset and related gains or losses are recognized.

If a discounts and loans held by the Bank and subsidiaries is renegotiated or has its terms modified due to financial difficulties of the borrower, but is not required to be derecognized, or if renegotiations or modification of terms are for reasons other than financial difficulties, which rarely results in the derecognition of the asset, the carrying amount of the asset is recalculated and resulting gains or losses are recognized in profit or loss.

Interest arising from discounts and loans is recognized as 'interest income'.

(C) Receivables, net

Receivables include receivables originated and not originated by the Bank and subsidiaries. Receivables originated by the entity arising from a direct provision of money, goods or services to debtors while receivables not originated by the Bank and subsidiaries include otherwise.

Receivables are measured at amortized cost using the effective interest method. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

The Bank and subsidiaries determine whether the receivables that have been discounted or transferred qualify derecognition under IFRS 9 based on how much control over the risks and rewards of the receivables it has retained.

Significant amounts of receivables due from related parties are shown separately.

Interest arising from receivables are recognized as 'interest income'.

(D) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income. Financial assets at amortized cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.

At initial recognition, the Bank and subsidiaries measure the financial assets at fair value. All related transaction costs are recognized in profit or loss. The Bank and subsidiaries subsequently measure these financial assets at fair value with any gain or loss recognized in profit or loss.

Dividends are recognized as gain (loss) on financial assets or liabilities at fair value through profit or loss - dividend revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Bank and its subsidiaries and the amount of the dividend can be measured reliably.

(E) Investments in debt instruments at amortized cost

a. Financial assets at amortized cost are those that meet all of the following criteria:

(a) The objective of the Bank and subsidiaries' business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

- b. At initial recognition, the Bank and subsidiaries measure the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in derecognition designated as gain (loss) on financial assets at amortized cost when the asset is derecognized or impaired.

(F) Financial assets at fair value through other comprehensive income

- a. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Bank and subsidiaries have made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Bank and subsidiaries' business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- b. At initial recognition, the Bank and subsidiaries measure the financial assets at fair value plus transaction costs. The Bank and subsidiaries subsequently measure the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as realized gains (losses) on financial assets at fair value through other comprehensive income-dividend revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Bank and subsidiaries and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial assets is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(G) Reclassification of financial assets

When, and only when, the Bank and subsidiaries change its business model for managing financial assets it reclassifies all affected financial assets except for equity instruments and financial assets designated as at fair value through profit or loss. The Bank and subsidiaries apply the reclassification prospectively from the reclassification date and does not restate any previously recognized gains, losses or interest.

B. Financial liabilities

Financial liabilities held by the Bank and subsidiaries comprise financial liabilities at fair value through profit or loss and financial liabilities measured at amortized cost.

(A) Financial liabilities at fair value through profit or loss

Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as

financial liabilities held for trading unless they are designated as hedges. Or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

- a. Hybrid (combined) contracts; or
- b. They eliminate or significantly reduce a measurement or recognition inconsistency; or
- c. They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

At initial recognition, the Bank and subsidiaries measure the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Bank and subsidiaries subsequently measure these financial liabilities at fair value with any gain or loss recognized in profit or loss.

If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognized in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts.

(B) Financial liabilities measured at amortized cost

Liabilities not classified as financial liabilities at fair value through profit or loss and financial guarantee contracts are all included in financial liabilities carried at amortized cost.

C. Decision of fair value

Fair value and level information of financial instruments are provided in Note 7.

D. Derecognition of financial instruments

(A) The Bank and subsidiaries derecognize a financial asset when one of the following conditions is met:

- a. The contractual rights to receive cash flows from the financial assets expire.
- b. The contractual rights to receive cash flows from the financial assets have been transferred and the Bank and subsidiaries have transferred substantially all risks and rewards of ownership of the financial assets.
- c. The contractual rights to receive cash flows from the financial assets have been transferred; however, it has not retained control of the financial assets.

(B) A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(C) In case of securities lending or borrowing by the Bank and subsidiaries or provision of bonds or stocks as security for repo trading, the Bank and subsidiaries do not derecognize the financial assets, because substantially all risks and rewards of ownership of the financial assets are still retained in the Bank and subsidiaries.

(8) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the consolidated balance sheet when (A) there is a legally enforceable right to offset the recognized amounts and (B) there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(9) Impairment of financial assets

For due from banks and call loans to banks, discounts and loans, receivables, debt instruments measured at fair value through other comprehensive income, financial assets at amortized cost, loan commitments, financial guarantee contracts and other financial assets etc., at each reporting date, the Bank and subsidiaries recognize the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognize the impairment provision for the lifetime expected credit losses (ECLs); if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts.

The Bank and subsidiaries measure expected credit losses in a way that reflects:

- A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- B. The time value of money; and
- C. Reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

For loan assets, the Bank and subsidiaries assess the loss allowance at the balance sheet date in accordance with “Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” as issued by the FSC, “Financial-Supervisory-Banks Letter No. 10300329440” issued on December 4, 2014 relating to the strengthening of domestic banks’ risk endurance to real estate loans, “Financial-Supervisory-Banks Letter No. 10410001840” issued on April 23, 2015 relating to the strengthening of domestic banks’ risk endurance to management of exposures in China as well as IFRS 9 requirements. The loss allowance is provisioned at the higher of the amounts assessed in compliance with the aforementioned domestic regulations and IFRS 9 and then presented at net value.

(10) Non-hedging and embedded derivatives

- A. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.
- B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognized as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost based on the contract terms.
- C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivatives are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivatives are accounted for differently from the host contract as derivatives while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as a derivative instrument included in financial liabilities at fair value through profit

or loss upon initial recognition, and no separate accounting is required.

(11) Leasing arrangements (lessor) — operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(12) Investments measured by equity method

- A. Associates are all entities over which the Bank and subsidiaries have significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using equity method and are initially recognized at cost.
- B. The Bank and subsidiaries' share of its associates' post-acquisition profits or losses is recognized in profits or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Bank and subsidiaries' share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank and subsidiaries do not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. Unrealized gains on transactions between the Bank and subsidiaries and its associates are eliminated to the extent of the Bank and subsidiaries' interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Bank and subsidiaries.
- D. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associates and such changes not affecting the Bank and subsidiaries' ownership percentage of the associate, the Bank and subsidiaries recognized the Bank and subsidiaries' share of change in equity of the associate in 'capital reserve' in proportion to its ownership.
- E. When the Bank and subsidiaries dispose its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized as other comprehensive income in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognized as other comprehensive income in relation to the associate are transferred to profit or loss proportionately.

(13) Property and equipment

The property and equipment of the Bank and subsidiaries are recognized on the basis of the historical cost less accumulated depreciation. Historical cost includes all costs directly attributable to the acquisition of the assets.

Such assets are subsequently measured using the cost model. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and subsidiaries and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not affected by depreciation. Depreciation for other assets is provided on a straight-line basis over the estimated useful lives of the assets till residual value. If each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Item	Year
Buildings and accessory equipment	1~60
Machinery and computer equipment	1~20
Transportation equipment	1~10
Other equipment	3~10

(14) Investment property

The properties held by the Bank and subsidiaries, with an intention to obtain long-term rental profit or capital increase or both and not being used by any other enterprises of the consolidated entities, are classified as investment property. Investment property includes the office building and land leased out in a form of operating lease.

Part of the property may be held by the Bank and subsidiaries and the remaining will be used to generate rental income or capital appreciation. If the property held by the Bank and subsidiaries can be sold individually, then the accounting treatment should be made respectively.

When the future economic benefit related to the investment property is highly likely to flow into the Bank and subsidiaries and the costs can be reliably measured, the investment property shall be recognized as assets. When the future economic benefit generated from subsequent costs is highly likely to flow into the entity and the costs can be reliably measured, the subsequent expenses of the assets shall be capitalized. All maintenance cost is recognized as incurred in the consolidated statement of comprehensive income.

An investment property is stated initially at its cost and measured subsequently using the cost model. The depreciation method, remaining useful life and residual value should apply the same rules as applicable for property and equipment.

(15) Leasing arrangements (lessee)—right-of-use assets/ lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Bank and subsidiaries. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising

that option.

The Bank and subsidiaries subsequently measure the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
 - (c) Any initial direct costs incurred by the lessee; and
 - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

(16) Foreclosed properties

Foreclosed properties are stated at the lower of carrying amount or fair value less selling cost on the financial reporting date.

(17) Impairment of non-financial assets

The Bank and subsidiaries assess at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss shall be reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(18) Provisions for liabilities, contingent liabilities and contingent assets

When all the following criteria are met, the Bank and subsidiaries shall recognize a provision:

- A. A present obligation (legal or constructive) as a result of a past event;
- B. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- C. The amount of the obligation can be reliably estimated.

If there are several similar obligations, the outflow of economic benefit as a result of settlement is determined based on the overall obligation. Provisions for liabilities should be recognized when the outflow of economic benefits is probable in order to settle the obligation as a whole even if the outflow of economic benefits from any one of the obligation is remote.

Provisions are measured by the present value of expense which is required for settling the anticipated obligation. The pre-tax discount rate is used with timely adjustment that reflects the current market assessments on the time value of money and the risks specific to the obligation.

Contingent liability is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank and subsidiaries. Or it could be a present obligation as a result of past event but the payment is not probable or the amount cannot be measured reliably. The Bank and subsidiaries did not recognize any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.

Contingent asset is a possible asset that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank and subsidiaries. The Bank and subsidiaries did not recognize any contingent assets and made appropriate disclosure in compliance with relevant regulations when the economic inflow is probable.

(19) Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the Bank and subsidiaries to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A loan commitment is an agreement to provide credit under predetermined terms and conditions.

The Bank and subsidiaries initially recognize financial guarantee contracts at fair value on the date of issuance. The Bank and subsidiaries charge a service fee when the contract is signed and therefore the service fee income charged is the fair value at the date that the financial guarantee contract is signed. Service fee received in advance is recognized in deferred accounts and amortized through straight-line method during the contract term.

Loss provisions are recognized for financial guarantee contracts and loan commitments, and the amounts of loss allowance are determined by expected credit losses.

Subsequently, the Bank and subsidiaries should measure the financial guarantee contract issued at the higher of:

- A. The amount of loss allowance is determined by using an expected-credit-loss model; and
- B. The initially recognized amount less the cumulative gains that were recognized under IFRS 15 'Revenue from contracts with customers'.

Loss allowance for the aforementioned reserve for guarantee liabilities is assessed in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" as issued by the FSC and IFRS 9 requirements. A provision is then recognized at the higher of the amounts assessed in compliance with the aforementioned domestic regulations and IFRS 9.

The Bank and subsidiaries determine loss allowance for the loan commitments based on expected credit loss.

The loss allowance is recognized as provision for loan commitments and financial guarantee contracts. If the financial instrument contains both a loan (i.e. financial assets) and an undrawn commitment (i.e. loan commitment) component and the Bank and subsidiaries are unable to identify the expected credit losses (ECLs) of the financial assets and loan commitment component, the ECLs of loan commitment is recognized together with the loss allowance for financial assets. A provision is recognized for the aggregate ECLs exceeding the carrying amount of the financial

assets.

The increase in liabilities due to financial guarantee contracts and loan commitments is recognized in 'bad debts expense, commitment and guarantee liability provision'.

(20) Employee benefits

A. Short-term employee benefits

The Bank and subsidiaries should recognize the undiscounted amount of the short-term benefits expected to be paid in the future as expenses in the period when the employees render service.

B. Employee preferential savings

The Bank provides preferential interest rate for employees, including flat preferential savings for current employees and flat preferential savings for retired employees. The difference gap compared to market interest rate is deemed as employee benefits.

According to Regulation Governing the Preparation of Financial Statements by Public Banks, the preferential monthly interest paid to current employees is calculated based on accrual basis, and the difference between the preferential interest rate and the market interest rate is recognized under "employee benefit expense". According to Article 30 of Regulation Governing the Preparation of Financial Statements by Public Banks, the excessive interest arising from the interest rate upon retirement agreed with the employees in excess of general market interest rate should be recognized in accordance with IAS 19, "Employee Benefits", as endorsed by the FSC. However, various parameters should be in compliance with competent authorities if indicated otherwise.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the decisions of the Bank and subsidiaries to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Bank and subsidiaries recognize expense as it can no longer withdraw an offer of termination benefits or it recognizes relating restructuring costs, whichever is earlier.

Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Post-employment benefit

The pension plan of the Bank and subsidiaries include both Defined Contribution Plan and Defined Benefit Plan. In addition, defined contribution plan is adopted for employees working overseas according to the local regulations.

(A) Defined Contribution Plan

The contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined Benefit Plan

- a. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Bank and subsidiaries in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the

defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Bank and subsidiaries use interest rates of government bonds (at the balance sheet date) instead.

- b. Remeasurement arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- c. Past service costs are recognized immediately in profit or loss.

E. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Bank and subsidiaries calculate the number of shares based on the closing price at the previous day of the Board of Directors' resolution day.

(21) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(22) Revenue and expense

Income and expense of the Bank and subsidiaries are recognized as incurred. Expenses consist of employee benefit expense, depreciation and amortization expense and other business and administration expenses. Dividend revenues are recognized within 'financial assets and liabilities at fair value through profit or loss' and 'financial assets and liabilities at fair value through other comprehensive income' in the consolidated statement of comprehensive income when the right to receive dividends is assured.

- A. Other than those classified as financial assets and liabilities at fair value through profit and loss, all the interest income and interest expense generated from interest-bearing financial assets are calculated by effective interest rate according to relevant regulations and recognized as "interest income" and "interest expense" in the consolidated statement of comprehensive income.
- B. Service fee income and expense are recognized upon the completion of services of loans or other services; service fee earned from performing significant items shall be recognized upon

the completion of the service, such as syndication loan service fee received from sponsor, service fee income and expense of subsequent services of loans are amortized or included in the calculation of effective interest rate of loans and receivables during the service period.

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Bank and subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the following year after the Board of Directors make resolution in respect of earnings appropriation proposal on behalf of stockholders.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Bank and subsidiaries and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current income tax assets against current income tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(24) Share capital and dividends

Dividends on ordinary shares are recognized in the financial statements in the period in which they are approved by the shareholders. Cash dividends are recorded as liabilities. Stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance; they are not recognized and only disclosed as subsequent event in the notes if the dividend declaration date is later than the consolidated balance sheet date.

(25) Operating segments

Information of operating segments of the Bank and subsidiaries is reported in the same method as

the internal management report provided to the chief operating decision-maker (CODM). The CODM is the person or group in charge of allocating resources to operating segments and evaluating their performance. The CODM of the Bank and subsidiaries is the Board of Directors.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Bank and subsidiaries' accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors.

Management's critical judgements in applying the Bank and subsidiaries' accounting policies that have significant impact on the consolidated financial statements are outlined below:

(1) Fair value measurement of investment in unlisted stock

The fair value of unlisted stocks without an active market is determined by using valuation techniques such as market approach and net asset approach. The measurement of fair value may adopt observable information or models of similar financial instruments or use assumptions in an appropriate manner if the observable parameters are unavailable in the market. Observable information is the primary source of reference. When valuation models are used for the measurements, calibration are performed to ensure its accountability in reflecting real information and market price.

In the fair value measurement, the Bank and subsidiaries primarily use reference of the latest updated market multipliers of similar listed stocks in the industry alike and takes into account marketability discount and discount in the specialized risks. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 7 for the financial instruments fair value information.

(2) Expected credit losses

For financial assets at amortized cost and financial assets at fair value through other comprehensive income, the measurement of expected credit losses (ECLs) involves complex model and various assumptions associated with macro-economic projections and borrowers' situation in terms of the probability of default and losses-given-default. Information relating to parameters, assumptions, methods of estimation, ECL's sensitivity analysis corresponding to the aforementioned factors is provided in Note 8(3).

The measurement of ECLs in accordance with the framework of accounting principles involves several significant judgements, such as:

- A. Criteria in determining whether there has been a significant increase in credit risk;
- B. A selection of appropriate models and assumptions in ECLs measurement;
- C. Forward-looking information to be taken into consideration in terms of different products; and
- D. Grouping the financial instruments to include financial assets with the same credit risk characteristics into one group.

Please refer to Note 8(3) for the aforementioned judgements and estimates with respect of ECLs.

(3) Post-employment benefit

The present value of post-employment benefit obligations is estimated based on several assumptions.

Any changes in those assumptions will affect the carrying amounts of post-employment benefit obligations.

The assumptions used to determine net pension cost (revenue) comprise discount rate. The Bank and subsidiaries determine the appropriate discount rate at the end of each year, and use the discount rate in calculating the present value of future cash outflow of post-employment benefit obligations. The discount rate is chosen by reference to the rate of government bonds where the currency and maturity date of government bonds are in agreement with those of post-employment benefit obligations. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2023	(Reclassified) December 31, 2022	(Reclassified) January 1, 2022
Cash on hand and petty cash	\$ 20,023,324	\$ 19,185,744	\$ 16,005,097
Checks for clearance	273,248	487,555	375,969
Due from banks (Note)	113,583,075	64,605,910	76,238,187
Subtotal	133,879,647	84,279,209	92,619,253
Less: Allowance for bad debt - due from banks	-	(31)	(12)
Total	\$ 133,879,647	\$ 84,279,178	\$ 92,619,241

Note: As overseas banks and domestic banks have different definitions for the nature of transactions of inter-bank funds transfers, the Bank reclassified the relevant transactions and recorded them under a consistent line item. As of December 31, 2022 and January 1, 2022, the amounts reclassified from cash and cash equivalents to due from the Central Bank and call loans to banks were NT\$25,116,690 thousand and NT\$41,124,913 thousand, respectively.

Information relating to credit risk is provided in Note 8(3).

(2) Due from the Central Bank and call loans to banks

	December 31, 2023	(Reclassified) December 31, 2022	(Reclassified) January 1, 2022
Reserve for deposits - category A	\$ 20,837,559	\$ 2,466,169	\$ 7,975,610
Reserve for deposits - category B	58,401,149	57,475,970	56,709,890
Reserve for deposits - general	291	291	262
Reserve for deposits - foreign currency	859,042	908,399	898,188
Deposits of overseas branches with foreign Central Banks	237,629,748	235,904,064	207,041,474
Interbank settlement fund of Fund Center	16,017,381	16,019,065	19,931,695
Call loans to banks and bank overdrafts (Note)	220,669,341	128,854,965	191,256,625
Trade financing loans from banks	-	153,525	1,053,937
Subtotal	554,414,511	441,782,448	484,867,681
Less: Allowance for bad debt – call loans to banks	-	-	(12)
Less: Allowance for bad debt			
– due from the Central Bank	-	(9)	(6)
Less: Allowance for bad debt			
– trade financing loans from banks, credit risk is not significantly increased	-	(26)	(555)
Total	\$ 554,414,511	\$ 441,782,413	\$ 484,867,108

Note: Refer to Note 6(1) for details of accounting reclassifications.

- A. As required by relevant laws, the reserves for deposits are calculated at required reserve ratios based on the monthly average balances of various deposit accounts. Reserve for deposits - category B cannot be used except upon the monthly adjustment of the reserve.
- B. As at December 31, 2023, December 31, 2022 and January 1, 2022, due from the Central Bank and call loans to banks of the Bank and subsidiaries that were in accordance to the definition of cash and cash equivalents under IAS 7, which included the total of the above-listed 'Reserve for deposit - category A', 'Reserve for deposit - general', 'Call loans to banks and bank overdrafts', 'Reserve for deposit-foreign currency' and a portion of 'Deposit of overseas branches with foreign Central Banks' that are highly liquid and readily convertible to cash, amounted to NT\$317,929,186 thousand, NT\$346,216,466 thousand and NT\$310,342,051 thousand, respectively.
- C. Information relating to credit risk is provided in Note 8(3).

(3) Financial assets at fair value through profit or loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 6,232,414	\$ 6,698,457
Emerging stocks	1,339,115	1,148,780
Unlisted stocks	6,432,875	6,401,406
Asset securitization	8,109	8,540
Beneficiary certificates	156,640	642,500
Derivatives	8,784,408	6,045,704
Government bonds	214,383	61,380
Corporate bonds	21,877,670	30,350,523
Bank notes	6,056,884	2,624,853
Subtotal	51,102,498	53,982,143
Valuation adjustment	5,682,221	2,578,045
Total	<u>\$ 56,784,719</u>	<u>\$ 56,560,188</u>

- A. Gain or loss on financial assets mandatorily measured at fair value through profit or loss recognized for the years ended December 31, 2023 and 2022 are provided in Note 6(29).
- B. As of December 31, 2023 and 2022, financial assets at fair value through profit or loss undertaken for repurchase agreements amounted to NT\$5,921,670 thousand and NT\$1,805,905 thousand, respectively.
- C. Information relating to credit risk is provided in Note 8(3).

(4) Financial assets at fair value through other comprehensive income

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Debt instruments		
Corporate bonds	\$ 134,946,087	\$ 136,134,920
Bank notes	93,029,678	92,744,390
Government bonds	76,256,483	85,388,702
Asset securitization	59,819,666	65,302,277
Bank's certificates of deposit	11,500,417	13,596,154
Subtotal	375,552,331	393,166,443
Valuation adjustment	(17,867,174)	(20,738,071)
Debt instruments, net	357,685,157	372,428,372
Equity instruments		
Listed stocks	24,006,841	18,500,912
Emerging stocks	147,200	-
Unlisted stocks	5,039,588	4,783,868
Beneficiary certificates	302,258	302,258
Subtotal	29,495,887	23,587,038
Valuation adjustment	20,683,262	8,503,059
Equity instruments, net	50,179,149	32,090,097
Total	\$ 407,864,306	\$ 404,518,469

- A. The Bank and subsidiaries have elected to classify investments that are considered to be strategic investments and with steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments both were the carrying amounts of these assets at December 31, 2023 and 2022.
- B. Since the investee, Ability I Venture Capital Corporation, negotiated with major shareholders or their designated third parties to buy back the equity held by shareholders in response to shareholders' requests on the return of capital, the Bank and subsidiaries disposed all of its shares on May 5, 2023 and recognized a loss on disposal of \$5,531 thousand. Further, as the investee, Grand Cathay Venture Capital III Co., Ltd. (Grand Cathay Venture Capital) has completed the dissolution and liquidation processes and distributed residual assets, the Bank and subsidiaries recognized a loss on disposal of \$7,648 thousand for the year ended December 31, 2023 after writing off the balance of investment in Grand Cathay Venture Capital. In addition, as the investee, Euroc Venture Capital Corp. (Euroc Venture Capital) has completed the dissolution and liquidation processes and distributed residual assets, the Bank and subsidiaries recognized a loss on disposal of \$4,405 thousand after writing off the balance of investment in Euroc Venture Capital. Moreover, the Bank and subsidiaries have sold equity instruments in tranches as individual stocks with declining revenue may affect the future dividend distribution ability and dividend yield level, in the fair value amount of equity investments - listed stocks of NT\$9,196,854 thousand, resulting in the gains on disposal amounting to NT\$247,082 thousand for the year ended December 31, 2023.

C. Since the investee, Riselink Partners Ltd., has stopped making new investments, the Bank and subsidiaries sold all its shares in the investee on June 10, 2022 to accelerate the capital recovery, and gains on disposal of NT\$761 thousand has been recognized for the year ended December 31, 2022. Further, the investee, YFY Biotech Management Company (YFY Biotech), has completed the dissolution and liquidation processes and distributed residual assets. Consequently, the Bank and subsidiaries received ordinary shares of OTC-listed companies, TaiGen Biopharmaceuticals Holdings Limited and Medeon Biodesign Inc., according to its capital contribution ratio and recognized investment costs based on the fair values of stock closing prices on the stock transfer date, January 11, 2022, and a gain on disposal of NT\$68,437 thousand after writing off the balance of investment in YFY Biotech. In addition, the investee, H&QAPGCGF, has stopped making new investments, started to dispose the assets on account and returned the investment proceeds to the Bank; therefore, a gain on disposal of NT\$136 thousand has been recognized. Moreover, the Bank and subsidiaries have sold equity instruments in tranches as individual stocks with declining revenue may affect the future dividend distribution ability and dividend yield level, in the fair value amount of equity investments - listed stocks of NT\$12,719,203 thousand, resulting in the losses on disposal amounting to NT\$2,494,836 thousand for the year ended December 31, 2022.

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D. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	2023	2022
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ 12,409,700	(\$ 4,993,560)
Cumulative (gains) losses reclassified to retained earnings due to derecognition	(\$ 229,498)	\$ 2,425,502
Dividend income recognized in profit or loss		
Held at end of year	\$ 1,970,562	\$ 1,782,227
Derecognized during the year	-	543,730
	<u>\$ 1,970,562</u>	<u>\$ 2,325,957</u>
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ 2,430,881	(\$ 19,719,295)
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment recognition (reversal)	\$ 35,691	(\$ 100,826)
Reclassified due to derecognition	40,996	(18,199)
	<u>\$ 76,687</u>	<u>(\$ 119,025)</u>
Interest income recognized in profit or loss	<u>\$ 9,530,296</u>	<u>\$ 5,982,946</u>

E. As of December 31, 2023 and 2022, the financial assets at fair value through other comprehensive income, amounting to NT\$7,839,159 thousand and NT\$12,501,305 thousand, were pledged to other parties as collateral for business reserves and guarantees, respectively.

F. As of December 31, 2023 and 2022, the financial assets at fair value through other comprehensive income undertaken for repurchase agreements amounted to NT\$37,566,058 thousand and NT\$36,662,259 thousand, respectively.

G. Information relating to credit risk is provided in Note 8(3).

(5) Investments in debt instruments at amortized cost

	December 31, 2023	December 31, 2022
Central Bank's certificates of deposit	\$ 319,217,884	\$ 341,307,444
Short-term notes and bills	202,126,441	151,020,379
Bank's certificates of deposit	7,726,605	5,477,373
Bank notes	24,048,010	26,011,862
Government bonds	25,331,117	19,230,824
Corporate bonds	9,492,460	5,860,463
Asset securitization	23,766,430	11,891,665
Subtotal	611,708,947	560,800,010
Less: Accumulated impairment	(71,045)	(40,074)
Total	<u>\$ 611,637,902</u>	<u>\$ 560,759,936</u>

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

	2023	2022
Interest income	\$ 9,405,535	\$ 4,370,210
Losses on disposal	-	(27,245)
Reversal (losses) gains on impairment	(30,999)	26,987
	<u>\$ 9,374,536</u>	<u>\$ 4,369,952</u>

B. For the years ended December 31, 2023 and 2022, the Bank and subsidiaries sold investment in debt investments for the risk management purpose, resulting in a loss on disposal amounted to NT\$0 and NT\$27,245 thousand, respectively.

C. As of December 31, 2023 and 2022, the aforementioned debt investments, amounting to NT\$8,112,532 thousand and NT\$7,651,618 thousand, were pledged to other parties as collateral for business reserves and guarantees, respectively.

D. Please refer to Note 8(3) for the movement information on accumulated losses for the years ended December 31, 2023 and 2022.

E. Information relating to credit risk is provided in Note 8(3).

(6) Receivables, net

	December 31, 2023	December 31, 2022
Factoring receivable	\$ 11,550,235	\$ 15,333,425
Accounts receivable - credit card	8,903,214	9,908,440
Accrued interest	11,930,390	8,813,867
Acceptances receivable	3,929,168	5,474,966
Accrued income	1,735,759	1,474,310
Other receivables	2,232,891	5,442,252
Subtotal	40,281,657	46,447,260
Less: Allowance for bad debts	(468,544)	(1,045,288)
Receivables, net	<u>\$ 39,813,113</u>	<u>\$ 45,401,972</u>

A. Please refer to Note 8(3) for the movement information on loss allowance for the years ended December 31, 2023 and 2022.

B. Information relating to credit risk is provided in Note 8(3).

(7) Discounts and loans, net

	December 31, 2023	December 31, 2022
Bills and notes discounted	\$ 78,235	\$ 55,235
Overdrafts	931,141	1,595,730
Short-term loans	580,077,018	536,789,033
Medium-term loans	880,959,875	858,820,483
Long-term loans	699,781,895	703,355,213
Export bills negotiated	4,458,892	7,258,294
Loans transferred to non-accrual loans	3,231,685	3,389,473
Subtotal	2,169,518,741	2,111,263,461
Less: Allowance for bad debts	(36,176,730)	(31,822,169)
Discounts and loans, net	<u>\$ 2,133,342,011</u>	<u>\$ 2,079,441,292</u>

- A. As of December 31, 2023 and 2022, the amounts of reclassified non-performing loans to overdue loans were NT\$3,231,685 thousand and NT\$3,389,473 thousand, including interest receivable of NT\$59,944 thousand and NT\$33,776 thousand for the years ended December 31 2023 and 2022, respectively.
- B. Considering that some creditors' financial structures were weakened and their credit risk raised due to the pandemic, the Bank and subsidiaries disposed of certain credit assets, and the gains (losses) on disposal were NT\$2 thousand and NT\$(11,622) thousand for the years ended December 31, 2023 and 2022, respectively.
- C. Please refer to Note 8(3) for the movement information on loss allowance for the years ended December 31, 2023 and 2022.
- D. The amounts of recovery of write-off for the years ended December 31, 2023 and 2022 were NT\$811,038 thousand and NT\$716,039 thousand, respectively.
- E. Information relating to credit risk is provided in Note 8(3).

(8) Investments measured by equity method, net

December 31, 2023		
Individually Immaterial Associates	Carrying amount	Percentage of Shareholding
Mega Management Consulting Co., Ltd.	\$ 80,634	100.00
Cathay Investment & Warehousing Co., S.A.	28,461	100.00
Ramlett Finance Holdings Inc.	-	100.00
Yung-Shing Industries Co.	703,556	99.56
China Products Trading Company	27,733	68.27
Next Commercial Bank Co., Ltd.(Note)	2,423,420	26.02
An Feng Enterprise Co., Ltd.	13,911	25.00
Taiwan Finance Corporation	1,957,201	24.55
Everstrong Iron & Steel Foundry & Mfg. Corporation	53,473	22.22
China Real Estate Management Co., Ltd.	184,127	16.65
Universal Venture Capital Investment Corporation	168,707	11.84
Mega Growth Venture Capital Co., Ltd.	76,878	11.81
Total	<u>\$ 5,718,101</u>	
December 31, 2022		
Individually Immaterial Associates	Carrying amount	Percentage of Shareholding
Mega Management Consulting Co., Ltd.	\$ 54,835	100.00
Cathay Investment & Warehousing Co., S.A.	29,801	100.00
Ramlett Finance Holdings Inc.	-	100.00
Yung-Shing Industries Co.	704,944	99.56
China Products Trading Company	27,819	68.27
Next Commercial Bank Co., Ltd.(Note)	1,915,792	25.10
An Feng Enterprise Co., Ltd.	13,228	25.00
Taiwan Finance Corporation	1,601,428	24.55
Everstrong Iron & Steel Foundry & Mfg. Corporation	49,406	22.22
China Real Estate Management Co., Ltd.	188,581	16.65
Universal Venture Capital Investment Corporation	147,054	11.84
Mega Growth Venture Capital Co., Ltd.	120,612	11.81
Total	<u>\$ 4,853,500</u>	

Note : In January 2019, the Board of Directors of the Bank resolved to establish an internet-only bank, NEXT COMMERCIAL BANK Co., LTD. (referred herein as the Next Bank), with Chunghwa Telecom, which has been approved by the FSC in July 2019. On January 31, 2020, the registration for establishment was completed and the internet-only bank was reclassified as investment accounted for using the equity method. On December 9, 2021, Next Bank has obtained the business license from the FSC and is expected to officially commence operations in March 2022. In addition, the Bank have provided the necessary financial support letter to Next Bank. Information relating to credit risk is provided in Note 13(3).

For the years ended December 31, 2023 and 2022, the Bank and subsidiaries recognized cumulative investment losses amounting to NT\$251,438 thousand and NT\$251,809 thousand, respectively, based on Next Bank's unaudited financial statements. As of December 31, 2023

and 2022, from the acquisition date of investments, the accumulated investment losses have been recognized amounting to NT\$843,379 thousand and NT\$591,941 thousand, respectively.

- A. The carrying amount of the Bank and subsidiaries' interests in all individually immaterial associates and the Bank and subsidiaries' share of the operating results are summarized as follows:

	For the years ended December 31,	
	2023	2022
Loss for the year	(\$ 81,085)	(\$ 131,988)
Other comprehensive income (loss) (after income tax)	329,614	(156,583)
Total comprehensive income (loss)	<u>\$ 248,529</u>	<u>(\$ 288,571)</u>

- B. The shares of associates that the Bank and subsidiaries own have no quoted market price available in an active market. There is no significant restriction on fund transfer from the associates to their shareholders, i.e. distribution of cash dividends, repayment of loans or money advanced.
- C. The ownership percentage of the Bank and subsidiaries investment in Universal Venture Capital Investment Corporation is 11.84%. However, due to the Bank occupying 2 board seats of Universal Venture Capital Investment Corporation's total 11 board seats, and the Bank being elected as the chairman of the board, the Bank has influence over decision-making. Therefore, the investment is measured by equity method.
- D. The ownership percentage of the Bank and subsidiaries investment in China Real Estate Management Corporation is 16.65%. However, due to the Bank occupying 3 board seats of China Real Estate Management Corporation's total 9 board seats, and the Bank has influence over decision-making. Therefore, the investment is measured by equity method.
- E. The ownership percentage of the Bank's investment in Mega Growth Venture Capital Co., Ltd. is 11.81%. However, the combined ownership percentage of the Bank and the Bank's associated companies was over 20%. Therefore, the investment is measured by equity method.

(9) Other financial assets, net

	December 31, 2023	December 31, 2022
Non-accrual loans transferred from overdue receivables	\$ 4,843	\$ 7,447
Remittance purchased	673	1,011
Call loan to security brokers	153,455	-
Others(Note)	<u>270,000</u>	<u>270,000</u>
Subtotal	428,971	278,458
Less: Allowance for bad debts - Remittance purchased	(7)	(10)
Less: Allowance for bad debts - Non-accrual loans transferred from overdue receivables	<u>(4,843)</u>	<u>(7,447)</u>
Total	<u>\$ 424,121</u>	<u>\$ 271,001</u>

Note: For the years ended December 31, 2023 and 2022, the Bank's finance guarantee fund remitted to the finance guarantee special account because of the participation of the National Finance Guarantee Mechanism was recognized as restricted assets.

Information relating to credit risk is provided in Note 8(3).

(10) Property and equipment, net

2023							
	Land and land improvements	Buildings and auxiliary equipment	Computers and peripheral equipment	Transportation and communication equipment	Miscellaneous equipment	Construction in progress	Total
Cost							
Balance at January 1, 2023	\$ 9,484,896	\$ 10,602,926	\$ 4,800,827	\$ 126,202	\$ 1,669,617	\$ 142,688	\$ 26,827,156
Additions for the year	-	65,939	569,669	17,312	55,191	400,120	1,108,231
Disposals for the year	(3,400)	(110,646)	(106,459)	(7,169)	(43,136)	-	(270,810)
Transfers for the year	-	142,792	-	-	21,007	(163,799)	-
Exchange adjustments and others	1,175	1,437	(123)	11	(253)	(299)	1,948
Balance at December 31, 2023	9,482,671	10,702,448	5,263,914	136,356	1,702,426	378,710	27,666,525
Accumulated depreciation							
Balance at January 1, 2023	\$ -	(\$ 6,859,535)	(\$ 3,464,666)	(\$ 100,386)	(\$ 1,405,849)	\$ -	(\$ 11,830,436)
Depreciation for the year	-	(240,722)	(548,294)	(11,178)	(69,767)	-	(869,961)
Disposals for the year	-	99,763	105,870	7,169	41,783	-	254,585
Exchange adjustments and others	-	(235)	577	(26)	629	-	945
Balance at December 31, 2023	-	(7,000,729)	(3,906,513)	(104,421)	(1,433,204)	-	(12,444,867)
	<u>\$ 9,482,671</u>	<u>\$ 3,701,719</u>	<u>\$ 1,357,401</u>	<u>\$ 31,935</u>	<u>\$ 269,222</u>	<u>\$ 378,710</u>	<u>\$ 15,221,658</u>

2022							
	Land and land improvements	Buildings and auxiliary equipment	Computers and peripheral equipment	Transportation and communication equipment	Miscellaneous equipment	Construction in progress	Total
Cost							
Balance at January 1, 2022	\$ 9,480,028	\$ 10,500,317	\$ 4,454,699	\$ 127,344	\$ 1,593,815	\$ -	\$ 26,156,203
Additions for the year	-	89,394	662,223	7,649	102,738	185,642	1,047,646
Disposals for the year	-	(110,120)	(346,418)	(12,082)	(50,149)	-	(518,769)
Transfers for the year	-	42,878	-	-	-	(42,878)	-
Exchange adjustments and others	4,868	80,457	30,323	3,291	23,213	(76)	142,076
Balance at December 31, 2022	9,484,896	10,602,926	4,800,827	126,202	1,669,617	142,688	26,827,156
Accumulated depreciation							
Balance at January 1, 2022	-	(6,642,497)	(3,245,711)	(98,990)	(1,366,243)	-	(11,353,441)
Depreciation for the year	-	(252,011)	(544,990)	(10,563)	(70,612)	-	(878,176)
Disposals for the year	-	110,120	346,240	12,028	50,066	-	518,454
Exchange adjustments and others	-	(75,147)	(20,205)	(2,861)	(19,060)	-	(117,273)
Balance at December 31, 2022	-	(6,859,535)	(3,464,666)	(100,386)	(1,405,849)	-	(11,830,436)
	<u>\$ 9,484,896</u>	<u>\$ 3,743,391</u>	<u>\$ 1,336,161</u>	<u>\$ 25,816</u>	<u>\$ 263,768</u>	<u>\$ 142,688</u>	<u>\$ 14,996,720</u>

(11) Leasing arrangements — lessee

- A. The Bank and subsidiaries lease various assets including land and land improvements, buildings and auxiliary equipment, machinery and equipment. Lease contracts are typically made for periods of 1 year and 8 months to 30 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease contracts do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise assets, such as buildings and equipment. Low-value assets comprise multifunctional printers.
- C. The carrying amount of right-of-use assets and the depreciation expense are as follows:

	December 31, 2023	December 31, 2022
	Carrying amount	Carrying amount
Land and land improvements	\$ 432,253	\$ 454,842
Buildings and auxiliary equipment	1,785,249	1,588,140
Machinery and equipment	107,116	103,552
Others	52	46
Total	<u>\$ 2,324,670</u>	<u>\$ 2,146,580</u>
	For the years ended December 31,	
	2023	2022
	Depreciation expense	Depreciation expense
Land and land improvements	\$ 25,402	\$ 25,239
Buildings and auxiliary equipment	549,748	538,216
Machinery and equipment	50,781	48,872
Others	91	105
Total	<u>\$ 626,022</u>	<u>\$ 612,432</u>

- D. The information on profit and loss accounts and cashflow relating to lease contracts is as follows:

	For the years ended December 31,	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 28,133	\$ 25,027
Expense on short-term lease contracts	9,842	11,983
Expense on leases of low-value assets	6,441	6,307
<u>Other disclosures</u>		
Additions to right-of-use assets	\$ 830,378	\$ 930,803
Cash outflow for leases	(654,509)	(644,510)

(12) Leasing arrangements – lessor

- A. The Bank and subsidiaries lease various assets including land and land improvements, buildings and auxiliary equipment, machinery and equipment. Lease contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required.
- B. For the years ended December 31, 2023 and 2022, the Bank and subsidiaries recognized rental income in the amounts of NT\$155,383 thousand and NT\$153,735 thousand based on the operating lease contracts, of which variable lease payments amounted to NT\$14,637 thousand and NT\$1,698 thousand, respectively.
- C. The maturity analysis of the lease payments under the operating leases is as follows:

	For the years ended December 31,	
	2023	2022
Within 1 year	\$ 156,811	\$ 157,683
1-2 years	105,426	134,691
2-3 years	89,991	84,513
3-4 years	37,698	71,107
4-5 years	26,411	21,718
After 5 years	87,467	61,478
Total	<u>\$ 503,804</u>	<u>\$ 531,190</u>

(13) Investment property, net

	2023		
	Land and land improvements	Buildings and auxiliary equipment	Total
<u>Original cost</u>			
Balance at January 1, 2023	\$ 574,770	\$ 21,288	\$ 596,058
Exchange adjustments	-	21	21
Balance at December 31, 2023	<u>574,770</u>	<u>21,309</u>	<u>596,079</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2023	- (	13,171) (	13,171)
Depreciation for the year	- (	330) (	330)
Exchange adjustments	- (	14) (	14)
Balance at December 31, 2023	<u>- (</u>	<u>13,515) (</u>	<u>13,515)</u>
	<u>\$ 574,770</u>	<u>\$ 7,794</u>	<u>\$ 582,564</u>
	2022		
	Land and land improvements	Buildings and auxiliary equipment	Total
<u>Original cost</u>			
Balance at January 1, 2022	\$ 574,770	\$ 21,231	\$ 596,001
Exchange adjustments	-	57	57
Balance at December 31, 2022	<u>574,770</u>	<u>21,288</u>	<u>596,058</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	- (	12,804) (	12,804)
Depreciation for the year	- (	330) (	330)
Exchange adjustments	- (	37) (	37)
Balance at December 31, 2022	<u>- (</u>	<u>13,171) (</u>	<u>13,171)</u>
	<u>\$ 574,770</u>	<u>\$ 8,117</u>	<u>\$ 582,887</u>

A. The fair value of the investment property held by the Bank and subsidiaries as of December 31, 2023 and 2022 was NT\$3,596,365 thousand and NT\$3,432,224 thousand, respectively, according to the result of valuation by an independent valuation expert using the comparison method and land development analysis approach, both of which are considered to be ranked at Level 2 within the fair value hierarchy.

B. Rental income from the lease of the investment property for the years ended December 31, 2023 and 2022 was NT\$15,677 thousand and NT\$16,234 thousand, respectively; direct operating expenses incident to current rental income from investment property were NT\$7,082 thousand and NT\$6,705 thousand, respectively.

C. For the rental revenue from the lease of the investment property among related parties, please refer to Note 11(3).

(14) Other assets, net

	December 31, 2023	December 31, 2022
Refundable deposits	\$ 5,644,684	\$ 2,688,532
Temporary payments	1,398,785	1,379,676
Prepaid expenses	246,021	167,312
Others	121,751	338,695
Total	<u>\$ 7,411,241</u>	<u>\$ 4,574,215</u>

(15) Deposits from the Central Bank and banks

	December 31, 2023	(Reclassified) December 31, 2022	(Reclassified) January 1, 2022
Deposits from the Central Bank	\$ 291,407,121	\$ 186,298,775	\$ 161,436,382
Call loans from the Central Bank and banks	165,372,925	172,895,910	167,658,866
Deposits from banks (Note)	60,560,769	48,450,709	56,407,839
Overdrafts on banks	16,888	1,623,669	3,972,195
Deposits transferred from Chunghwa Post Co., Ltd.	99,511,478	20,193	25,674
Total	<u>\$ 616,869,181</u>	<u>\$ 409,289,256</u>	<u>\$ 389,500,956</u>

Note: As overseas banks and domestic banks have different definitions for the nature of transactions of inter-bank funds transfers, the Bank reclassified the relevant transactions and recorded them under a consistent line item. As of December 31, 2022 and January 1, 2022, the amounts reclassified from deposits from the Central Bank and banks to due to the Central Bank and banks were NT\$0 and NT\$19,601,723 thousand, respectively.

(16) Due to the Central Bank and banks

	December 31, 2023	December 31, 2022	(Reclassified) January 1, 2022
Collateral loans transferred to the Central Bank	\$ 2,870,805	\$ 3,219,692	\$ 3,200,153
Other dues to the Central Bank	-	-	17,177,070
Due to banks (Note)	-	30,688	6,911,750
Total	<u>\$ 2,870,805</u>	<u>\$ 3,250,380</u>	<u>\$ 27,288,973</u>

Note: Refer to Note 6(15) for details of accounting reclassifications.

(17) Financial liabilities at fair value through profit or loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial liabilities held for trading:		
Derivatives	\$ 6,742,236	\$ 4,111,661
Financial liabilities designated at fair value through profit or loss:		
Bank notes	19,875,936	19,101,375
Valuation adjustment	(1,902,507)	(2,181,451)
Subtotal	<u>17,973,429</u>	<u>16,919,924</u>
Total	<u>\$ 24,715,665</u>	<u>\$ 21,031,585</u>

A. The Bank and subsidiaries' gain (loss) on financial liabilities held for trading and gain (loss) on financial liabilities designated at fair value through profit or loss recognized for the years ended December 31, 2023 and 2022 are provided in Note 6(29).

B. Financial liabilities designated at fair value through profit or loss by the Bank is for the purpose of eliminating recognition inconsistency.

(18) Payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable	\$ 14,533,566	\$ 4,667,267
Bankers' acceptances	4,019,945	5,544,091
Dividends and bonus payable	5,679,263	5,679,263
Accrued expenses	6,259,225	5,254,046
Accrued interests	9,751,931	4,816,701
Collections payable for customers	985,738	1,077,596
Other payables	2,249,247	2,007,222
Total	<u>\$ 43,478,915</u>	<u>\$ 29,046,186</u>

(19) Deposits and remittances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Time deposits	\$ 1,076,191,870	\$ 1,047,509,211
Demand deposits	768,759,073	836,983,364
Demand savings deposits	596,792,370	589,548,600
Time savings deposits	367,246,053	329,980,218
Checking deposits	40,561,445	36,193,092
Remittances	7,113,094	8,742,101
Negotiable certificates of deposit	455,100	546,900
Total	<u>\$ 2,857,119,005</u>	<u>\$ 2,849,503,486</u>

(20) Bank notes payable

	December 31, 2023	December 31, 2022
General bank debentures	\$ 3,000,000	\$ 2,500,000
Subordinated bank debentures	12,500,000	12,500,000
Total	<u>\$ 15,500,000</u>	<u>\$ 15,000,000</u>

Bank notes were as follows:

Unit: In NT Thousand Dollars

Name of bond	Issuing period	Interest rate %	Total issued amount	December 31,		Remark
				2023	2022	
109-1 Development Bank Notes (Note 1)	2020.03.11-2023.03.11	0.60%	\$ 1,000,000	\$ -	\$ 1,000,000	Interest is paid annually. The principal is repaid at maturity.
111-1 Development Bank Notes (Note 1)	2022.02.22-2027.02.22	0.70%	1,500,000	1,500,000	1,500,000	Interest is paid annually. The principal is repaid at maturity.
111-4 Development Bank Notes (Note 2)	2022.10.07-2029.10.07	1.82%	4,700,000	4,700,000	4,700,000	Interest is paid annually. The principal is repaid at maturity.
111-5 Development Bank Notes (Note 2)	2022.10.07-2032.10.07	1.90%	1,500,000	1,500,000	1,500,000	Interest is paid annually. The principal is repaid at maturity.
111-6 Development Bank Notes (Note 2)	2022.11.22-2030.11.22	2.18%	3,900,000	3,900,000	3,900,000	Interest is paid annually. The principal is repaid at maturity.
111-7 Development Bank Notes (Note 2)	2022.12.26-2029.12.26	2.20%	2,400,000	2,400,000	2,400,000	Interest is paid annually. The principal is repaid at maturity.
112-1 Development Bank Notes (Note 1)	2023.03.21-2028.03.21	1.40%	1,500,000	1,500,000	-	Interest is paid annually. The principal is repaid at maturity.
Total				<u>\$ 15,500,000</u>	<u>\$ 15,000,000</u>	

(Note 1)It was a general bank debenture.

(Note 2)It was a subordinated bank debenture.

Unit: In US Thousand Dollars

Name of bond	Issuing period	Interest rate %	Total issued amount	December 31,		Remark
				2023	2022	
107-1 Bank Notes (Note 1)	2018.03.01-2048.03.01	0.00%	\$ 330,000	\$ 330,000	\$ 330,000	The agreed price is repaid at maturity.
107-2 Bank Notes (Note 1)	2018.05.17-2048.05.17	0.00%	164,000	164,000	164,000	The agreed price is repaid at maturity.
111-2 Bank Notes (Note 1)	2022.07.05-2024.01.05	Note2	13,300	13,300	13,300	Interest is paid quarterly. The principal is repaid at maturity.
111-3 Bank Notes (Note 1)	2022.07.05-2027.07.05	Note3	6,500	6,500	6,500	Interest is paid quarterly. The principal is repaid at maturity.
Total				<u>\$ 513,800</u>	<u>\$ 513,800</u>	

(Note 1)It was a general bank debenture.

(Note 2)A fixed interest rate of 2.8% for the first year, and a structured interest rate for the period after the first year to 18 months.

(Note 3)A fixed interest rate of 4.8% for the first year, and a structured interest rate for the period between the second year to the fifth year.

As of December 31, 2023 and 2022, the outstanding balances of the above-mentioned bank notes both amounted to US\$513,800 thousand, and NT\$15.5 billion and NT\$15 billion, respectively. In addition, among the above bank notes, the general bonds of US\$513,800 thousand were designated as financial liabilities at fair value through profit or loss and hedged by interest rate swap contracts. The interest rate swaps were measured at fair value, with changes in fair value recognized in profit or loss. In order to eliminate the inconsistency in accounting, the above bank notes are also designated as financial liabilities at fair value through profit or loss.

(21) Provisions

	December 31, 2023	December 31, 2022
Provisions for employee benefits	\$ 12,881,735	\$ 11,770,815
Provisions for guarantee liabilities	2,605,680	2,723,269
Provisions for loan commitments	182,446	131,941
Provisions for others	24,021	18,127
Total	<u>\$ 15,693,882</u>	<u>\$ 14,644,152</u>

Provisions for employee benefits are as follows:

	December 31, 2023	December 31, 2022
Recognized in consolidated balance sheet:		
-Defined benefit plans	\$ 6,894,033	\$ 5,829,832
-Employee preferential savings plans	5,987,702	5,940,983
Total	<u>\$ 12,881,735</u>	<u>\$ 11,770,815</u>

A. Defined benefit plans

(A) The Bank has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Bank contributed monthly an amount equal to 10.376% (The contribution percentage from January 2022 to June 2022 was 10.822%; the contribution percentage from July 2022 to June 2023 was 10.415%; the contribution percentage from July 2023 to December 2023 was 10.376%) of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Bank would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Bank will make contributions to cover the deficit by the end of next March.

(B) The amounts recognized in the balance sheet are determined as follows:

	December 31, 2023	December 31, 2022
Present value of funded obligations	\$ 15,242,810	\$ 14,468,994
Fair value of plan assets	(8,348,777)	(8,639,162)
Net defined benefit liability	<u>\$ 6,894,033</u>	<u>\$ 5,829,832</u>

(C) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
2023			
Balance at January 1	\$ 14,468,994	(\$ 8,639,162)	\$ 5,829,832
Current service cost	340,546	-	340,546
Interest expenses (income)	240,521	(144,958)	95,563
	<u>15,050,061</u>	<u>(8,784,120)</u>	<u>6,265,941</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expenses)	-	(37,541)	(37,541)
Change in financial assumptions	1,292,273	-	1,292,273
Experience adjustments	(56,564)	-	(56,564)
	<u>1,235,709</u>	<u>(37,541)</u>	<u>1,198,168</u>
Pension fund contribution	-	(568,261)	(568,261)
Paid Pension	(1,043,129)	1,041,145	(1,984)
Exchange difference	169	-	169
Balance at December 31	<u>\$ 15,242,810</u>	<u>(\$ 8,348,777)</u>	<u>\$ 6,894,033</u>
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
2022			
Balance at January 1	\$ 16,442,440	(\$ 8,475,486)	\$ 7,966,954
Current service cost	412,577	-	412,577
Interest expenses (income)	72,922	(37,824)	35,098
	<u>16,927,939</u>	<u>(8,513,310)</u>	<u>8,414,629</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expenses)	-	(693,941)	(693,941)
Change in financial assumptions	(1,759,402)	-	(1,759,402)
Experience adjustments	533,087	-	533,087
	<u>(1,226,315)</u>	<u>(693,941)</u>	<u>(1,920,256)</u>
Pension fund contribution	-	(664,295)	(664,295)
Paid Pension	(1,232,977)	1,232,384	(593)
Exchange difference	347	-	347
Balance at December 31	<u>\$ 14,468,994</u>	<u>(\$ 8,639,162)</u>	<u>\$ 5,829,832</u>

(D) The Bank of Taiwan is commissioned to manage the Fund of the Bank's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real

estate securitization products, etc.), and the performance of fund utilization is supervised by the Labor Funds Supervisory Committee. With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Bank has no right to participate in managing and operating that fund and hence the Bank is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(E) The principal actuarial assumptions used are as follows:

	For the years ended December 31,	
	2023	2022
Discount rate	1.25%	1.70%
Rate of future salary increases	3.88%	3.22%

Assumptions regarding future mortality rate are set based on the 6th Chart of Life Span Estimate Used by the Taiwan Life Insurance Enterprises.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Rate of future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2023				
Effect on present value of defined benefit obligation	(\$ 309,560)	\$ 319,624	\$ 310,645	(\$ 302,561)
	Discount rate		Rate of future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 293,548)	\$ 303,147	\$ 297,878	(\$ 289,985)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(F) Expected contributions to the defined benefit pension plans of the Bank for the year ended December 31, 2024 amount to NT\$395,000 thousand.

(G) As of December 31, 2023, the weighted average duration of that pension plan is 8.2 years.

B. Defined contribution plans

(A) Effective July 1, 2005, the Bank has established a funded defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), applicable to employees of local citizenship. Under the New Plan, the Bank contributes monthly an amount not less than 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The payment of pension benefits is based on the employees’ individual pension fund accounts and the cumulative profit in such accounts, and the employees can choose to receive such pension benefits monthly or in a lump sum.

(B) The pension costs under the defined contribution pension plan for the years ended December 31, 2023 and 2022 were NT\$200,489 thousand and NT\$185,353 thousand, respectively. For local employees of overseas branches and subsidiaries, pension expenses under defined contribution plans following local regulations for the years ended December 31, 2023 and 2022, were NT\$34,937 thousand and NT\$29,385 thousand, respectively.

C. The Bank’s payment obligations of fixed-amount preferential savings of retired employees follow the internal regulation “Rules Governing Pension Preferential Savings of Staff of Mega International Commercial Bank”. The excessive interest arising from the interest rate upon retirement agreed with the employees in excess of general market interest rate should be accounted for in accordance with IAS 19, “Employee Benefits”.

(A) Adjustment of assets and liabilities recognized in the consolidated balance sheets, present value of defined benefit obligation, and fair value of plan assets is as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	\$ 5,987,702	\$ 5,940,983
Less: Fair value of plan assets	<u>-</u>	<u>-</u>
	<u>\$ 5,987,702</u>	<u>\$ 5,940,983</u>

(B) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
2023			
Balance at January 1	\$ 5,940,983	\$ -	\$ 5,940,983
Interest expenses	<u>227,197</u>	<u>-</u>	<u>227,197</u>
	<u>6,168,180</u>	<u>-</u>	<u>6,168,180</u>
Remeasurements:			
Change in demographic assumptions	252,325	-	252,325
Experience adjustments	<u>630,305</u>	<u>-</u>	<u>630,305</u>
	<u>882,630</u>	<u>-</u>	<u>882,630</u>
Pension fund contribution	-	(1,063,108)	(1,063,108)
Paid pension	<u>(1,063,108)</u>	<u>1,063,108</u>	<u>-</u>
Balance at December 31	<u>\$ 5,987,702</u>	<u>\$ -</u>	<u>\$ 5,987,702</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
2022			
Balance at January 1	\$ 5,988,485	\$ -	\$ 5,988,485
Interest expenses	229,125	-	229,125
	<u>6,217,610</u>	<u>-</u>	<u>6,217,610</u>
Remeasurements:			
Change in demographic assumptions	132,731	-	132,731
Experience adjustments	644,960	-	644,960
	<u>777,691</u>	<u>-</u>	<u>777,691</u>
Pension fund contribution	-	(1,054,318)	(1,054,318)
Paid pension	(1,054,318)	1,054,318	-
Balance at December 31	<u>\$ 5,940,983</u>	<u>\$ -</u>	<u>\$ 5,940,983</u>

(C) Actuarial assumptions are as follows:

	For the years ended December 31,	
	2023	2022
Discount rate for employee preferential interest savings	<u>4.00%</u>	<u>4.00%</u>
Return rate on capital deposited	<u>2.00%</u>	<u>2.00%</u>
Annual decreasing ratio for account balance	<u>1.00%</u>	<u>1.00%</u>
Probability of change in preferential savings system in the future	<u>50.00%</u>	<u>50.00%</u>

Because the main actuarial assumption changed, the present value of employee preferential interest savings obligation is affected. The analysis was as follows:

	Discount rate		Rate of deposit cost	
	Increase 0.25%	Decrease 0.25%	Increase 0.05%	Decrease 0.05%
December 31, 2023				
Effect on present value of defined benefit obligation	(\$ <u>125,660</u>)	<u>\$ 130,571</u>	(\$ <u>29,873</u>)	<u>\$ 29,873</u>
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ <u>125,840</u>)	<u>\$ 130,795</u>	(\$ <u>28,970</u>)	<u>\$ 28,970</u>

(D) The Bank and subsidiaries recognized employee benefit expenses of NT\$1,438,564 thousand and NT\$1,317,376 thousand for the years ended December 31, 2023 and 2022, respectively.

D. Please refer to Note 8(3) for the movement information on provisions for loan commitments and guarantee liabilities for the years ended December 31, 2023 and 2022.

E. Information relating to credit risk of provisions for loan commitments and guarantee liabilities is provided in Note 8(3).

(22) Other financial liabilities

	December 31, 2023	December 31, 2022
Principal received on structured notes	\$ 17,449,068	\$ 15,621,912
Cumulative earnings on appropriated loan fund	1,003,067	312,226
Total	<u>\$ 18,452,135</u>	<u>\$ 15,934,138</u>

(23) Other liabilities

	December 31, 2023	December 31, 2022
Guarantee deposits received	\$ 2,445,103	\$ 7,956,410
Temporary credits	3,424,146	1,522,394
Advance receipt	1,864,100	1,925,727
Other liabilities to be settled	468,889	447,480
Others	230,253	200,351
Total	<u>\$ 8,432,491</u>	<u>\$ 12,052,362</u>

(24) Equity

A. Common stock

As of December 31, 2023 and 2022, the Bank's authorized and paid-in capital were both NT\$85,362,336 thousand and outstanding shares were both 8,536,234 thousand, with a par value of NT\$10 per share.

B. Share-based payment - compensation to employees

The following share-based compensation to employees is generated by the parent company, Mega Financial Holdings Co., Ltd., which increased capital by issuing new shares and reserved 15% of the total number of issued shares for employee pre-emption of the Group in accordance with Company Act Article 267, paragraph 1.

(A) As of December 31, 2023, the share-based payment transactions of the Bank were as follows:

Type of arrangement	Grant date	Quantity granted (in shares) (Note)	Vesting conditions
Cash capital increase reserved for employee pre-emption	2023/12/04	37,117,802	Vested immediately

Note: The quantity granted (in shares) is the total number of shares allocated by the Bank (including subsidiaries).

(B) Capital surplus arising from share-based payment transactions amounted to NT\$217,856 thousand.

C. Capital surplus

(A) Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated

deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Bank has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(B) As of December 31, 2023 and 2022, the details of the Bank's capital surplus are as follows:

	December 31, 2023	December 31, 2022
Additional paid-in capital	\$ 31,495,952	\$ 31,495,952
Consolidation surplus arising from share conversion	30,109,277	30,109,277
Changes in additional paid-in capital of investees accounted for using equity method	375,908	375,908
Share-based payment (Note)	456,259	238,403
Total	<u>\$ 62,437,396</u>	<u>\$ 62,219,540</u>

Note: The above-mentioned share-based payment includes the subsidiaries.

D. Legal reserve and Special reserve

(A) Legal reserve

Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Bank's paid-in capital. As of December 31, 2023 and 2022, the Bank's legal reserves were NT\$119,281,053 thousand and NT\$112,293,953 thousand, respectively.

(B) Special reserve

Upon the first-time adoption for IFRSs, equivalent amounts of special reserve with regard to the unrealized revaluation increment under the stockholders' equity and cumulative translation adjustment (gains) transferred to retained earnings should be set aside. For the said special reserve, reversal of distributed earnings shall be based on the proportion of the original ratio of special reserve provision in the subsequent use, disposal or reclassification for the related assets. As of December 31, 2023 and 2022, the special reserves of the Bank were NT\$16,174,049 thousand and NT\$4,210,485 thousand, respectively. In accordance with Financial-Supervisory-Securities-Corporate No.1090150022 of the FSC dated on March 31, 2021, the Bank shall set aside an equivalent amount of special reserve from earnings after tax of the current year and the undistributed earnings of the prior period based on the net decreased amount of other stockholders' equity in the current period before distributing earnings. If there is any reversal of decrease in other stockholders' equity, the earnings may be distributed based on the reversal proportion.

In accordance with Financial-Supervisory-Banks Letter No. 10510001510 of the FSC dated on May 25, 2016, as a response to the development of financial technology, and to

ensure the rights of bank practitioners, the Bank shall, upon appropriating the earnings of 2016 to 2018 fiscal years, provision 0.5% to 1% of income after taxes as special reserve. Starting from the 2017 fiscal year, public banks may reverse an amount of the aforementioned special reserve commensurate to employee termination or arrangement expenditures resulting from the development of financial technology. Moreover, in pursuant to Financial-Supervisory-Banks Letter No. 10802714560 dated May 15, 2019, public banks are no longer required to set aside the special reserve starting from 2019, and the special reserve set aside in the previous years can be used for the payment of employee termination or arrangement expenditures.

(25) Retained earnings and dividend policies

- A. The current year's earnings, if any, shall first be used to pay all taxes and offset prior year's deficit, and the remaining amount should then be set aside as legal reserve and special reserve in accordance with provisions under the applicable laws and regulations. Whether to payout dividends, bonus or keep the remaining earnings plus prior year's accumulated unappropriated earnings are subject to the approval of shareholders' meeting.
- B. The legal reserve is to be used exclusively to offset any deficit or to increase capital by issuing new shares or distribute cash dividends to original shareholders in proportion to the number of shares being held by each of them and is not to be used for any other purposes. For the legal reserve to be used for issuing new shares or distributing cash dividends, only the portion of the legal reserve exceeding 25% of paid-in capital may be capitalized or released.
- C. The appropriations and distributions for 2022 and 2021 approved by the Bank's Board of Directors on the stockholders' behalf on May 12, 2023 and May 13, 2022, respectively, was as follows:

	For the years ended December 31,	
	2022	2021
Legal reserve	\$ 6,987,100	\$ 5,706,456
Special reserve (Note)	12,018,428	29,011
Cash dividends		
(NT\$0.50 and NT\$1.50 dollar per share)	4,268,117	12,804,350
	<u>\$ 23,273,645</u>	<u>\$ 18,539,817</u>

Note: The special reserves were reversed amounting to NT\$51,789 thousand and NT\$36,821 thousand for the years ended December 31, 2022 and 2021, respectively.

Information on the appropriation of the Bank's earnings as approved by the Board of Directors on behalf of the shareholders' meeting is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

D. The appropriation of 2023 earnings resolved by the Board of Directors on February 29, 2024 is set forth below:

	For the year ended December 31, 2023
Legal reserve	\$ 9,090,104
Special reserve (Note)	86,240
Cash dividends (NT\$ 2.52 dollar per share)	21,511,309
Share dividends (NT\$ 1.26 dollar per share)	10,755,664
	<u>\$ 41,443,317</u>

Note: The special reserve was reversed amounting to NT\$12,026,742 thousand for the year ended December 31, 2023.

E. For information related to employee compensation, please refer to Note 6 (33).

(26) Other equity

	Exchange differences on translation of foreign financial statements	Gains (losses) on financial assets at fair value through other comprehensive income	Other equity-other	Total
January 1, 2023	(\$ 2,393,151)	(\$ 11,579,264)	(\$ 9,876)	(\$ 13,982,291)
Financial assets at fair value through other comprehensive income				
Evaluation adjustment for the year	-	14,840,581	-	14,840,581
Changed in accumulated impairments in the period	-	35,691	-	35,691
Realized gain and loss in the period	-	(190,216)	-	(190,216)
Translation gain and loss on the financial statements of foreign operating entities in the period	129,942	-	-	129,942
Share of other comprehensive income of associates and joint ventures accounted for using equity method	8,535	321,195	(116)	329,614
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	(129,597)	-	(129,597)
December 31, 2023	<u>(\$ 2,254,674)</u>	<u>\$ 3,298,390</u>	<u>(\$ 9,992)</u>	<u>\$ 1,033,724</u>

	Exchange differences on translation of foreign financial statements	Gains (losses) on financial assets at fair value through other comprehensive income	Other equity-other	Total
January 1, 2022	(\$ 5,121,246)	\$ 10,772,130	\$ 2,657	\$ 5,653,541
Financial assets at fair value through other comprehensive income				
Evaluation adjustment for the year	- (	24,712,855)	- (	24,712,855)
Changed in accumulated impairments in the period	- (	100,826)	- (	100,826)
Realized gain and loss in the period	-	2,409,107	-	2,409,107
Translation gain and loss on the financial statements of foreign operating entities in the period	2,717,629	-	-	2,717,629
Share of other comprehensive income of associates and joint ventures accounted for using equity method	10,466 (	154,516) (	12,533) (	156,583)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	207,696	-	207,696
December 31, 2022	(\$ 2,393,151)	(\$ 11,579,264)	(\$ 9,876)	(\$ 13,982,291)

(27) Net interest revenue (expense)

	For the years ended December 31,	
	2023	2022
<u>Interest income</u>		
Interest income, discounts and loans	\$ 69,411,107	\$ 46,081,160
Interest income, securities investment	18,935,831	10,353,156
Interest income, due from banks	24,275,590	9,975,431
Interest income, credit card recurrence	293,201	252,878
Interest income, accounts receivable factoring	432,878	268,783
Interest income, others	534,060	232,815
Subtotal	113,882,667	67,164,223
<u>Interest expenses</u>		
Interest expenses, deposit	(50,175,565)	(19,901,567)
Interest expenses, deposits from the Central Bank and banks	(24,589,692)	(9,368,206)
Interest expenses, bond and bill	(279,860)	(51,565)
Interest expenses, repurchase	(397,417)	(542,161)
Interest expenses, others	(980,427)	(443,276)
Subtotal	(76,422,961)	(30,306,775)
Total	\$ 37,459,706	\$ 36,857,448

(28) Net service fee revenue (charge)

	For the years ended December 31,	
	2023	2022
<u>Service fee</u>		
Service fee, trust	\$ 2,657,779	\$ 2,278,243
Service fee, loan	1,470,284	1,545,401
Service fee, guarantee	964,729	918,810
Service fee, insurance agency	1,001,944	664,556
Service fee, credit cards	860,898	701,065
Service fee, remittances	575,407	598,035
Service fee, import and export	467,136	488,623
Service fee, others (Note)	1,197,308	1,082,308
Subtotal	9,195,485	8,277,041
<u>Service charges</u>		
Service charge, agency	(1,122,956)	(879,020)
Service charge, custodian	(102,233)	(97,819)
Service charge, others	(470,802)	(457,485)
Subtotal	(1,695,991)	(1,434,324)
Total	\$ 7,499,494	\$ 6,842,717

The Bank and subsidiaries provide custody, trust, and investment management and consultation service to the third party, and therefore the Bank and subsidiaries are involved with the exercise of planning, managing and trading decision of financial instruments. In relation to the management and exercise of trust fund and portfolio for brokerage, the Bank and subsidiaries record and prepare the financial statements independently for internal management purposes, which are not included in the financial statements of the Bank and subsidiaries.

Note:

- A. In 2023 and 2022, the fee income generated by the Bank and subsidiaries concurrently in electronic payment business amounted to NT\$257 thousand and NT\$317 thousand, respectively.
- B. Due to the Bank and subsidiaries concurrently in electronic payment business, in 2023 and 2022, the interest earned from utilizing funds received from users both amounted to NT\$0, based on the calculation required in Article 4 of “Regulations Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions”.

(29) Gain (loss) on financial assets or liabilities measured at fair value through profit or loss

	For the years ended December 31,	
	2023	2022
<u>Gains (losses) on disposal of financial assets or liabilities measured at fair value through profit or loss</u>		
Bond	(\$ 17,131)	(\$ 1,384)
Stock	393,785	(483,730)
Interest rate	224,288	302,267
Exchange rate	14,315,738	2,880,019
Options	36,440	(12,467)
Futures	(461)	(568)
Asset swap contracts	989,702	533,013
Credit default swap	92,923	93,490
Currency swap	201,233	77
Fund	7,904	(13,042)
Others	(1,452)	(4,387)
Subtotal	<u>16,242,969</u>	<u>3,293,288</u>
<u>Revaluation gains (losses) on financial assets or liabilities measured at fair value through profit or loss</u>		
Bond	1,428,502	789,081
Stock	1,412,082	(427,932)
Interest rate	(216,819)	(1,563,478)
Exchange rate	1,540,233	1,087,334
Options	(23,773)	82,184
Futures	535	-
Asset swap contracts	(1,301,032)	1,253,399
Credit default swap	(21,480)	(86,653)
Currency swap	166,013	(67)
Fund	4,064	(12,374)
Others	(215)	18,503
Subtotal	<u>2,988,110</u>	<u>1,139,997</u>
Dividend income from financial assets measured at fair value through profit or loss	579,500	675,281
Interest income from financial assets measured at fair value through profit or loss	547,482	464,449
Interest expenses from financial liabilities measured at fair value through profit or loss	(812,548)	(744,435)
Total	<u>\$ 19,545,513</u>	<u>\$ 4,828,580</u>

Net income on the exchange rate instrument includes realized and unrealized gains and losses on forward exchange agreement, FX options, and exchange rate futures.

Interest-linked instruments include interest rate swap contracts, money market instruments, interest linked-options and other interest related instruments.

(30) Realized gains on financial assets at fair value through other comprehensive income

	For the years ended December 31,	
	2023	2022
Dividend income	\$ 1,970,562	\$ 2,325,957
(Losses) gains on disposal		
Bond	(40,996)	18,199
Total	<u>\$ 1,929,566</u>	<u>\$ 2,344,156</u>

(31) Impairment losses and reversal gains on assets

	For the years ended December 31,	
	2023	2022
Impairment (losses) reversal gains on investment in debt instruments measured at fair value through other comprehensive income	(\$ 35,691)	\$ 100,826
Impairment (losses) reversal gains on investments in debt instruments measured at amortized cost	(30,999)	26,987
Total	<u>(\$ 66,690)</u>	<u>\$ 127,813</u>

(32) Net other revenue other than interest income

	For the years ended December 31,	
	2023	2022
Net income from rent	\$ 171,232	\$ 170,227
Net gains on sale of non-performing loans	84,101	197,548
Gains on disposal of property and equipment	36,748	995
Losses on retirement of assets	(6,641)	(232)
Other revenue	148,858	114,515
Total	<u>\$ 434,298</u>	<u>\$ 483,053</u>

(33) Employee benefits expenses

	For the years ended December 31,	
	2023	2022
Payroll expenses	\$ 12,745,979	\$ 11,580,058
Preferential interest deposit for retired employees	1,438,564	1,317,376
Pension	671,535	662,413
Staff insurance	871,849	787,717
Other staff expenses	1,814,537	1,481,147
Total	<u>\$ 17,542,464</u>	<u>\$ 15,828,711</u>

A. Please refer to Note 1(4) for information on number of employees, the calculating basis agreed with employee benefit expense excluding preferential interest deposit for retired employees.

- B. According to the articles, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation. In case there are earnings at the end of each fiscal year, the employees' compensation of the Bank shall be 2~6% of the amount of net profit before income tax and employees' compensation, under the Board's discretion after taking into account the performance indicators and industry benchmark.
- C. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at NT\$1,858,867 thousand and NT\$1,404,800 thousand, respectively. The above-mentioned amounts were recognized in payroll expenses.
- D. The actual distributed amount of employees' compensation for 2022 resolved at the Board of Directors' annual meeting was NT\$1,432,896 thousand, which has a difference of NT\$28,096 thousand compared to the 2022 consolidated financial statements where the employee compensation amounted to NT\$1,404,800 thousand. The amount of difference was due to the change an accounting estimate, and the difference was recognized as profit or loss in 2023.
- E. Information about employees' compensation of the Bank as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(34) Depreciation and amortization expenses

	For the years ended December 31,	
	2023	2022
Depreciation expense	\$ 1,496,313	\$ 1,490,938
Amortization expense	662,087	566,970
Total	<u>\$ 2,158,400</u>	<u>\$ 2,057,908</u>

(35) Other general and administrative expenses

	For the years ended December 31,	
	2023	2022
Taxes	\$ 2,985,013	\$ 2,199,897
Computer software maintenance fees	756,679	617,275
Professional expenses	640,420	646,078
Insurance charges	549,165	509,725
Others	2,438,237	2,223,920
Total	<u>\$ 7,369,514</u>	<u>\$ 6,196,895</u>

(36) Income tax expense

A. Income tax expense

(A) Components of income tax expense:

	For the years ended December 31,	
	2023	2022
Current income tax:		
Current tax on profits for the year	\$ 4,699,953	\$ 3,703,869
Tax on undistributed surplus earnings	6,128	-
Prior year income tax overestimation	(341,447)	(964,795)
Total current income tax	<u>4,364,634</u>	<u>2,739,074</u>
Deferred income tax:		
Origination and reversal of temporary differences	61,592	(119,293)
Total deferred tax	<u>61,592</u>	<u>(119,293)</u>
Income tax expense	<u>\$ 4,426,226</u>	<u>\$ 2,619,781</u>

(B) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2023	2022
Changes in fair value of financial assets at fair value through other comprehensive income	\$ 129,597	(\$ 207,696)
Remeasurement on defined benefit plan	(239,634)	384,052
	<u>(\$ 110,037)</u>	<u>\$ 176,356</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2023	2022
Income tax calculated based on pre-tax income using statutory tax rate enacted in the country where the branch operates	\$ 8,094,675	\$ 5,278,317
Effects of items disallowed by tax regulation relevant regulations	10,892	(1,527)
Tax on undistributed surplus earnings	6,128	-
Prior year income tax overestimation	(341,447)	(964,795)
Adjusted effects on income tax exemption and other adjustments	(3,344,022)	(1,692,214)
Income tax expense	<u>\$ 4,426,226</u>	<u>\$ 2,619,781</u>

C. Deferred tax assets or liabilities arising from the temporary differences are as follows:

	2023			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets				
Allowance for doubtful				
accounts in excess of limit	\$ 2,225,779	\$ 301,389	\$ -	\$ 2,527,168
Reserve of guarantees in				
excess of limit	234,820	-	-	234,820
Employee benefit				
liabilities reserve	2,346,042	(17,492)	239,634	2,568,184
Unrealized impairment loss	872,080	14,333	-	886,413
Others	395,726	(92,807)	(129,597)	173,322
	<u>\$ 6,074,447</u>	<u>\$ 205,423</u>	<u>\$ 110,037</u>	<u>\$ 6,389,907</u>
Deferred income tax liabilities				
Land value increment tax	(\$ 1,053,300)	\$ -	\$ -	(\$ 1,053,300)
Unrealized exchange				
gains and losses	(297,658)	(4,225)	-	(301,883)
Investment income				
accounted for using				
equity method	(1,007,291)	25,055	-	(982,236)
Others	(83,366)	(287,845)	-	(371,211)
	<u>(\$ 2,441,615)</u>	<u>(\$ 267,015)</u>	<u>\$ -</u>	<u>(\$ 2,708,630)</u>

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets				
Allowance for doubtful				
accounts in excess of limit	\$ 2,011,949	\$ 213,830	\$ -	\$ 2,225,779
Reserve of guarantees in				
excess of limit	234,820	-	-	234,820
Employee benefit				
liabilities reserve	2,782,992	(52,898)	(384,052)	2,346,042
Unrealized impairment loss	891,162	(19,082)	-	872,080
Others	154,695	33,335	207,696	395,726
	<u>\$ 6,075,618</u>	<u>\$ 175,185</u>	<u>(\$ 176,356)</u>	<u>\$ 6,074,447</u>
Deferred income tax liabilities				
Land value increment tax	(\$ 1,053,300)	\$ -	\$ -	(\$ 1,053,300)
Unrealized exchange				
gains and losses	(282,176)	(15,482)	-	(297,658)
Investment income				
accounted for using				
equity method	(955,668)	(51,623)	-	(1,007,291)
Others	(94,579)	11,213	-	(83,366)
	<u>(\$ 2,385,723)</u>	<u>\$ 55,892</u>	<u>\$ -</u>	<u>(\$ 2,441,615)</u>

- D. The income tax returns of the Bank have been approved by National Taxation Bureau of Taipei until year 2018. However, the Bank disagreed with the result of the 2018 income tax return. As a result, the parent company, Mega Financial Holding Co., Ltd, has appealed for a review. The review case of the 2014 income tax return has been closed.
- E. The Bank's overseas branches are within the scope of the Pillar Two model rules published by OECD. Since Pillar Two legislation was enacted in the U.K., Japan, Vietnam, French and the Netherlands, the jurisdiction in which certain overseas branches are incorporated, and will come into effect from January 1, 2024, the Bank has no related current income tax exposure as of December 31, 2023.
- F. The Bank has applied Amendments to IAS 12, 'Income taxes', issued on May 23, 2023 and applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

(37) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing consolidated profit attributable to owners of the parent by the weighted-average number of ordinary shares in issue during the period.

	For the years ended December 31,	
	2023	2022
Weighted-average number of shares outstanding common stock (Unit: Thousand)	8,536,234	8,536,234
Profit attributable to ordinary shareholders of the parent	\$ 31,024,594	\$ 24,181,435
Basic earnings per share (in NT dollars)	\$ 3.63	\$ 2.83

(38) Change in liabilities from financing activities

		Bank notes payable
January 1, 2023		\$ 15,000,000
Issuance of bank notes		1,500,000
Repayment of bank notes		(1,000,000)
December 31, 2023		\$ 15,500,000
	Financial liabilities at fair value through profit or loss	Bank notes payable
January 1, 2022	\$ 16,607,738	\$ 1,000,000
Issuance of bank notes	589,208	14,000,000
Other changes	(277,022)	-
December 31, 2022	\$ 16,919,924	\$ 15,000,000

7. FAIR VALUE INFORMATION OF FINANCIAL INSTRUMENTS

(1) Overview

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments are recorded at fair value upon their initial recognition, where often fair value refers to the transaction price; for subsequent measurements, other than a portion of financial instruments being measured at amortized cost, fair value is elected for measurements. The best evidence for fair value is a public quote in an active market. If the market of a financial instrument is not active, the Bank and subsidiaries select valuation techniques or references Bloomberg or the quotes of counterparties to measure the fair value of the financial instrument. In addition, through the valuation process, information on the counterparties' and the Bank and subsidiaries' credit risk is also considered.

(2) Fair value information of financial instruments

Except for those listed in the table below, the carrying amount of some of certain financial instruments held by the Bank and subsidiaries (e.g. cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, discounts and loans, investments in debt instruments at amortized cost-Central Bank's certificates of deposit and short-term notes and bills, deposits from the Central Bank and banks, due to the Central Bank

and banks, securities sold under repurchase agreements, payables, deposits and remittances, bank notes payable and other financial liabilities) are approximate to their fair value (please refer to Note 7 (5)). The fair value information of financial instruments measured at fair value is provided in Note 7(6).

	<u>Book Value</u>	<u>Fair Value</u>
December 31, 2023		
Investments in debt instruments at amortized cost	\$ 82,627,042	\$ 81,219,631
December 31, 2022		
Investments in debt instruments at amortized cost	\$ 62,983,681	\$ 60,946,285

The fair values of the above-mentioned investments in debt instruments at amortized cost are classified as Level 1 and Level 2.

(3) Financial instruments measured at fair value

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

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

In addition to above financial instruments with an active market, other financial instruments at fair value are assessed by evaluation technique with reference to other financial instruments at fair value with similar conditions and characteristics in actual practice, cash flow discounting method and other evaluation technique, including market information obtained by exercising the model at balance sheet date (such as yield curve used in Over-The-Counter (hereinafter OTC) and the Taipei Interbank Offered Rate (Taibor) price curve).

When a financial instrument has no standardized evaluation and with less complexity involved, such as interest rate swap, currency swap and options. The Bank and subsidiaries usually adopt the valuation generally accepted by market users. The inputs used in the valuation method to measure these financial instruments are normally observable in the market. For financial instruments with higher complexity, the fair value is assessed through the valuation model developed by valuation methods and techniques generally accepted by competitors. These kinds of valuation models are usually applicable for derivative instruments, debt instruments with no quoted market price (including debt instrument of embedded derivatives) or other debt instruments with low market liquidity. Certain inputs used in these valuation models are not observable in the market, and the Bank and subsidiaries need to make appropriate estimates based on the assumptions.

The valuation of derivative instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate. Structured interest derivative instruments are measured by using appropriate option pricing models.

The output of the evaluation model is an estimate, and the valuation technique may not reflect all the relevant factors of the financial instruments held by the Bank and subsidiaries. As a result, the

estimate generated by valuation model will be slightly adjusted based on additional inputs, such as model risk, liquidity risk or credit risk of counterparties. According to the Bank and subsidiaries' valuation model management and other related controlling procedures, the adjustment made is adequate and necessary and the balance sheet is believed to present fairly, in all material aspects, the fair value of financial instruments. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

- A. NTD Central Government Bond: The yield rates across different contract length and one-hundred price bulletined by OTC are used.
- B. NTD corporate bonds, financial debentures, government bonds, bond-type beneficiary securities and designated financial debentures issued by the Bank and subsidiaries: The present value of future estimated cash flows is calculated by using the yield curve.
- C. NTD short-term bills and NTD bill-type beneficiary securities: The present value of future estimated cash flows is calculated by using quotes of TAIBOR from Reuters.
- D. Foreign securities: Bloomberg.
- E. Listed stock and emerging stock in active market: The closing price listed in exchanges is adopted.
- F. Emerging stock not in active markets: The Bank and subsidiaries shall first adopt the 30 days average price or representative trading in the recent half year in accordance with the classifications of transaction volume, amount and turnover rates during the month. The trading price might be the best estimate of stocks' fair value. The Bank and subsidiaries secondly adopt the 30 days average price, net of the discount on liquidity as stocks' fair value, of which the discount on liquidity is calculated based on the market liquidity condition under a 30 days average price basis.
- G. Unlisted stock: The sale price in the most recent year or rights offering price is adopted as stock's fair value if they were available for the objective company's stocks and its stock price or operation and industry has no significant change; the average price is adopted for more than one sale price or rights offering price available; otherwise, the fair value is estimated through the market approach or net asset approach under the consideration of life cycle, profitability and asset and liability structure of the objective company. The fair value of stock is measured at equity value that has taken into consideration the discount on liquidity and materialization adjustments if the market approach is adopted by the objective company or the fair value is equivalent to the book value if the objective company adopted the net asset approach.
- H. Funds: net asset value is adopted.
- I. Derivatives:
 - (A) Foreign exchange forward contract, currency swaps, forward rate agreement, interest rate swaps and cross currency swaps: The discounting future cash flow is adopted.
 - (B) Options: Black-Scholes model is mainly adopted for valuation.
 - (C) Some structured derivatives are valued by using Fastval.
 - (D) Some foreign-currency derivatives are valued by using the quoted prices from Bloomberg.

(4) Credit risk value adjustment

- A. Credit risk value adjustments can be primarily classified as either credit value adjustments or debit value adjustments. The definitions are as follows:
 - (A) Credit value adjustments refer to adjustments through fair value, which reflect the possibility

that a counterparty may default on repayments and that an entity may not be able to recover, in full, the market value, for transactions in non-centralized markets (i.e. valuation adjustments on derivative contracts traded OTC).

- (B) Debit value adjustments refer to adjustments through fair value, which reflect the possibility that the Bank may default on repayments and that the Bank may not be able to pay, in full, the market value, for transactions in non-centralized markets (i.e. valuation adjustments on derivative contracts traded OTC).

- B. The Bank and subsidiaries have incorporated credit risk value adjustments in the considerations for calculating the fair value of financial instruments in order to respectively reflect the counterparty's credit risk and the Bank and subsidiaries' credit quality.

(5) Financial instruments not measured at fair value through profit or loss

- A. In relation to cash and cash equivalents, securities purchased under resell agreements, due from the Central Bank and call loans to banks, receivables, refundable deposits, deposits from the Central Bank and banks, due to the Central Bank and banks, securities sold under repurchase agreements, payables and guarantee deposits received, the book value of the financial instruments which have a short maturity period will be considered as their fair value. While the maturities are quite closed or the future payment or receipt is closed to the carrying amount, the carrying amount at the consolidated balance sheet date is used to estimate the fair value.
- B. Interest rates of the Bank and subsidiaries' discounts and loans (including non-performing loans) are generally based on the benchmark interest rate plus or minus certain adjustment to reflect the market interest rate. Thus, their fair values are based on the book value after adjustments of estimated recoverability. Fair values for long-term loans with fixed interest rates shall be estimated using their discounted values of expected future cash flows. However, as such loans account for only a small portion of all loans, the book value is used to estimate the fair value.
- C. When there is a quoted market price available in an active market, the fair value of financial assets measured at amortized cost is determined using the market price. If there is no quoted market price for reference, a valuation technique or quoted price offer by the counterparties will be adopted to measure the fair value.
- D. The fair value of deposits and remittances is represented by the book value.
- E. The coupon rate of bank notes payable issued by the Bank and subsidiaries is equivalent to market interest rate; therefore, the fair value estimated based on the present value of future cash flows is equivalent to the book value.
- F. For other financial assets, such as investments in debt instruments without active market, as they have no quoted price in active market and their valuation results by using different valuation methods are significantly different, their fair value cannot be measured reliably and is not disclosed here.

(6) Level information of financial instrument at fair value

- A. Three definitions of the Bank and subsidiaries' financial instruments at fair value

(A) Level 1

Level 1 is quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market refers to a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Bank and subsidiaries' investment in listed stock, beneficiary certificates, popular Taiwan

government bonds and the derivatives with a quoted price in an active market are deemed as Level 1.

(B) Level 2

Level 2 inputs are observable prices other than quoted prices included in Level 1, including observable direct (e.g. prices) or indirect (e.g. those inferred from prices) inputs in an active market. The Bank and subsidiaries' investments in non-popular government bonds, corporate bonds, bank debentures, convertible bonds, derivatives and corporate bonds issued by the Bank and subsidiaries belong to this category.

(C) Level 3

Level 3 inputs are inputs for assets or liabilities that are unobservable in the market (unobservable inputs, e.g. option pricing model using history volatility rate, because history volatility rate cannot represent the expectation value of market participants for future volatility rate).

B. Information of fair value hierarchy of financial instruments

Recurring fair value measurements	December 31, 2023			
	Total	Level 1	Level 2	Level 3
<u>Non-derivatives</u>				
Assets				
Financial assets at fair value through profit or loss				
Investment in stock	\$ 18,941,803	\$ 7,347,549	\$ 4,445,918	\$ 7,148,336
Investment in bonds	28,901,085	1,762,600	27,138,485	-
Beneficiary certificates	157,423	157,423	-	-
Financial assets at fair value through other comprehensive income				
Investment in stock	49,875,337	33,827,690	1,565,656	14,481,991
Investment in bonds	346,181,763	44,068,527	302,113,236	-
Bank's certificates of deposit	11,503,394	3,372,575	8,130,819	-
Beneficiary certificates	303,812	303,812	-	-
Liabilities				
Financial liabilities designated at fair value through profit or loss	(17,973,429)	-	(17,973,429)	-
<u>Derivatives</u>				
Assets				
Financial assets mandatorily measured at fair value through profit or loss	8,784,408	537	8,783,871	-
Liabilities				
Financial liabilities at fair value through profit or loss	(6,742,236)	(2)	(6,742,234)	-
Total	\$ 439,933,360	\$ 90,840,711	\$ 327,462,322	\$ 21,630,327

Recurring fair value measurements	December 31, 2022			
	Total	Level 1	Level 2	Level 3
<u>Non-derivatives</u>				
Assets				
Financial assets at fair value through profit or loss				
Investment in stock	\$ 17,773,886	\$ 6,858,467	\$ 3,891,553	\$ 7,023,866
Investment in bonds	32,101,379	1,859,578	30,241,801	-
Beneficiary certificates	639,219	639,219	-	-
Financial assets at fair value through other comprehensive income				
Investment in stock	31,777,217	17,275,431	587,130	13,914,656
Investment in bonds	358,896,967	48,312,105	310,584,862	-
Bank's certificates of deposit	13,531,405	6,860,549	6,670,856	-
Beneficiary certificates	312,880	312,880	-	-
Liabilities				
Financial liabilities designated at fair value through profit or loss	(16,919,924)	-	(16,919,924)	-
<u>Derivatives</u>				
Assets				
Financial assets mandatorily measured at fair value through profit or loss	6,045,704	-	6,045,704	-
Liabilities				
Financial liabilities at fair value through profit or loss	(4,111,661)	-	(4,111,661)	-
Total	\$ 440,047,072	\$ 82,118,229	\$ 336,990,321	\$ 20,938,522

C. Transfer between Level 1 and Level 2

On December 31, 2023, the Bank and subsidiaries has no transfer between Level 1 and Level 2.

On December 31, 2022, the balance of the Bank and subsidiaries' 2022 Fiscal Year Order 2 Category 1 Central Government Construction Bonds was NT\$1,366,854 thousand. Due to the bonds becoming inactive securities in the Index, thus the bonds were transferred from Level 1 to Level 2.

D. Movements of financial instruments classified into Level 3 of fair value are as follows:

(A) Movements of financial assets classified into Level 3 of fair value are as follows:

For the year ended December 31, 2023:

Items	Beginning Balance	Gain and loss on valuation		Addition		Reduction		Ending balance
		Recognized as gain and loss	Recognized as other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Financial assets at fair value through profit or loss								
Investment in stock	\$ 7,023,866	\$ 387,223	\$ -	\$ -	\$ 89,761	(\$ 116,226)	(\$ 236,288)	\$ 7,148,336
Financial assets at fair value through other comprehensive income								
Investment in stock	13,914,656	-	827,498	2,827	786,644	(42,939)	(1,006,695)	14,481,991
Total	\$ 20,938,522	\$ 387,223	\$ 827,498	\$ 2,827	\$ 876,405	(\$ 159,165)	(\$1,242,983)	\$ 21,630,327

The Bank and subsidiaries held unlisted stock amounting to NT\$876,405 thousand, which had been originally valued using the market price within a year. Because the stock is now valued using the market approach or net asset approach, thus the stock was transferred from Level 2 to Level 3.

The Bank and subsidiaries held unlisted stock amounting to NT\$1,242,983 thousand, which had been originally valued using the market approach or net asset approach. Because the stock is now valued using the market price within a year, thus the stock was transferred from Level 3 to Level 2.

For the year ended December 31, 2022:

Items	Beginning Balance	Gain and loss on valuation		Addition		Reduction		Ending balance
		Recognized as gain and loss	Recognized as other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Financial assets at fair value through profit or loss								
Investment in stock	\$ 6,238,342	\$ 310,956	\$ -	\$ 8,433	\$ 575,967	(\$ 64,973)	(\$ 44,859)	\$ 7,023,866
Financial assets at fair value through other comprehensive income								
Investment in stock	15,816,954	-	(1,868,721)	9,448	-	(43,025)	-	13,914,656
Total	\$ 22,055,296	\$ 310,956	(\$ 1,868,721)	\$ 17,881	\$ 575,967	(\$ 107,998)	(\$ 44,859)	\$ 20,938,522

The Bank and subsidiaries held unlisted stock amounting to NT\$575,967 thousand, which had been originally valued using the market price within a year. Because the stock is now valued using the market approach or net asset approach, thus the stock was transferred from Level 2 to Level 3.

The Bank and subsidiaries held unlisted stock amounting to NT\$44,859 thousand, which had been originally valued using the market approach or net asset approach. Because the stock is now valued using the market price within a year, thus the stock was transferred from Level 3 to Level 2.

In relation to the above, valuation gains and losses are recognized in gain and loss in the period. The net gains belonging to assets as of December 31, 2023 and 2022 were NT\$312,958 thousand and NT\$282,289 thousand, respectively.

In relation to the above, valuation gains and losses are recognized in gain and loss in other comprehensive income. The net (losses) gains belonging to assets as of December 31, 2023 and 2022 were NT\$810,469 thousand and NT\$(1,793,658) thousand, respectively.

(B) Movements of financial liabilities classified into Level 3 of fair value are as follows:

None.

E. Fair value measurement to Level 3, and the sensitivity analysis of the substitutable appropriate assumption made on fair value.

The Bank and subsidiaries' fair value measurement of financial instruments was reasonable. However, if valued using different model or parameters, it would obtain different results. For Level 3, if the parameters of valuation varied up or down by 10%, the effect on profit or loss would be shown as follows:

December 31, 2023	Changes in the fair value recognized in the current profit or loss		Changes in the fair value recognized in the comprehensive income or loss	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss Investment in stock	\$ 714,834	(\$ 714,834)	\$ -	\$ -
Financial assets at fair value through other comprehensive income Investment in stock	-	-	1,448,199	(1,448,199)

December 31, 2022	Changes in the fair value recognized in the current profit or loss		Changes in the fair value recognized in the comprehensive income or loss	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss Investment in stock	\$ 702,387	(\$ 702,387)	\$ -	\$ -
Financial assets at fair value through other comprehensive income Investment in stock	-	-	1,391,466	(1,391,466)

The favorable changes and unfavorable changes meant the fluctuation of fair value, and the fair value was calculated by the unobservable parameters in different levels. If the fair value of financial instrument was affected by one of the above parameters, the favorable changes and unfavorable changes would not consider the correlation and variability in the table.

F. Quantitative information of fair value measurement of significant unobservable inputs (level 3)
Those measured at fair value belonging to level 3 of the Bank and subsidiaries are mainly for equity investment-unlisted stock.

Investments in equity instruments without active market have compound significant unobservable inputs, but are not correlated with each other because they are independent.

Table below summaries quantitative information of significant unobservable inputs:

December 31, 2023	Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Financial assets measured at fair value through profit or loss					
Equity investment- unlisted stock	\$ 6,199,048	Market approach	Lack of liquidity discount	10%-30%	The higher liquidity discount, the lower fair value.
			Price-book value ratio multiple	0.99-5.45	The higher price-book value ratio multiple, the higher fair value.
	949,288	Net asset approach	N/A	N/A	N/A
Financial assets at fair value through other comprehensive income					
Equity investment- unlisted stock	12,193,781	Market approach	Lack of liquidity discount	10%-30%	The higher liquidity discount, the lower fair value.
			Price-book value ratio multiple	0.94-3.71	The higher price-book value ratio multiple, the higher fair value.
	2,288,210	Net asset approach	N/A	N/A	N/A
December 31, 2022	Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Financial assets measured at fair value through profit or loss					
Equity investment- unlisted stock	\$ 5,373,138	Market approach	Lack of liquidity discount	10%-30%	The higher liquidity discount, the lower fair value.
			Price-book value ratio multiple	0.85-9.49	The higher price-book value ratio multiple, the higher fair value.
	1,650,728	Net asset approach	N/A	N/A	N/A
Financial assets at fair value through other comprehensive income					
Equity investment- unlisted stock	11,702,241	Market approach	Lack of liquidity discount	10%-30%	The higher liquidity discount, the lower fair value.
			Price-book value ratio multiple	0.86-3.04	The higher price-book value ratio multiple, the higher fair value.
	2,212,415	Net asset approach	N/A	N/A	N/A

8. MANAGEMENT OBJECTIVE AND POLICY FOR FINANCIAL RISK

(1) Overview

The Bank and subsidiaries earn profits mainly from lending, financial instruments trading and investments. The Bank and subsidiaries are supposed to bear and manage any risks from these business activities. These risks include credit risk, market risk, operating risk and liquidity risk. Among those risks, credit risk, market risk and liquidity risk have greater impact.

In response to the climate change, the Bank and subsidiaries have strengthened resilience, managed and controlled energy use and gas emissions, developed sustainable finance policies and developed low-carbon products and services.

The Bank and subsidiaries regard any potential factors that might negatively affect earnings and reputation as risks. To maintain steady profits and good reputation and avoid losses from incidental events, the Bank and subsidiaries' risk management policies focus on prevention and reduction of anticipated business risks and increase of capital in response to future anticipated risks. In order to meet the solid operating requirements by the competent authorities, depositors and other stakeholders for management objectives for risks, business risks are controlled within the tolerable scope.

(2) The organization framework of risk management

Based on the risk management policies and guidelines of the parent company, Mega Financial Holdings, the Bank and subsidiaries establish risk management organization, policies, objectives, procedures, internal control operation, risk monitor mechanism and risk limits, and report to the parent company on risk management issues, which could be met to the group's overall risk management structures and reporting system.

The Board of Directors is the highest instruction unit of the risk management organization structure and is responsible for establishing risk management system and ensuring effectiveness of operation, including risk management policies, organization structure, risk preference, internal control system and management of significant business cases.

Under the Board of Directors, the Risk Management Committee is established. The Risk Management Committee is responsible for review and monitor of risk management. Under the management, several committees and other administrative units are established. They are responsible for assessing and monitoring the related risk of loans, investments, trading of financial products.

The Bank has the Risk Management Center, which is responsible for supervising the establishment of risk management mechanism, risk limits setting, risk monitoring and reporting. Each business management unit is responsible for identifying possible risks that may be generated within their respective jurisdictions, establishing internal control procedures and regulations, periodically measuring risk degrees and adopting response measures for possible negative effects.

Business units follow operating procedures and report to the management units directly. Risk management unit is responsible for monitor of overall risk positions and concentration and reporting to the management or Board of Directors.

Auditing office examines the operations of business and administration units regularly or irregularly to ensure the three risk management defense lines operate normally.

The Bank has assigned personnel to sit on the Board of Directors of each subsidiary to monitor the governance of each subsidiary.

The Bank has established climate risk management guidelines in accordance with the financial holding company policy and relevant regulations, which define the governance framework for climate risks, including the responsibilities of the Board of Directors, senior management, and related units at all three lines of defense. The Board of Directors of the Bank is the highest governance unit for climate-related issues.

(3) Credit risk

A. The source and definition of credit risk

Credit risk pertains to the risk of loss that the borrowers, issuers or counterparties might default on contracts due to deterioration in their finance or other factors.

The Bank and subsidiaries are exposed to credit risk mainly on businesses of corporate and individual loans, guarantees, trade financing, interbank deposits and call loans and securities investments.

Credit risk is the primary risk of the Bank and subsidiaries' capital charge.

B. Credit risk management policies

The objectives of the Bank and subsidiaries' credit risk management are to maintain stable asset allocation strategy, careful loaning policy and excellent asset quality to secure assets and earnings.

The management mechanism of the Bank and subsidiaries for credit risk includes:

The establishment of Risk Management, Loan and Investment committees which adopt responding measures to market environment, changes in industry, and capital limits, and review relevant regulations and cases of significant lending and investments;

Setting careful prior review procedures for lending and criteria of handling subsequent matters, regular post-lending follow-up, understanding of clients' operation and capital outflows, and increase in the frequency of review on clients with higher risk;

Classifying credit ratings based on clients' probability of default or behavior scoring with management put in practice;

Controlling concentration of credit risk by setting credit limits for individuals, corporate groups, industries, areas, and different types of collaterals;

Setting credit risk limits by reference to external ratings and prospects with attention to changes in market credit spread and risk concentration of counterparties;

Establish an early warning mechanism for credited customers;

Assessing assets quality regularly and setting aside sufficient reserve for losses;

Setting creditor's rights management unit and advisory committee in charge of accelerating collection of non-performing loans.

The procedures for credit risk management of the Bank and subsidiaries and related measurement approaches are outlined below:

(A) Credit extensions

Internal risk ratings and classification of credit assets are as follows:

a. Internal risk rating

Corporate credit risk is measured by using the borrower's default probability model in which financial and non-financial factors are incorporated, which predicts the default

probability of borrower within the next year. Besides, the extent of risk is measured by using credit rating table and taking into account the characteristics and scale of business. Lending examination and post management are dealt with based on clients' credit rating. Individual borrowers are grouped into different risk levels and managed by using application scoring and behavior scoring cards. Back-testing is conducted on internal models regularly; those models are subject to adjustments when necessary. Clients' credit ratings are reviewed annually and subject to adjustments when there is significant change in their credit ratings.

b. Classification of credit assets

The internal rating for lending is classified as strong, good, satisfactory and weak, and corresponds to the Standard & Poor's rating as follows:

Internal risk rating	Strong	Good	Satisfactory	Weak
Corresponding to S&P	AAA~BBB-	BB+~ BB-	B+	B and below

(B) Interbank deposits and call loans

Before trading with other banks, the Bank and subsidiaries must assess the credit of the counterparty, generally referencing external rating agencies, assets and scale of equity of the counterparty, and the credit rating of the counterparty's country of origin in order to set different transaction limits, as well as periodically examining the ratings and changes in stock prices of the counterparty in order to monitor the risks of counterparty.

(C) Bonds and derivatives

The limits of bonds purchased by the Bank and subsidiaries are set by considering the credit rating of bond issuers or guarantors (ex. S&P, Moody's, Fitch, Taiwan ratings or Fitch Taiwan), which is necessary to meet the minimum rating set by the Board of (Managing) Directors, and country risk at the application, changes in CDS quoted prices and market condition.

The Bank and subsidiaries have set trading units and overall total risk limit for non-hedging derivatives, and use positive trading contract evaluation and the potential exposure as the basis for calculating credit risk and add the limit to the total credit risk limit for monitoring.

(D) Asset quality

The Bank and subsidiaries have set the minimum requirements and examination procedures for the quality of financial assets of each type, and controls risk concentration of assets portfolios of each type based on the risk limit of each type. The Bank and subsidiaries also monitor the changes in assets quality regularly during the duration of the assets and takes measures to maintain their quality. According to the policies and regulations, reserve for losses is provided adequately for those assets to actually reflect and safeguard the value of owners' equity.

C. Expected credit losses calculation

In the assessment of impairment and calculation of expected credit losses, the Bank and subsidiaries consider reasonable and supportable information (including forward-looking information that can be obtained without costing excessive costs or inputs) about past events, current conditions and reasonable and supportable forecasts of future economic conditions. The Bank and subsidiaries determine at the reporting date whether there has been a significant increase in credit risk since initial recognition or whether credit impairment has occurred, and

recognize expected credit loss according to which stage the asset belongs: no significant increase in credit risk or low credit risk at balance sheet date (Stage 1), significant increase in credit risk (Stage 2), and credit impaired (Stage 3). 12-month expected credit losses are recognized for assets in Stage 1, and lifetime expected credit losses are recognized for assets in Stage 2 and Stage 3.

The definition of each stage and the recognition of expected credit loss are as follows:

Low credit risk (Stage 1)

The Bank and subsidiaries estimate the 12-month expected credit losses if financial assets which has low credit risk at reporting date, or there has not been a significant increase in credit risk since initial recognition.

Significant increase in credit risk (Stage 2)

The Bank and subsidiaries estimate the lifetime expected credit losses if such credit risk has significant increased since initial recognition but not impaired after taking into consideration all reasonable and verifiable information.

Credit-impaired (Stage 3)

The credit is impaired when expected future cash flows of the financial assets have one or more events that occurred with adverse effects, and the Bank and subsidiaries shall estimate the lifetime expected credit losses.

(A) Determination of a significant increase in credit risk after initial recognition

a. Loan business

The Bank and subsidiaries assess the changes in default risk over the lifetime of each category of credit assets at each reporting date to determine whether there has been a significant increase in credit risk. The assessment takes into account reasonable and supportable information including forward-looking information that demonstrates a significant increase in credit risk after initial recognition. The main indicators taken into consideration include:

(a) Quantitative indicators

I. Changes in internal/external credit ratings

The credit risk of the financial instrument is assessed to be significantly increased after initial recognition if its credit rating were lowered over a certain grade and it qualified other conditions at the reporting date. A no-rated financial instrument is determined by default events and qualitative indicators.

II. Default events

The repayment of principal and interest is later 1 to 3 months over when contractually dues, and not included in credit-impaired (Stage 3).

(b) Qualitative indicators:

I. The Bank and subsidiaries, reported a dishonored check issued by debtor.

II. Debtor was notified as a dishonored account by Taiwan clearing house.

III. The pledged collateral of the debtor is seized by another bank.

IV. Debtor's loans from other financial institutions have been reclassified as overdue loan or written off as bad debt.

V. The independent accountant issues an opinion expressing material uncertainty over the company's ability to continue as a going concern.

VI. The debtor has other records of bad credit that has affected its capital procurement and normal operation.

The loan assets of the Bank and subsidiaries are assumed to have no significant increase in credit risk since initial recognition if they are of low credit risk at the reporting date.

b. Note and bond investments and counterparty transactions

The Bank and subsidiaries assess the changes in default risk over the lifetime of note and bond investments and counterparty transactions at each reporting date to determine whether there has been a significant increase in credit risk. The assessment takes into account reasonable and supportable information including forward-looking information that demonstrates a significant increase in credit risk after initial recognition. The main indicators taken into consideration include:

(a) Quantitative indicators:

I. The repayment including interests is over a certain number of days past due.

II. The fair value and cost are lower than a certain percentage.

III. A change in internal/external credit ratings.

At the reporting date, if the external credit rating of the financial instrument has decreased by more than certain grades since initial recognition, or if the instrument is not investment grade, it is determined to have significant increase in credit risk. If the financial instrument only has an internal credit rating, the assessment is based on the equivalent external credit rating.

IV. The CDS spread of note and bond issuer/counterparty is over certain basis points five business days before the reporting date.

V. Fluctuation rate of individual stock price relative to the overall market price.

The fluctuation rate of individual stock price of the note and bond issuer/counterparty relative to the overall market price is lower than a certain percentage in consecutively certain number of days.

(B) Definition of default and credit impaired financial assets

a. Credit business

The Bank and subsidiaries use the credit-impaired indicators as follows:

(a) Quantitative indicator: Except for the accounts receivable factoring without recourse resulting from a non-financial factor, the repayment of principal and interest is over 90 days past due.

(b) Qualitative indicators:

I. The accounts receivable factoring without recourse has been recorded as non-performing loans.

II. Overdue receivables.

III. The amount cannot be expected to be recovered because of the debtor's

financial difficulties.

- IV. A modification of the contractual terms led by the debtor's financial difficulties, including an extended repayment term of principal and a punctual repayment of interests, extended repayment term of interests, and debt negotiations for agreed settlement administered by the Bank Association.
- V. The debtor has filed for bankruptcy or is likely to file for bankruptcy.
- VI. The debtor entered into reorganization or is likely to file for reorganization.
- VII. A debtor's credit rating has been downgraded significantly, and its operations or financial condition may have deteriorated, which has been approved by irregular transaction reporting of head office to be recognized as credit-impaired (Stage 3).

b. Note and Bond investments and counterparty transactions

The Bank and subsidiaries use the credit-impaired indicators as follows:

- (a) The repayment is over a certain number of days past due.
- (b) Overdue receivables.
- (c) Bad debts.
- (d) The issuer or debtor encounters financial difficulties.
- (e) A modification of the contractual terms led by the debtor's financial difficulties, including an extended repayment term of principal and a punctual repayment of interests, and extended repayment term of interests.
- (f) The debtor has filed for bankruptcy or is likely to file for bankruptcy.
- (g) The debtor entered into reorganization or is likely to file for reorganization.
- (h) The credit rating at the reporting date is classified as "D".
- (i) The debtor's credit rating has been downgraded significantly, and its operations or financial condition may have deteriorated, which has been approved by irregular transaction reporting of Head office.
- (j) Reclassified as credit-impaired after the expert's judgement.

(C) Write-off policy

The Bank and subsidiaries write-off the financial assets partially or entirely to the extent of the amount which cannot be reasonably expected to be recovered.

The indicators for reasonably expected to be unrecoverable include:

- a. The recourse procedures has ceased.
- b. The debtor's assets or income is evaluated to be insufficient to repay outstanding payments.

The Bank and subsidiaries may proceed recourse activities for the written-off financial assets and undergo recourse procedures in accordance with related policies.

(D) Measurement of expected credit loss

The Bank and subsidiaries recognize the impairment provision for 12 months expected credit losses (ECLs) if there has not been a significant increase in credit risk since initial

recognition and recognizes the impairment provision for the lifetime expected credit losses if such credit risk has increased since initial recognition.

a. Credit business

Expected credit loss are measured based on probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”).

(a) Probability of default (“PD”):

The estimation of PD is based on the rated financial assets and no-rated financial assets of the Bank and subsidiaries, with the 12-month PD and lifetime PD estimated separately.

- I. Calculate the actual 12-month PD from historical data, which is adjusted by using forward-looking information, and use it to estimate the future 12-month PD parameter.
- II. Lifetime PD: The Bank and subsidiaries adopt Markov Chain to estimate lifetime PD, which is obtained by a matrix multiplication from rating transition matrix.

In addition, probability of default of externally rated financial assets is measured by the same method with “Note and bond investments and counterparty transactions”.

(b) Loss given default (“LGD”):

Loans are grouped according to type (corporate or consumer) and whether they are secured with collateral, and the LGD of each group is calculated based on historical recovery experience.

(c) Exposure at default (“EAD”):

- I. On balance sheet: calculated from the total book value at the reporting date (including interest receivable).
- II. Off balance sheet: off balance sheet figures multiplied by the credit conversion factor (CCF). The CCF is estimated according to the rules described in the “Calculation Method of Equity Capital and Risky Assets and Accompanying Forms-Credit Risk Standard Rules.”

b. Note and bond investments and counterparty transactions

(a) PD is calculated based on external credit ratings data, which takes into consideration forward-looking information.

(b) LGD is an average LGD obtained from external credit ratings.

(c) EAD:

- I. Stage 1: calculated from total book value (including interest receivable).
- II. Stage 2 and Stage 3: calculated from the cash flows of notes and bonds during the duration.

(E) Consideration of forward-looking information

a. Credit business

The Bank and subsidiaries incorporate forecastable information when determining whether there has been a significant increase in credit risk since initial recognition and measuring expected credit losses.

(a) For determining significant increase in credit risk

Clients' financial condition, repayment ability, corporate governance and forward-looking information such as industry's prospects are taken into consideration.

(b) For measuring expected credit losses

Consideration of forward-looking information are reflected by PD and LGD. Consideration of forward-looking information classifies loans into three types: loans I. with internal credit ratings, II. merely with external credit ratings, and III. without credit ratings:

I. Loans with internal credit ratings:

To measure the PD of internally rated financial assets, the Bank and subsidiaries assess corporate loan and consumer loan business, refer to academic literatures across countries and employ statistical methods to identify relevant macro-economic factors (including economic growth rate, unemployment rate, consumer price index, interest rate, exchange rate and real estate price index) in order to assess the effects on each rating level while the macro-economic changes, and use it to be the forward-looking information adjustment of future PD. In addition, the Bank and subsidiaries' adjustment of forward-looking information includes the analysis under the different macroeconomic environments, which are appropriated the weight in accordance with its incidence. As a result, the weighted average was calculated based on different economic environments, and it reflects the non-linear system between the incidence of different macroeconomic environments and the existence of credit loss.

II. Loans merely with external credit ratings: ECLs are measured by the same approach by considering the same forward-looking information adopted for note and bond investments and counterparty transactions.

III. Loans without credit ratings: Estimate according to the prosperity of major economic regions.

To measure the LGD of no-rated financial assets, the Bank and subsidiaries consider forward-looking information by complying with the impairment estimation methodology guidelines released by the Bankers Association of the Republic of China. And adjust according to the economic prosperity of major economic regions.

b. Note and bond investments and counterparty transactions

To measure the forecastable estimation of PD, the PDs under different ratings and limits are obtained by constructing the regression model and combining the result of regression with the assessment of macroeconomic.

D. Policies of hedging and mitigation of credit risk

To reduce credit risk, the Bank and subsidiaries adopt the following policies:

(A) Obtaining collaterals and guarantors

The Bank and subsidiaries have established policies on collateral management, mortgage loan line setting, scope of collaterals, collateral valuation, collateral management and disposal. Besides, protection of creditor's right, collateral terms and offsetting terms are all addressed in the credit extension contract in case of any occurrence of credit event, of which

the amount may be deductible, loan repayment schedule may be shortened or deemed as matured, or the debtor's deposits can be used to offset its liabilities to mitigate credit risks.

(B) Loan limit control

To avoid extreme credit risk concentration, the Bank and subsidiaries established policies for control of credit risk concentration and set up credit extension limit for a single individual, a single group, a single industry, a single area/country, and single collateral.

(C) Master netting arrangements

The Bank and subsidiaries' transactions predominantly settle at gross amount. A portion of transactions have entered into master netting arrangements with counterparties or upon the event of a default may cease all transactions with the counterparties and settle by net amount in order to further reduce credit risk.

(D) Other credit enhancements

The Bank and subsidiaries have offsetting terms within their credit contracts, which clearly define that all deposits in the Bank and subsidiaries from debtors may be offset against their liabilities upon a credit event, and have guarantees from third parties or financial institutions, in order to decrease credit risk.

E. Maximum credit risk exposure

The maximum credit risk exposure of financial assets within the balance sheets is presented in book values. The maximum credit risk exposure of guarantees and irrevocable commitments off balance sheets is calculated based on their limits. Letters of credit and the guarantee refer to those issued but not used.

(A) The maximum credit risk exposure of financial assets of the Bank and subsidiaries excluding collaterals or other credit enhancement instruments is approximately equal to book value. The related information on credit risk of the financial assets held by the Bank and subsidiaries that have the maximum exposure to credit risk by credit ratings is as follows:

(a) Discounts and loans

Unit: In NT Thousand Dollars

December 31, 2023					
Discounts and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- strong	\$ 969,590,605	\$ 234,375	\$ -	\$ -	\$ 969,824,980
- good	615,793,455	50,588,654	-	-	666,382,109
- satisfactory	288,405,591	24,942,379	-	-	313,347,970
- weak	101,120,868	11,966,755	8,027,946	-	121,115,569
No rated	90,882,787	1,558,679	6,406,647	-	98,848,113
Total carrying amount	2,065,793,306	89,290,842	14,434,593	-	2,169,518,741
Allowance for bad debt	(2,486,363)	(511,943)	(4,431,667)	-	(7,429,973)
Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(28,746,757)	(28,746,757)
Total	<u>\$ 2,063,306,943</u>	<u>\$ 88,778,899</u>	<u>\$ 10,002,926</u>	<u>(\$ 28,746,757)</u>	<u>\$ 2,133,342,011</u>
December 31, 2022					
Discounts and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- strong	\$ 993,039,776	\$ 533,818	\$ -	\$ -	\$ 993,573,594
- good	591,497,235	15,792,102	-	-	607,289,337
- satisfactory	280,324,375	12,617,319	-	-	292,941,694
- weak	92,297,906	10,866,400	8,374,124	-	111,538,430
No rated	102,273,143	984,595	2,662,668	-	105,920,406
Total carrying amount	2,059,432,435	40,794,234	11,036,792	-	2,111,263,461
Allowance for bad debt	(2,453,004)	(429,852)	(2,778,502)	-	(5,661,358)
Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(26,160,811)	(26,160,811)
Total	<u>\$ 2,056,979,431</u>	<u>\$ 40,364,382</u>	<u>\$ 8,258,290</u>	<u>(\$ 26,160,811)</u>	<u>\$ 2,079,441,292</u>

(b)Receivables

Unit: In NT Thousand Dollars

December 31, 2023

Receivables	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- strong	\$ 22,732,473	\$ 14,924	\$ -	\$ -	\$ 22,747,397
- good	5,206,669	360,435	-	-	5,567,104
- satisfactory	3,445,013	455,764	-	-	3,900,777
- weak	312,526	106,740	131,566	-	550,832
No rated	7,365,757	10,127	139,663	-	7,515,547
Total carrying amount	39,062,438	947,990	271,229	-	40,281,657
Allowance for bad debt	(40,070)	(3,530)	(192,016)	-	(235,616)
Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(232,928)	(232,928)
Total	\$ 39,022,368	\$ 944,460	\$ 79,213	(\$ 232,928)	\$ 39,813,113

December 31, 2022

Receivables	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- strong	\$ 25,969,277	\$ 11,009	\$ -	\$ -	\$ 25,980,286
- good	5,704,669	42,436	-	-	5,747,105
- satisfactory	5,057,321	507,312	-	-	5,564,633
- weak	372,216	80,886	114,241	-	567,343
No rated	7,921,379	26,855	639,659	-	8,587,893
Total carrying amount	45,024,862	668,498	753,900	-	46,447,260
Allowance for bad debt	(53,011)	(6,880)	(713,776)	-	(773,667)
Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(271,621)	(271,621)
Total	\$ 44,971,851	\$ 661,618	\$ 40,124	(\$ 271,621)	\$ 45,401,972

(c)Debt instruments

Unit: In NT Thousand Dollars

December 31, 2023				
Debt instruments	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Credit ratings				
- strong	\$ 961,320,336	\$ 2,953,876	\$ -	\$ 964,274,212
- good	3,683,553	-	-	3,683,553
- satisfactory	-	-	-	-
- weak	1,282,884	-	-	1,282,884
No rated	153,455	-	-	153,455
Total carrying amount	966,440,228	2,953,876	-	969,394,104
Accumulated impairment (	159,488)	56,912)	-	(216,400)
Total	<u>\$ 966,280,740</u>	<u>\$ 2,896,964</u>	<u>\$ -</u>	<u>\$ 969,177,704</u>
December 31, 2022				
Debt instruments	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Credit ratings				
- strong	\$ 924,311,386	\$ 3,711,238	\$ -	\$ 928,022,624
- good	3,959,195	-	-	3,959,195
- satisfactory	-	-	-	-
- weak	1,097,236	-	-	1,097,236
No rated	149,327	-	-	149,327
Total carrying amount	929,517,144	3,711,238	-	933,228,382
Accumulated impairment (	148,616)	1,397)	-	(150,013)
Total	<u>\$ 929,368,528</u>	<u>\$ 3,709,841</u>	<u>\$ -</u>	<u>\$ 933,078,369</u>

(B)The related information on credit risk of the financial asset off balance sheet held by the Bank and subsidiaries that have the maximum exposure to credit risk by credit ratings is as follows:

Unit: In NT Thousand Dollars

December 31, 2023

Loan commitments and financial guarantee contracts	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- strong	\$ 254,280,921	\$ -	\$ -	\$ -	\$ 254,280,921
- good	104,327,312	16,331,374	-	-	120,658,686
- satisfactory	53,806,693	16,729,192	-	-	70,535,885
- weak	13,835,253	2,331,801	-	-	16,167,054
No rated	61,144,208	116,919	23,912	-	61,285,039
Exposure at default	<u>\$ 487,394,387</u>	<u>\$ 35,509,286</u>	<u>\$ 23,912</u>	<u>\$ -</u>	<u>\$ 522,927,585</u>
Provisions	(245,929)	(146,002)	(8,138)	-	(400,069)
Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(2,388,057)	(2,388,057)
Total	<u>(\$ 245,929)</u>	<u>(\$ 146,002)</u>	<u>(\$ 8,138)</u>	<u>(\$ 2,388,057)</u>	<u>(\$ 2,788,126)</u>

December 31, 2022

Loan commitments and financial guarantee contracts	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- strong	\$ 264,482,621	\$ 166,896	\$ -	\$ -	\$ 264,649,517
- good	87,729,526	3,606,273	-	-	91,335,799
- satisfactory	50,225,781	2,659,376	-	-	52,885,157
- weak	9,085,974	94,638	1,000	-	9,181,612
No rated	39,637,074	3,000	24,448	-	39,664,522
Exposure at default	<u>\$ 451,160,976</u>	<u>\$ 6,530,183</u>	<u>\$ 25,448</u>	<u>\$ -</u>	<u>\$ 457,716,607</u>
Provisions	(224,216)	(17,737)	(8,689)	-	(250,642)
Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(2,604,568)	(2,604,568)
Total	<u>(\$ 224,216)</u>	<u>(\$ 17,737)</u>	<u>(\$ 8,689)</u>	<u>(\$ 2,604,568)</u>	<u>(\$ 2,855,210)</u>

(C) Relevant financial information on effect of the collateral, master netting arrangements, and other credit enhancements of the Bank and subsidiaries' assets exposed to credit risk is as follows:

Unit: In NT Thousand Dollars

December 31, 2023	Collateral	Other credit enhancements	Total
<u>On-Balance-Sheet Items</u>			
Discounts and loans	\$ 1,313,649,362	\$ 73,265,942	\$ 1,386,915,304
<u>Off-Balance-Sheet Items</u>			
Irrevocable commitments	47,867,502	110,205	47,977,707
Guarantees and letters of credit	46,649,265	2,244,775	48,894,040
December 31, 2022	Collateral	Other credit enhancements	Total
<u>On-Balance-Sheet Items</u>			
Discounts and loans	\$ 1,334,081,569	\$ 64,786,057	\$ 1,398,867,626
<u>Off-Balance-Sheet Items</u>			
Irrevocable commitments	41,532,683	1,785	41,534,468
Guarantees and letters of credit	42,873,645	2,362,340	45,235,985

Note 1: Collaterals include property, movable property, certification of authorization, securities, certificates of deposits, letter of credit and rights in property.

(1) Value of collaterals pledged for assets that arise from lending is the lower of collateral value/ market value and maximum exposure amount. If the collateral value cannot be obtained, appraised value may be used.

(2) Value of collaterals pledged for assets that do not arise from lending is the lower of market value and maximum exposure amount.

Note 2: Details master netting arrangements and other credit enhancements are provided in Note 8(3) D. (C) and (D).

(D) The Bank and subsidiaries closely monitor the value of the collateral of financial instruments and consider the credit-impaired financial assets that require impairment recognition. Information on credit-impaired assets and the value of collateral used to offset potential losses is as follows:

Unit: In NT Thousand Dollars

December 31, 2023				
	Total carrying amount	Allowance for impairment	Total risk exposure (Amortized cost)	Fair value of Collateral / Guarantee
Receivables	\$ 271,229	\$ 194,005	\$ 77,224	\$ -
- Credit card business	100,514	74,414	26,100	-
- Others	170,715	119,591	51,124	-
Discounts and loans	14,434,593	4,747,543	9,687,050	6,827,013
Other financial assets	4,843	4,843	-	-
Impaired financial assets on balance sheet	<u>\$ 14,710,665</u>	<u>\$ 4,946,391</u>	<u>\$ 9,764,274</u>	<u>\$ 6,827,013</u>
Irrevocable loan commitments	\$ -	\$ -	\$ -	\$ -
Guarantees and letters of credit	23,912	23,912	-	-
Impaired financial assets off balance sheet	<u>\$ 23,912</u>	<u>\$ 23,912</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	Total carrying amount	Allowance for impairment	Total risk exposure (Amortized cost)	Fair value of Collateral / Guarantee
Receivables	\$ 753,900	\$ 717,721	\$ 36,179	\$ -
- Credit card business	95,907	74,288	21,619	-
- Others	657,993	643,433	14,560	-
Discounts and loans	11,036,792	3,105,867	7,930,925	6,182,531
Other financial assets	<u>7,447</u>	<u>7,447</u>	<u>-</u>	<u>-</u>
Impaired financial assets on balance sheet	<u>\$ 11,798,139</u>	<u>\$ 3,831,035</u>	<u>\$ 7,967,104</u>	<u>\$ 6,182,531</u>
Irrevocable loan commitments	\$ -	\$ -	\$ -	\$ -
Guarantees and letters of credit	<u>25,448</u>	<u>24,680</u>	<u>768</u>	<u>53</u>
Impaired financial assets off balance sheet	<u>\$ 25,448</u>	<u>\$ 24,680</u>	<u>\$ 768</u>	<u>\$ 53</u>

(Blank below)

F. Movements in allowance for bad debts, accumulated impairment and provisions for financial assets are as follows:

(A) The reconciliation from the beginning balance to ending balance of the allowance for bad debts arising from discounts and loans for the years ended December 31, 2023 and 2022, is shown below:

Unit: In NT Thousand Dollars

For the year ended December 31, 2023							
Discounts and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognized under IFRS 9	Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total	
Balance at the beginning of the period	\$ 2,453,004	\$ 429,852	\$ 2,778,502	\$ 5,661,358	\$ 26,160,811	\$ 31,822,169	
Changes from financial instruments recognized at the beginning of the period:							
- Transferred to lifetime expected credit losses	(44,078)	44,543	(465)	-	-	-	
- Transferred to credit impaired financial asset	(18,841)	(38,502)	57,343	-	-	-	
- Transferred to 12-month expected credit losses	31,318	(30,962)	(356)	-	-	-	
- Derecognized financial assets	(1,125,200)	(104,995)	(55,498)	(1,285,693)	-	(1,285,693)	
- Additional provision and reversal	27,704	121,947	4,116,014	4,265,665	-	4,265,665	
Originated or purchased new financial assets	1,150,962	110,363	23,347	1,284,672	-	1,284,672	
Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	2,585,946	2,585,946	
Write-off of uncollectible amount	-	-	(3,257,891)	(3,257,891)	-	(3,257,891)	
Foreign exchange and other changes	11,494	(20,303)	770,671	761,862	-	761,862	
Balance at the end of the period	\$ 2,486,363	\$ 511,943	\$ 4,431,667	\$ 7,429,973	\$ 28,746,757	\$ 36,176,730	

For the year ended December 31, 2022

Discounts and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognized under IFRS 9	Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the period	\$ 2,679,786	\$ 579,314	\$ 2,504,674	\$ 5,763,774	\$ 24,573,955	\$ 30,337,729
Changes from financial instruments recognized at the beginning of the period:						
- Transferred to lifetime expected credit losses	(13,488)	37,908	(24,420)	-	-	-
- Transferred to credit impaired financial asset	(13,817)	(13,611)	27,428	-	-	-
- Transferred to 12-month expected credit losses	154,227	(153,968)	(259)	-	-	-
- Derecognized financial assets	(1,144,103)	(121,351)	(204,312)	(1,469,766)	-	(1,469,766)
- Additional provision and reversal	(277,486)	32,757	1,804,806	1,560,077	-	1,560,077
Originated or purchased new financial assets	1,113,572	83,897	51,281	1,248,750	-	1,248,750
Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	1,586,856	1,586,856
Write-off of uncollectible amount	-	-	(2,608,175)	(2,608,175)	-	(2,608,175)
Foreign exchange and other changes	(45,687)	(15,094)	1,227,479	1,166,698	-	1,166,698
Balance at the end of the period	<u>\$ 2,453,004</u>	<u>\$ 429,852</u>	<u>\$ 2,778,502</u>	<u>\$ 5,661,358</u>	<u>\$ 26,160,811</u>	<u>\$ 31,822,169</u>

(B) The reconciliation from the beginning balance to ending balance of the allowance for bad debts arising from receivables for the years ended December 31, 2023 and 2022, is shown below:

Unit: In NT Thousand Dollars

For the year ended December 31, 2023							
Receivables	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognized under IFRS 9	Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total	
Balance at the beginning of the period	\$ 53,011	\$ 6,880	\$ 713,776	\$ 773,667	\$ 271,621	\$ 1,045,288	
Changes from financial instruments recognized at the beginning of the period:							
- Transferred to lifetime expected credit losses	(865)	5,749	(4,884)	-	-	-	
- Transferred to credit impaired financial asset	(19,612)	(27,082)	46,694	-	-	-	
- Transferred to 12-month expected credit losses	898	(633)	(265)	-	-	-	
- Derecognized financial assets	(42,036)	(5,117)	(42,486)	(89,639)	-	(89,639)	
- Additional provision and reversal	5,307	1,638	32,692	39,637	-	39,637	
Originated or purchased new financial assets	43,381	22,180	8,270	73,831	-	73,831	
Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(38,693)	(38,693)	
Write-off of uncollectible amount	(7)	(85)	(632,279)	(632,371)	-	(632,371)	
Foreign exchange and other changes	(7)	-	70,498	70,491	-	70,491	
Balance at the end of the period	<u>\$ 40,070</u>	<u>\$ 3,530</u>	<u>\$ 192,016</u>	<u>\$ 235,616</u>	<u>\$ 232,928</u>	<u>\$ 468,544</u>	

Unit: In NT Thousand Dollars

For the year ended December 31, 2022

Receivables	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognized under IFRS 9	Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the period	\$ 53,025	\$ 6,704	\$ 648,545	\$ 708,274	\$ 276,136	\$ 984,410
Changes from financial instruments recognized at the beginning of the period:						
- Transferred to lifetime expected credit losses	(782)	8,931	(8,149)	-	-	-
- Transferred to credit impaired financial asset	(82)	(2,541)	2,623	-	-	-
- Transferred to 12-month expected credit losses	2,042	(1,414)	(628)	-	-	-
- Derecognized financial assets	(45,578)	(10,375)	(60,833)	(116,786)	-	(116,786)
- Additional provision and reversal	4,154	7,418	56,223	67,795	-	67,795
Originated or purchased new financial assets	47,078	13,370	6,556	67,004	-	67,004
Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(4,515)	(4,515)
Write-off of uncollectible amount	(6,831)	(15,213)	(65,972)	(88,016)	-	(88,016)
Foreign exchange and other changes	(15)	-	135,411	135,396	-	135,396
Balance at the end of the period	<u>\$ 53,011</u>	<u>\$ 6,880</u>	<u>\$ 713,776</u>	<u>\$ 773,667</u>	<u>\$ 271,621</u>	<u>\$ 1,045,288</u>

(C) The reconciliation from the beginning balance to ending balance of the accumulated impairment arising from debt instruments for the years ended December 31, 2023 and 2022, is shown below:

a. Financial assets at fair value through other comprehensive income

Unit: In NT Thousand Dollars

For the year ended December 31, 2023				
Financial assets at fair value through other comprehensive income	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	\$ 108,542	\$ 1,397	\$ -	\$ 109,939
Changes from financial instruments recognized at the beginning of the period:				
- Transferred to lifetime expected credit losses	(3,985)	3,985	-	-
- The impairment allowance for financial assets derecognized in the current period	(10,156)	(1,397)	-	(11,553)
- Additional provision and reversal	(7,148)	43,712	-	36,564
Originated or purchased new financial assets	10,752	-	-	10,752
Foreign exchange and other changes	(347)	-	-	(347)
Balance at the end of the period	<u>\$ 97,658</u>	<u>\$ 47,697</u>	<u>\$ -</u>	<u>\$ 145,355</u>

For the year ended December 31, 2022				
Financial assets at fair value through other comprehensive income	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	\$ 205,433	\$ -	\$ -	\$ 205,433
Changes from financial instruments recognized at the beginning of the period:				
- Transferred to lifetime expected credit losses	(1,397)	1,397	-	-
- The impairment allowance for financial assets derecognized in the current period	(35,635)	-	-	(35,635)
- Additional provision and reversal	(81,382)	-	-	(81,382)
Originated or purchased new financial assets	21,401	-	-	21,401
Foreign exchange and other changes	122	-	-	122
Balance at the end of the period	<u>\$ 108,542</u>	<u>\$ 1,397</u>	<u>\$ -</u>	<u>\$ 109,939</u>

b. Investments in debt instruments at amortized cost

Unit: In NT Thousand Dollars

For the year ended December 31, 2023

Investments in debt instruments at amortized cost	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	\$ 40,074	\$ -	\$ -	\$ 40,074
Changes from financial instruments recognized at the beginning of the period:				
- The impairment allowance for financial assets derecognized in the current period	(30,733)	-	-	(30,733)
- Additional provision and reversal	(1,925)	-	-	(1,925)
Originated or purchased new financial assets	54,414	9,215	-	63,629
Balance at the end of the period	<u>\$ 61,830</u>	<u>\$ 9,215</u>	<u>\$ -</u>	<u>\$ 71,045</u>

For the year ended December 31, 2022

Investments in debt instruments at amortized cost	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	\$ 64,286	\$ -	\$ -	\$ 64,286
Changes from financial instruments recognized at the beginning of the period:				
- The impairment allowance for financial assets derecognized in the current period	(50,428)	-	-	(50,428)
- Additional provision and reversal	(4,905)	-	-	(4,905)
Originated or purchased new financial assets	31,121	-	-	31,121
Balance at the end of the period	<u>\$ 40,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,074</u>

(D) The reconciliation from the beginning balance to ending balance of the provisions for loan commitments and guarantee liabilities for the years ended December 31, 2023 and 2022, is shown below:

Unit: In NT Thousand Dollars

For the year ended December 31, 2023							
Provisions for loan commitments and guarantee liabilities	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognized under IFRS 9	Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total	
Balance at the beginning of the period	\$ 224,216	\$ 17,737	\$ 8,689	\$ 250,642	\$ 2,604,568	\$ 2,855,210	
Changes from financial instruments recognized at the beginning of the period:							
- Transferred to lifetime expected credit losses	(20,645)	20,645	-	-	-	-	
- Transferred to credit impaired financial asset	(10)	(207)	217	-	-	-	
- Transferred to 12-month expected credit loss	724	(724)	-	-	-	-	
- Derecognized financial assets	(73,961)	(5,916)	(985)	(80,862)	-	(80,862)	
- Additional provision and reversal	525	82,432	-	82,957	-	82,957	
Originated or purchased new financial assets	113,477	32,819	-	146,296	-	146,296	
Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(216,511)	(216,511)	
Foreign exchange and other changes	1,603	(784)	217	1,036	-	1,036	
Balance at the end of the period	<u>\$ 245,929</u>	<u>\$ 146,002</u>	<u>\$ 8,138</u>	<u>\$ 400,069</u>	<u>\$ 2,388,057</u>	<u>\$ 2,788,126</u>	

For the year ended December 31, 2022

Provisions for loan commitments and guarantee liabilities	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognized under IFRS 9	Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the period	\$ 234,259	\$ 92,148	\$ 10,565	\$ 336,972	\$ 2,264,920	\$ 2,601,892
Changes from financial instruments recognized at the beginning of the period:						
- Transferred to lifetime expected credit losses	(579)	579	-	-	-	-
- Transferred to credit impaired financial asset	(21)	(898)	919	-	-	-
- Transferred to 12-month expected credit loss	54,695	(54,695)	-	-	-	-
- Derecognized financial assets	(98,427)	(19,556)	(3,297)	(121,280)	-	(121,280)
- Additional provision and reversal	(79,184)	(2,216)	-	(81,400)	-	(81,400)
Originated or purchased new financial assets	124,100	3,098	500	127,698	-	127,698
Difference in impairment recognized under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	339,648	339,648
Foreign exchange and other changes	(10,627)	(723)	2	(11,348)	-	(11,348)
Balance at the end of the period	<u>\$ 224,216</u>	<u>\$ 17,737</u>	<u>\$ 8,689</u>	<u>\$ 250,642</u>	<u>\$ 2,604,568</u>	<u>\$ 2,855,210</u>

G. Movements in the total carrying amount of financial assets

(A) The movement in the total carrying amount of discounts and loans of the Bank and subsidiaries for the years ended December 31, 2023 and 2022, is shown below:

Unit: In NT Thousand Dollars

For the year ended December 31, 2023				
Discounts and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	\$ 2,059,432,435	\$ 40,794,234	\$ 11,036,792	\$ 2,111,263,461
Changes from financial instruments recognized at the beginning of the period:				
- Transferred to lifetime expected credit losses	(29,000,137)	29,009,950	(9,813)	-
- Transferred to credit impaired financial asset	(5,104,367)	(1,622,431)	6,726,798	-
- Transferred to 12-month expected credit losses	4,271,670	(4,244,784)	(26,886)	-
- Derecognition (including recovery, write-off bad debt not included)	(761,266,173)	(13,264,432)	(226,789)	(774,757,394)
- Increased (decreased)	(87,845,931)	(3,027,086)	(686,751)	(91,559,768)
Originated or purchased new financial assets	885,982,193	41,891,093	267,874	928,141,160
Write-off of uncollectible amount	-	-	(3,257,891)	(3,257,891)
Foreign exchange and other changes	(676,384)	(245,702)	611,259	(310,827)
Balance at the end of the period	<u>\$ 2,065,793,306</u>	<u>\$ 89,290,842</u>	<u>\$ 14,434,593</u>	<u>\$ 2,169,518,741</u>

For the year ended December 31, 2022

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Discounts and loans				
Balance at the beginning of the period	\$ 1,985,954,068	\$ 69,749,165	\$ 11,989,476	\$ 2,067,692,709
Changes from financial instruments recognized at the beginning of the period:				
- Transferred to lifetime expected credit losses	(14,490,107)	14,692,384	(202,277)	-
- Transferred to credit impaired financial asset	(3,086,013)	(946,065)	4,032,078	-
- Transferred to 12-month expected credit losses	20,169,417	(20,166,212)	(3,205)	-
- Derecognition (including recovery, write-off bad debt not included)	(693,726,732)	(28,421,887)	(495,938)	(722,644,557)
- Increased (decreased)	(70,030,428)	(3,159,691)	(1,913,782)	(75,103,901)
Originated or purchased new financial assets	823,022,734	8,985,263	183,198	832,191,195
Write-off of uncollectible amount	-	-	(2,608,175)	(2,608,175)
Foreign exchange and other changes	11,619,496	61,277	55,417	11,736,190
Balance at the end of the period	<u>\$ 2,059,432,435</u>	<u>\$ 40,794,234</u>	<u>\$ 11,036,792</u>	<u>\$ 2,111,263,461</u>

(B) The movement in the total carrying amount of receivables of the Bank and subsidiaries for the years ended December 31, 2023 and 2022, is shown below:

Unit: In NT Thousand Dollars

For the year ended December 31, 2023				
Receivables	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	\$ 45,024,862	\$ 668,498	\$ 753,900	\$ 46,447,260
Changes from financial instruments recognized at the beginning of the period:				
- Transferred to lifetime expected credit losses	(487,172)	516,426	(29,254)	-
- Transferred to credit impaired financial asset	(42,549)	(132,049)	174,598	-
- Transferred to 12-month expected credit losses	91,876	(90,591)	(1,285)	-
- Derecognition (including recovery, write-off bad debt not included)	(45,187,085)	(495,390)	(53,123)	(45,735,598)
- Increased (decreased)	22,826,771	51,297	47,192	22,925,260
Originated or purchased new financial assets	16,948,955	429,884	29,202	17,408,041
Write-off of uncollectible amount	(7)	(85)	(632,279)	(632,371)
Foreign exchange and other changes	(113,213)	-	(17,722)	(130,935)
Balance at the end of the period	<u>\$ 39,062,438</u>	<u>\$ 947,990</u>	<u>\$ 271,229</u>	<u>\$ 40,281,657</u>

For the year ended December 31, 2022

Receivables	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	\$ 38,478,728	\$ 674,754	\$ 706,602	\$ 39,860,084
Changes from financial instruments recognized at the beginning of the period:				
- Transferred to lifetime expected credit losses	(302,994)	314,250	(11,256)	-
- Transferred to credit impaired financial asset	(55,320)	(50,167)	105,487	-
- Transferred to 12-month expected credit losses	69,202	(68,409)	(793)	-
- Derecognition (including recovery, write-off bad debt not included)	(26,297,321)	(453,010)	(70,580)	(26,820,911)
- Increased (decreased)	5,650,944	160,250	10,402	5,821,596
Originated or purchased new financial assets	27,360,135	106,043	22,819	27,488,997
Write-off of uncollectible amount	(6,831)	(15,213)	(65,972)	(88,016)
Foreign exchange and other changes	<u>128,319</u>	<u>-</u>	<u>57,191</u>	<u>185,510</u>
Balance at the end of the period	<u>\$ 45,024,862</u>	<u>\$ 668,498</u>	<u>\$ 753,900</u>	<u>\$ 46,447,260</u>

(C) The movement in the total carrying amount of debt instruments of the Bank and subsidiaries for the years ended December 31, 2023 and 2022, is shown below:

a. Financial assets at fair value through other comprehensive income

Unit: In NT Thousand Dollars

For the year ended December 31, 2023				
Financial assets at fair value through other comprehensive income	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	\$ 368,717,134	\$ 3,711,238	\$ -	\$ 372,428,372
Changes from financial instruments recognized at the beginning of the period:				
- Transferred to lifetime expected credit losses	(2,614,181)	2,614,181	-	-
- Derecognition	(45,939,738)	(3,767,259)	-	(49,706,997)
- Increased (decreased)	(9,415,580)	-	-	(9,415,580)
Originated or purchased new financial assets	41,274,800	-	-	41,274,800
Foreign exchange and other changes	<u>3,074,788</u>	<u>29,774</u>	<u>-</u>	<u>3,104,562</u>
Balance at the end of the period	<u>\$ 355,097,223</u>	<u>\$ 2,587,934</u>	<u>\$ -</u>	<u>\$ 357,685,157</u>

For the year ended December 31, 2022

Financial assets at fair value through other comprehensive income	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	\$ 373,403,081	\$ -	\$ -	\$ 373,403,081
Changes from financial instruments recognized at the beginning of the period:				
- Transferred to lifetime expected credit losses	(3,918,597)	3,918,597	-	-
- Derecognition	(68,775,918)	-	-	(68,775,918)
- Increased (decreased)	1,392,135	(151,338)	-	1,240,797
Originated or purchased new financial assets	84,813,759	-	-	84,813,759
Foreign exchange and other changes	(18,197,326)	(56,021)	-	(18,253,347)
Balance at the end of the period	<u>\$ 368,717,134</u>	<u>\$ 3,711,238</u>	<u>\$ -</u>	<u>\$ 372,428,372</u>

b. Investments in debt instruments at amortized cost

Unit: In NT Thousand Dollars

December 31, 2023				
Investments in debt instruments at amortized cost	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	\$ 560,800,010	\$ -	\$ -	\$ 560,800,010
Changes from financial instruments recognized at the beginning of the period:				
- Derecognition	(491,991,285)	-	-	(491,991,285)
- Increased (decreased)	(2,066,871)	-	-	(2,066,871)
Originated or purchased new financial assets	544,612,398	365,942	-	544,978,340
Foreign exchange and other changes	(11,247)	-	-	(11,247)
Balance at the end of the period	<u>\$ 611,343,005</u>	<u>\$ 365,942</u>	<u>\$ -</u>	<u>\$ 611,708,947</u>

Unit: In NT Thousand Dollars

December 31, 2022				
Investments in debt instruments at amortized cost	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	\$ 643,795,591	\$ -	\$ -	\$ 643,795,591
Changes from financial instruments recognized at the beginning of the period:				
- Derecognition	(551,351,664)	-	-	(551,351,664)
- Increased (decreased)	2,530,555	-	-	2,530,555
Originated or purchased new financial assets	465,620,692	-	-	465,620,692
Foreign exchange and other changes	204,836	-	-	204,836
Balance at the end of the period	<u>\$ 560,800,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 560,800,010</u>

H. Credit risk concentration

Extreme credit risk concentration will enhance risk degree, such as large amount of risk exposure concentrated on single credit product, single client, or a few clients, or a group of clients in the same industry or with similar business or in the same area or with the same risk characteristics. When adverse economic changes occur, financial institutions may incur significant losses.

To avoid extreme credit risk concentration, the Bank and subsidiaries have set credit limit and management rules for single client, single business group and large amount of risk exposure. The subsidiaries have to monitor and control the credit risk concentration not to exceed the limit. Status of credit risk concentration by industry, area/country, collateral and other forms must be analyzed in the risk report regularly.

(A) Loans and credit commitments of the Bank and subsidiaries are shown below by industry:

Unit: In NT Thousand Dollars, %

		Loans and credit commitments			
		December 31, 2023		December 31, 2022	
		Amount	Percentage(%)	Amount	Percentage(%)
Individuals	Individuals	\$ 689,795,159	25.62%	\$ 681,367,914	26.52%
Corporation	Government organization	50,957,622	1.89%	26,354,983	1.03%
	Financial institution, investment and insurance	203,204,209	7.55%	188,826,210	7.35%
	Enterprise and commerce				
	- Manufacturing	736,808,004	27.36%	690,584,322	26.88%
	- Electricity and gas supply	48,606,269	1.81%	37,992,059	1.48%
	- Wholesale and retail	201,024,867	7.47%	195,999,510	7.63%
	- Transportation and storage	118,919,856	4.42%	129,553,046	5.04%
	- Real estate	407,423,388	15.13%	386,388,468	15.04%
	- Others	221,919,689	8.24%	217,388,215	8.46%
	Others	13,787,263	0.51%	14,525,341	0.57%
Total		\$ 2,692,446,326	100.00%	\$ 2,568,980,068	100.00%

(B) Distribution of loans and credit commitments of the Bank and subsidiaries:

Unit: In NT Thousand Dollars, %

	Loans and credit commitments			
	December 31, 2023		December 31, 2022	
	Amount	Percentage(%)	Amount	Percentage(%)
ROC	\$ 2,142,256,212	79.57%	\$ 1,996,092,282	77.70%
Asia, Pacific	331,848,804	12.32%	344,137,430	13.39%
North America	115,067,863	4.27%	129,908,025	5.06%
Others	103,273,447	3.84%	98,842,331	3.85%
Total	\$ 2,692,446,326	100.00%	\$ 2,568,980,068	100.00%

I. Foreclosed properties management policy

As of December 31, 2023 and 2022, foreclosed properties under other assets in the consolidated balance sheet carried book value of NT\$38,355 thousand and NT\$39,601 thousand, respectively. According to the R.O.C. Banking Law, foreclosed properties of the Bank shall be sold within four years, except as otherwise approved by the competent authority.

J. Supplementary information in accordance with “Regulations Governing the Preparation of Financial Reports by Public Banks”

(A) Asset quality of non-performing loans and overdue accounts

Unit: In NT Thousand Dollars, %

Month / Year			December 31, 2023				
Business / Items			Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate banking	Secured loans		\$ 2,485,710	\$ 696,247,178	0.36%	\$ 11,737,017	472.18%
	Unsecured loans		706,396	894,505,134	0.08%	15,225,870	2155.43%
Consumer banking	Residential mortgage loans (Note 4)		399,244	444,165,464	0.09%	7,050,541	1765.97%
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		36,284	26,274,293	0.14%	430,348	1186.05%
	Others (Note 6)	Secured loans	235,895	108,265,985	0.22%	1,731,993	734.22%
		Unsecured loans	541	60,687	0.89%	961	-
Gross loan business			\$ 3,864,070	\$ 2,169,518,741	0.18%	\$ 36,176,730	936.23%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services			\$ 20,460	\$ 8,743,372	0.23%	\$ 86,702	423.76%
Without recourse factoring (Note 7)			\$ 3,590	\$ 11,550,235	0.03%	\$ 173,646	4836.94%

Unit: In NT Thousand Dollars, %

Month / Year			December 31, 2022				
Business / Items			Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate banking	Secured loans		\$ 1,285,741	\$ 699,931,340	0.18%	\$ 10,271,677	798.89%
	Unsecured loans		1,649,017	835,129,867	0.20%	13,296,259	806.31%
Consumer banking	Residential mortgage loans (Note 4)		476,975	444,285,430	0.11%	6,357,989	1332.98%
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		33,909	23,716,122	0.14%	359,935	1061.47%
	Others (Note 6)	Secured loans	85,204	108,141,212	0.08%	1,535,470	1802.11%
		Unsecured loans	-	59,490	-	840	-
Gross loan business			\$ 3,530,846	\$ 2,111,263,461	0.17%	\$ 31,822,170	901.26%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services			\$ 16,427	\$ 9,827,652	0.17%	\$ 86,049	523.83%
Without recourse factoring (Note 7)			\$ 3,590	\$ 15,333,425	0.02%	\$ 215,499	6002.76%

Notes:

1. The amount recognized as non-performing loans is in accordance with the “Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”. The amount included in overdue accounts for credit cards is in accordance with Financial-Supervisory-Banks (4) Letter No.0944000378 dated July 6, 2005.
2. Non-performing loan ratio = non-performing loans/gross loans. Overdue account ratio for credit cards=overdue accounts/balance of accounts receivable.
3. Coverage ratio for loans = allowance for doubtful accounts of loans/non-performing loans. Coverage ratio for accounts receivable of credit cards = allowance for doubtful accounts for accounts receivable of credit cards/overdue accounts.
4. For residential mortgage loans, the borrower provides his/her (or spouses' or minors') house as collateral in full and mortgages it to the financial institution for the purpose of obtaining funds to purchase or add improvements to a house.
5. Small amount of credit loans apply to the norms of the Financial-Supervisory-Banks (4) Letter No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.
6. Consumer banking-Others is specified as secured or unsecured consumer loans other than residential mortgage loans, cash card services and small amount of credit loans, and excluding credit card services.
7. Pursuant to Banking Bureau Letter No. 09850003180 dated August 24, 2009, the amount of without recourse factoring will be recognized as overdue accounts within three months after the factor or insurance company resolves not to compensate the loss.

(B) Non-performing loans and overdue receivables exempted from reporting to the competent authority

Unit: In NT Thousand dollars

	December 31, 2023	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Performing amounts exempted from reporting to the competent authority as debt negotiation (Note 1)	\$ -	\$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	899	2,837
Total	\$ 899	\$ 2,837

	December 31, 2022	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Performing amounts exempted from reporting to the competent authority as debt negotiation (Note 1)	\$ -	\$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	79	2,859
Total	\$ 79	\$ 2,859

Note 1: The Bank disclosed the total amount of non-performing loans and overdue receivables exempted from reporting to the competent authority as debt negotiation in accordance with Banking Bureau (1) Letter No. 09510001270 dated April 25, 2006.

Note 2: The Bank disclosed the total amount of non-performing loans and overdue receivables exempted from reporting to the competent authority as debt liquidation program and restructuring program in accordance with Banking Bureau (1) Letter No. 09700318940 dated September 15, 2008 and Banking Bureau (1) Letter No. 10500134790 dated September 20, 2016.

(C) The Bank and subsidiaries' credit risk concentration is as follows:

Unit: In Thousand dollars, %

Year	December 31, 2023		
Ranking (Note 1)	Industry of Company/ Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount/ net worth of the current year (%)
1	A Group - Chemical Material Manufacturing	\$ 38,859,646	11.73%
2	B Company - Transport via Railways	37,475,296	11.31%
3	C Group - Other Financial Service Activities Not Elsewhere Classified	32,844,497	9.92%
4	D Group - Manufacture of Panel and Components	23,754,314	7.17%
5	E Group - Packaging and Testing of Semi-conductors	19,019,167	5.74%
6	F Group - Ship Transportation	17,017,202	5.14%
7	G Group - Real Estate Development Activities	16,602,308	5.01%
8	H Group - Real Estate Development Activities	16,578,749	5.01%
9	I Group - Financial Leasing Industry	16,221,077	4.90%
10	J Group - Real Estate Development Activities	16,136,777	4.87%

(Blank below)

Unit: In Thousand dollars, %

Year	December 31, 2022		
Ranking (Note 1)	Industry of Company/ Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount/ net worth of the current year (%)
1	A Group - Other Financial Service Activities Not Elsewhere Classified	\$ 42,908,359	14.80%
2	B Company - Transport via Railways	39,282,410	13.55%
3	C Group - Chemical Material Manufacturing	30,711,057	10.59%
4	D Group - Manufacture of Panel and Components	22,203,712	7.66%
5	E Group - Real Estate Development Activities	16,839,218	5.81%
6	F Group - Real Estate Development Activities	16,401,192	5.66%
7	G Group - Ship Transportation	15,786,448	5.44%
8	H Group - Computer Manufacturing Industry	14,864,332	5.13%
9	I Group - Real Estate Development Activities	14,617,307	5.04%
10	J Group - Financial Leasing Industry	14,439,486	4.98%

Note 1: Ranking of the top ten enterprise groups other than government and government enterprise is based on their total outstanding loan amount. Outstanding loan that belongs to an enterprise group, should be categorized and listed in one lump sum, and disclosed by “code” with “industry type” (for example, company (or group) A - Manufacture of Panel and Components). If it is an enterprise group, industry type of maximum exposure of the enterprise group would be disclosed. Industry type should be filled in accordance with “Standard Industrial Classification System” of Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

Note 2: Definition of enterprise group is based on Article 6 of Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.

Note 3: Total outstanding loan amount is the sum of balances of all types of loans (including import negotiation, export negotiation, bills discounted, overdraft, short-term loan, short-term secured loan, margin loans receivable, medium-term unsecured loan, medium-term secured loan, long-term unsecured loan, long-term secured loan and overdue loan), bills purchased, without recourse factoring, acceptance receivable and guarantees.

(4) Liquidity risk

A. Definition and sources of liquidity risk

The Bank and subsidiaries define liquidity risk as the risk of financial loss to the Bank and subsidiaries arising from default by any companies of financial instruments on the payment obligations. For example, the companies are default on payment obligations, such as withdrawals paid to depositors and loans repayment. Or, the company is unable to obtain funds within a certain period at reasonable cost in response to increased demand for assets.

B. Procedures for liquidity risk management and measurement of liquidity risk

The Bank and subsidiaries are mainly engaged in financial services. Therefore, the management for capital liquidity is highly focused by the Bank and subsidiaries. The objectives for liquidity risk management are (a) to meet the liquidity index regulation (b) to maintain reasonable liquidity based on business development plans, to ensure capability of daily payment obligations and to meet business growth requirements with adequate highly-liquid assets and capability of raising funds from others in case of emergency.

The financial department of the Bank and subsidiaries is responsible for daily capital liquidity management. According to the limits authorized by the Board of (Managing) Directors, the Bank and subsidiaries monitor the indexes of liquidity risk, execute capital procurement trading and report the conditions of capital liquidity to the management. The management department reports the liquidity risk control to the Fund Management Committee, Risk Management Committee and the Board of (Managing) Directors regularly, and performs regular liquidity stress-testing to ensure sufficient capital to meet the funding requirements for increase in assets and payment obligations.

The Bank and subsidiaries daily perform intensive control over sources and the period gaps of fund and liquidity risk management. Future cash flows are estimated based on the financial liability contracts due date and expected cash collection date of financial assets. The Bank and subsidiaries also consider the extent of practical utilization of capital in contingent liabilities such as use of loan limits, guarantees and commitments.

Assets used to pay obligations and loan commitments include cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, securities purchased under resell agreements, bond investment, receivables, discounts and loans, financial assets at fair value through other comprehensive income, financial assets at amortized cost, and other financial assets held in response to unexpected cash outflows.

The liquidity management policies of the Bank and subsidiaries include:

- (A) Maintain the ability to perform all payment obligations immediately.
- (B) Maintain solid assets/liabilities structure to ensure medium and long-term liquidity safety.
- (C) Diversify fund sources and absorb stable core deposits to avoid depending on certain large-sum deposits.
- (D) Avoid risk of unexpected loss which will increase capital cost and capital procurement pressure.
- (E) Conduct due date management to ensure that cash inflow is greater than cash outflow in short term.
- (F) Keep liquidity ratio required by supervisory authorities.
- (G) Own assets of high-quality, and high-liquidity.

- (H) Be aware of the liquidity, safety and diversity of financial instruments.
- (I) The Bank and subsidiaries have capital emergency plans, which are reviewed regularly.
- (J) The overseas branches of the Bank and subsidiaries must obey the regulations of R.O.C. and the local supervisory authorities. IF they are difference, follow the stricter regulation.

C. Maturity date analysis for non-derivatives

The table below lists analysis for cash inflow and outflow of the non-derivatives held by the Bank and subsidiaries for liquidity risk management based on the remaining period at the financial reporting date to the contractual maturity date.

The Bank and subsidiaries' analysis for capital maturity gaps

Unit : In NT Thousand Dollars

	December 31, 2023						Total
	0-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	
Primary funds inflow upon maturity							
Cash and cash equivalents	\$ 121,134,201	\$ 4,679,800	\$ 6,373,370	\$ 2,675,901	\$ -	\$ -	\$ 134,863,272
Due from the Central Bank and call loans to banks	466,439,061	73,675,056	8,508,859	8,709,698	-	-	557,332,674
Financial assets at fair value through profit or loss	153,443	865,798	1,972,165	1,744,741	42,146,601	7,158,147	54,040,895
Financial assets at fair value through other comprehensive income	1,554,695	10,192,077	18,121,319	49,896,461	285,251,207	95,673,447	460,689,206
Investment in debt instruments at amortized cost	215,813,512	133,938,253	64,425,262	138,356,258	55,716,163	11,694,386	619,943,834
Securities purchased under resell agreements	8,656,899	1,697,484	998,500	-	-	-	11,352,883
Receivables	51,648,200	8,415,577	5,119,772	5,615,480	897,005	649	71,696,683
Discounts and loans	158,685,609	249,818,566	225,146,998	220,001,338	845,620,727	617,606,225	2,316,879,463
Other financial assets	153,694	111	114	337	270,056	4,843	429,155
Total	1,024,239,314	483,282,722	330,666,359	427,000,214	1,229,901,759	732,137,697	4,227,228,065
Primary funds outflow upon maturity							
Deposits from the Central Bank and banks	439,901,515	102,040,579	33,212,253	7,720,151	38,011,767	789,281	621,675,546
Due to the Central Bank and banks	2,870,805	-	-	-	-	-	2,870,805
Financial liabilities at fair value through profit or loss	19,875,936	-	-	-	-	-	19,875,936
Securities sold under repurchase agreements	6,845,355	24,754,134	7,815,663	659,573	-	-	40,074,725
Payables	51,583,799	4,285,946	1,607,145	5,211,581	557,205	5,679,273	68,924,949
Deposits and remittances	506,242,780	473,881,925	289,435,216	519,677,275	1,076,435,405	21,739,071	2,887,411,672
Bank notes payable	-	31,500	-	251,860	4,122,940	12,922,380	17,328,680
Other financial liabilities	6,347,104	2,718,656	2,267,194	5,983,056	1,148,639	-	18,464,649
Lease liabilities	51,946	97,743	151,830	295,510	1,271,882	565,485	2,434,396
Others	201,520	403,039	414,234	1,222,551	203,759	-	2,445,103
Total	1,033,920,760	608,213,522	334,903,535	541,021,557	1,121,751,597	41,695,490	3,681,506,461
Gap	(\$ 9,681,446)	(\$ 124,930,800)	(\$ 4,237,176)	(\$ 114,021,343)	\$ 108,150,162	\$ 690,442,207	\$ 545,721,604

	December 31, 2022						
	0-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Primary funds inflow upon maturity							
Cash and cash equivalents	\$ 52,769,233	\$ 25,070,885	\$ 5,487,611	\$ 1,128,781	\$ -	\$ -	\$ 84,456,510
Due from the Central Bank and call loans to banks	390,589,086	35,354,146	10,792,331	5,332,400	-	-	442,067,963
Financial assets at fair value through profit or loss	6,797,430	788,152	1,672,716	6,251,291	31,894,773	7,734,831	55,139,193
Financial assets at fair value through other comprehensive income	35,607,510	9,998,832	16,058,579	43,676,280	273,189,423	84,427,007	462,957,631
Investment in debt instruments at amortized cost	177,217,153	135,142,591	78,166,587	115,473,150	50,552,488	9,636,141	566,188,110
Securities purchased under resell agreements	1,222,960	-	-	-	-	-	1,222,960
Receivables	94,066,207	12,065,312	4,643,805	7,590,613	33,957	722	118,400,616
Discounts and loans	123,518,252	227,538,040	250,303,441	212,447,962	831,838,582	628,419,844	2,274,066,121
Other financial assets	270,083	169	169	590	-	7,447	278,458
Total	882,057,914	445,958,127	367,125,239	391,901,067	1,187,509,223	730,225,992	4,004,777,562
Primary funds outflow upon maturity							
Deposits from the Central Bank and banks	304,139,229	62,570,884	2,272,378	6,106,586	33,607,848	715,061	409,411,986
Due to the Central Bank and banks	3,219,692	-	30,688	-	-	-	3,250,380
Financial liabilities at fair value through profit or loss	19,101,375	-	-	-	-	-	19,101,375
Securities sold under repurchase agreements	2,871,153	15,722,855	-	2,751,047	13,618,915	-	34,963,970
Payables	93,816,998	3,698,234	901,326	3,985,969	976	5,679,284	108,082,787
Deposits and remittances	493,001,412	533,730,577	217,924,029	510,698,130	1,098,948,176	22,781,932	2,877,084,256
Bank notes payable	-	1,016,500	-	251,860	2,549,440	13,174,240	16,992,040
Other financial liabilities	3,211,980	3,066,059	3,273,000	4,214,427	2,176,420	-	15,941,886
Lease liabilities	54,851	90,656	139,002	255,604	1,174,501	554,601	2,269,215
Others	663,035	1,326,068	1,326,068	4,641,239	-	-	7,956,410
Total	920,079,725	621,221,833	225,866,491	532,904,862	1,152,076,276	42,905,118	3,495,054,305
Gap	(\$ 38,021,811)	(\$ 175,263,706)	\$ 141,258,748	(\$ 141,003,795)	\$ 35,432,947	\$ 687,320,874	\$ 509,723,257

D. Structure analysis for maturity of derivatives

(A) Derivatives settled on a net basis

Derivatives of the Bank and subsidiaries settled on a net basis include:

- Foreign exchange derivatives: currency option, non-delivery forward
- Interest derivatives: forward rate agreement, interest rate swap, assets swap, interest rate option, bond option, interest rate futures
- Credit derivatives: credit default swaps (CDS)
- Equity derivatives: stock option
- Others: combined commodity

Unit : In NT Thousand Dollars

		December 31, 2023						
		0-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Foreign exchange derivatives								
Inflow	\$	130,893	\$ 25,020	\$ 15,510	\$ 50,136	\$ 764	\$ -	\$ 222,323
Outflow		142,459	23,304	12,761	45,197	-	-	223,721
Interest rate derivatives								
Inflow		236,999	387,562	592,426	641,608	3,993,654	23,818,350	29,670,599
Outflow		64,683	169,816	278,751	582,806	3,023,419	18,089,630	22,209,105
Credit derivatives								
Inflow		-	11,249	12,576	31,793	107,130	-	162,748
Outflow		-	-	-	-	-	-	-
Total inflows	\$	<u>367,892</u>	<u>\$ 423,831</u>	<u>\$ 620,512</u>	<u>\$ 723,537</u>	<u>\$ 4,101,548</u>	<u>\$ 23,818,350</u>	<u>\$ 30,055,670</u>
Total outflows	\$	<u>207,142</u>	<u>\$ 193,120</u>	<u>\$ 291,512</u>	<u>\$ 628,003</u>	<u>\$ 3,023,419</u>	<u>\$ 18,089,630</u>	<u>\$ 22,432,826</u>
		December 31, 2022						
		0-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Foreign exchange derivatives								
Inflow	\$	128,528	\$ 33,498	\$ 21,154	\$ 20,532	\$ -	\$ -	\$ 203,712
Outflow		142,541	26,182	19,330	17,112	-	-	205,165
Interest rate derivatives								
Inflow		157,069	695,731	621,632	919,556	3,793,620	25,014,588	31,202,196
Outflow		34,501	107,503	253,714	547,327	2,668,427	17,391,916	21,003,388
Credit derivatives								
Inflow		-	21,877	27,029	55,877	183,655	-	288,438
Outflow		-	-	-	-	-	-	-
Total inflows	\$	<u>285,597</u>	<u>\$ 751,106</u>	<u>\$ 669,815</u>	<u>\$ 995,965</u>	<u>\$ 3,977,275</u>	<u>\$ 25,014,588</u>	<u>\$ 31,694,346</u>
Total outflows	\$	<u>177,042</u>	<u>\$ 133,685</u>	<u>\$ 273,044</u>	<u>\$ 564,439</u>	<u>\$ 2,668,427</u>	<u>\$ 17,391,916</u>	<u>\$ 21,208,553</u>

(B) Derivatives settled on a gross basis

Derivatives of the Bank and subsidiaries settled on a gross basis include:

- a. Foreign exchange derivatives: forward exchange
- b. Interest derivatives: cross currency swaps and currency swaps

Unit : In NT Thousand Dollars

		December 31, 2023						
		0-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Foreign exchange derivatives								
Inflow	\$	5,008,065	\$ 6,313,177	\$ 2,959,567	\$ 747,770	\$ -	\$ -	\$ 15,028,579
Outflow		4,964,775	6,220,783	2,938,671	741,270	-	-	14,865,499
Interest rate derivatives								
Inflow		349,313,911	289,116,437	128,951,708	67,314,585	87,386	-	834,784,027
Outflow		351,744,371	289,226,650	128,116,665	67,019,023	89,004	-	836,195,713
Total inflows	\$	354,321,976	\$ 295,429,614	\$ 131,911,275	\$ 68,062,355	\$ 87,386	\$ -	\$ 849,812,606
Total outflows	\$	356,709,146	\$ 295,447,433	\$ 131,055,336	\$ 67,760,293	\$ 89,004	\$ -	\$ 851,061,212
		December 31, 2022						
		0-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Foreign exchange derivatives								
Inflow	\$	4,232,330	\$ 10,030,242	\$ 4,884,208	\$ 1,696,182	\$ -	\$ -	\$ 20,842,962
Outflow		4,195,128	9,946,957	4,881,315	1,699,662	-	-	20,723,062
Interest rate derivatives								
Inflow		367,364,962	300,383,240	176,934,669	172,659,718	316,039	-	1,017,658,628
Outflow		366,846,487	296,887,224	172,997,377	169,907,488	304,681	-	1,006,943,257
Total inflows	\$	371,597,292	\$ 310,413,482	\$ 181,818,877	\$ 174,355,900	\$ 316,039	\$ -	\$ 1,038,501,590
Total outflows	\$	371,041,615	\$ 306,834,181	\$ 177,878,692	\$ 171,607,150	\$ 304,681	\$ -	\$ 1,027,666,319

E. Analysis for off-balance sheet contractual commitments

Unit : In NT Thousand Dollars

		December 31, 2023						
		0-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Irrevocable commitments	\$	324,946	\$ 7,412,798	\$ 115,107,317	\$ 20,037,966	\$ 131,568,558	\$ 48,295,029	\$ 322,746,614
Financial guarantee contracts		45,141,326	50,432,293	25,825,019	36,975,310	32,711,912	9,095,111	200,180,971
Total	\$	45,466,272	\$ 57,845,091	\$ 140,932,336	\$ 57,013,276	\$ 164,280,470	\$ 57,390,140	\$ 522,927,585
		December 31, 2022						
		0-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Irrevocable commitments	\$	3,227,080	\$ 1,611,613	\$ 107,174,911	\$ 14,260,750	\$ 96,767,260	\$ 24,910,328	\$ 247,951,942
Financial guarantee contracts		49,198,167	60,909,752	25,552,886	39,918,202	25,378,212	8,807,446	209,764,665
Total	\$	52,425,247	\$ 62,521,365	\$ 132,727,797	\$ 54,178,952	\$ 122,145,472	\$ 33,717,774	\$ 457,716,607

- Off-balance sheet items include irrevocable commitments and financial guarantee contracts.
- Irrevocable commitments include irrevocable arranged financing limit and credit card line commitments.
- Financial guarantee contracts refer to guarantees and letters of credit issued.

F. Disclosure requirements in the “Regulations Governing the Preparation of Financial Reports by Public Banks”

(A) NTD maturity analysis of the Bank and subsidiaries

Unit: In NT Thousand Dollars

	December 31, 2023						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$ 2,627,872,559	\$ 207,129,982	\$ 241,365,053	\$ 384,086,210	\$ 254,712,663	\$ 301,580,924	\$ 1,238,997,727
Primary funds outflow upon maturity	3,469,616,238	144,121,037	191,102,718	536,483,171	430,099,591	668,175,172	1,499,634,549
Gap	(\$ 841,743,679)	\$ 63,008,945	\$ 50,262,335	(\$ 152,396,961)	(\$ 175,386,928)	(\$ 366,594,248)	(\$ 260,636,822)

	December 31, 2022						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$ 2,538,318,235	\$ 204,423,742	\$ 185,252,743	\$ 407,873,496	\$ 286,180,101	\$ 270,558,827	\$ 1,184,029,326
Primary funds outflow upon maturity	3,288,504,207	171,444,406	158,959,963	467,315,556	408,407,023	726,126,828	1,356,250,431
Gap	(\$ 750,185,972)	\$ 32,979,336	\$ 26,292,780	(\$ 59,442,060)	(\$ 122,226,922)	(\$ 455,568,001)	(\$ 172,221,105)

(B) USD maturity analysis of the Bank and subsidiaries

Unit: In US Thousand Dollars

	December 31, 2023					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$ 57,296,913	\$ 25,843,472	\$ 9,972,247	\$ 5,003,005	\$ 3,452,059	\$ 13,026,130
Primary funds outflow upon maturity	65,284,422	27,533,440	12,866,349	5,730,962	7,699,247	11,454,424
Gap	(\$ 7,987,509)	(\$ 1,689,968)	(\$ 2,894,102)	(\$ 727,957)	(\$ 4,247,188)	\$ 1,571,706

Unit: In US Thousand Dollars

	December 31, 2022					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$ 63,582,425	\$ 22,889,780	\$ 9,022,989	\$ 6,568,435	\$ 6,580,008	\$ 18,521,213
Primary funds outflow upon maturity	71,966,081	24,212,618	15,922,289	5,287,365	7,793,200	18,750,609
Gap	(\$ 8,383,656)	(\$ 1,322,838)	(\$ 6,899,300)	\$ 1,281,070	(\$ 1,213,192)	(\$ 229,396)

Note 1: The funds denominated in US dollars means the amount of all US dollars of the Bank and subsidiaries.

Note 2: If overseas assets exceed 10% of total assets of the Bank and subsidiaries, supplementary information shall be disclosed.

(C) USD maturity analysis of foreign branches

Unit: In US Thousand Dollars

	December 31, 2023					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$ 18,912,026	\$ 8,752,687	\$ 2,441,766	\$ 736,299	\$ 1,037,529	\$ 5,943,745
Primary funds outflow upon maturity	20,033,659	11,899,548	1,733,603	958,511	759,079	4,682,918
Gap	(\$ 1,121,633)	(\$ 3,146,861)	\$ 708,163	(\$ 222,212)	\$ 278,450	\$ 1,260,827

Unit: In US Thousand Dollars

	December 31, 2022					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$ 19,468,273	\$ 8,794,008	\$ 2,311,155	\$ 749,980	\$ 1,182,358	\$ 6,430,772
Primary funds outflow upon maturity	20,896,510	6,733,188	2,803,472	1,089,612	963,497	9,306,741
Gap	(\$ 1,428,237)	\$ 2,060,820	(\$ 492,317)	(\$ 339,632)	\$ 218,861	(\$ 2,875,969)

(5) Market risk

A. Definition of market risk

Market risk refers to the potential loss of the Bank and subsidiaries' on-balance-sheet and off-balance-sheet positions due to the Bank and subsidiaries enduring fluctuations of market prices (for example: fluctuations of market interest, exchange rates, stock prices and price of products).

B. Objective of market risk management

The objective of the Bank and subsidiaries' market risk management is to confine risks within a tolerable scope to avoid the fluctuations of financial product prices impacting future returns and the value of assets and liabilities.

C. Market risk management policies and procedures

The Board of (Managing) Directors decided the degree of risk tolerance, position limits, and loss limits. Market risk management comprises trading book control and banking book control. Trading book operation is mainly for trading purposes and hedges against trading book position. Policies for financial instrument trading of bank are based on back-to-back operation principle. Banking book is based on held-to-maturity principle and adopts hedging measures.

D. Procedures for market risk management

- (A) The Bank and subsidiaries' objectives of market risk management are respectively proposed by Treasury Department and Risk Management Department, and then Risk Management Department summarizes and reports these objectives to Risk Management Committee of Mega Financial Holdings and the Bank's Board of Directors for approval.
- (B) Risk Management Department not only daily prepares statement of market risk position and profit and loss of various financial instruments but regularly compiles securities investment performance evaluation and reports to the Board of (Managing) Directors for the Board's to grasp the Bank and subsidiaries' risk control over securities investment and derivatives. Risk Management Department summarizes and analyzes various financial instrument position, profit and risk-sensitive factors. Also, it conducts stress testing and examines stress testing limits for senior management to grasp the Bank's market risk exposure.

E. Market risk measurement and control principle

- (A) The Bank and subsidiaries' market risk report contains interest rate, exchange rate, positions of equity securities, credit default swap (CDS) and profit and loss assessment. Every transaction has limit and stop-loss provisions, which shall be submitted to approval management in accordance with the Bank and subsidiaries' regulations. Stop-loss limit shall

be implemented as soon as a transaction reaches the threshold. If no stop-loss limit will be implemented, trading units shall immediately make statement about reasons to not implement stop-loss limit and coping plan, which shall be submitted to senior management for approval and reported to the Board of (Managing) Directors regularly.

(B) Non-hedging trading positions of derivatives are daily assessed based on the market value, whereas hedging trading positions of futures are daily assessed and others are assessed twice a month.

(C) SUMMIT information system and DW information system for market risk provides functions in relation to risk management such as real-time limits, profit and loss assessment, analysis on risk-sensitive factors, stress testing, etc.

F. Policies and procedures of trading-book risk management

The Bank and subsidiaries daily monitor trading-book positions, changes in risk exposures, and various risk limits, including trading rooms, traders and product line risk limits.

If trading-book financial instruments have market price, the valuation of those instruments is conducted at least one time daily using the independent source and available information. If using mathematical model valuation, the assumptions and parameters used in the model are reviewed regularly.

The method of risk measurement is sensitivity analysis.

The Bank conducts stress test on the positions of its interest rate, equity securities, foreign exchange rate products and credit default swap (CDS) on the assumptions of the monthly change in interest rate, securities market index, foreign exchange rate and CDS by +1%, -15%, +3% and +100 basis points, respectively, and periodically reports to the Risk Management Committee.

G. Trading-book interest rate risk management

Trading-book interest rate risk refers to the financial loss of the decline in values of interest rate products held due to unfavorable changes in interest rates, including securities and derivatives with interest.

The Bank and subsidiaries interest rate products are traded mainly for hedging.

The trading group screens the credits and financial positions of issuers and selects investment objectives by judging interest rate trend and a variety of country risks and based on the authorized minimum investment criteria. The Bank and subsidiaries set trading-book trading limits and stop-loss limits (including trading rooms, traders, trading products, counterparties, and daily and overnight limits) based on business strategies and market conditions, and measure monthly the extent of impact of interest rate risk on investment portfolios using DV01 value.

H. Banking book interest rate risk management

Banking book interest rate risk mainly comes from the unmatched maturity dates of assets and liabilities or price resetting dates, and inconsistent changes in base interest rates for assets and liabilities. The Bank and subsidiaries' interest rate risk mainly comes from the unmatched periods of interest-rate sensitive assets and liabilities of the Bank and subsidiaries.

As the Bank and subsidiaries have interest-rate sensitive gaps, market interest rate fluctuations have good or bad impacts on the Bank and subsidiaries' earnings and economic values.

The Bank and subsidiaries' measure the effect of interest fluctuations on the Bank and subsidiaries' earnings and economic value through on/off balance sheets assets and liabilities of banking book with the support of model parameters. The Bank and subsidiaries document the

model building and verification procedure, methodology of change of interest rate, and the assumptions and parameters used in the models, and examine the reasonableness of assumptions and parameters periodically.

The Bank and subsidiaries periodically analyze and monitor interest rate risk management indexes. If the limit is exceeded, the Bank and subsidiaries will adopt responding measures and report the analysis and monitoring results to the Fund Management Committee, the Risk Management Committee and the Board of Directors.

I. Foreign exchange risk management

Foreign exchange risk refers to the losses caused by the exchange of two different currencies at different times. The Bank and subsidiaries' foreign exchange risk mainly comes from its derivatives business such as spot foreign exchange, forward foreign exchange and foreign exchange options. The foreign exchange trading of the Bank and subsidiaries is mainly for offsetting customers' positions on the same day; therefore, foreign exchange risk is relatively low.

To control trading-book foreign exchange risk, the Bank and subsidiaries have set trading limits and stop-loss limits for trading rooms and traders and also set the annual maximum loss limits to control the losses within the tolerable scopes.

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J. The Bank and subsidiaries' foreign exchange risk gaps

Unit: In NT Thousand Dollars

	December 31, 2023				
	USD	AUD	RMB	EUR	JPY
Assets					
Cash and cash equivalents	\$ 77,806,624	\$ 867,579	\$ 18,043,104	\$ 3,905,656	\$ 15,817,037
Due from the Central Bank and call loans to banks	336,021,197	10,913,470	10,757,836	4,459,950	66,724,457
Financial assets at fair value through profit or loss	29,491,065	154,361	200	159,877	1,044
Financial assets at fair value through other comprehensive income	123,679,298	78,933,961	7,563,947	516,438	1,020,168
Investment in debt instruments at amortized cost	77,801,111	630,377	3,009,362	302,790	1,295,673
Receivables	16,304,724	5,631,317	782,508	684,709	1,432,098
Discounts and loans	375,069,546	64,887,827	29,278,243	32,477,960	24,915,754
Investments measured by equity method	28,461	-	-	-	-
Other financial assets	154,128	-	-	-	-
Total assets	1,036,356,154	162,018,892	69,435,200	42,507,380	111,206,231
Liabilities					
Deposits from the Central Bank and banks	\$ 412,027,724	\$ 17,249,500	\$ 15,416,518	\$ 5,374,104	\$ 26,527,633
Due to the Central Bank and banks	2,870,805	-	-	-	-
Financial liabilities at fair value through profit or loss	21,874,274	2,369	201	4,238	731
Securities sold under repurchase agreements	12,269,835	27,549,271	-	-	-
Payables	18,174,090	613,621	1,101,864	532,306	1,263,138
Deposits and remittances	963,859,494	30,343,109	73,251,921	29,380,787	50,195,517
Other financial liabilities	12,777,867	1,153,588	939,135	167,646	127,024
Total liabilities	1,443,854,089	76,911,458	90,709,639	35,459,081	78,114,043
On-balance sheet foreign exchange gap	(\$ 407,497,935)	\$ 85,107,434	(\$ 21,274,439)	\$ 7,048,299	\$ 33,092,188
Off-balance sheet commitments	\$ 97,185,808	\$ 2,693,628	\$ 4,981,129	\$ 25,643,765	\$ 4,636,359
NTD exchange rate	30.6910	20.9957	4.3250	33.9995	0.2169

Unit: In NT Thousand Dollars

	December 31, 2022				
	USD	AUD	RMB	EUR	JPY
Assets					
Cash and cash equivalents	\$ 34,717,405	\$ 851,891	\$ 13,542,453	\$ 2,654,194	\$ 13,463,149
Due from the Central Bank and call loans to banks	278,315,574	96,077	13,108,321	5,036,674	53,835,351
Financial assets at fair value through profit or loss	32,051,735	987,524	494	14,495	1,575
Financial assets at fair value through other comprehensive income	131,523,411	75,045,417	8,816,901	644,671	3,272,459
Investment in debt instruments at amortized cost	58,679,782	520,252	3,469,462	327,093	1,383,977
Receivables	19,671,020	6,412,931	917,523	750,187	1,175,497
Discounts and loans	416,213,458	63,259,132	26,700,764	30,297,289	25,513,797
Investments measured by equity method	29,801	-	-	-	-
Other financial assets	830	182	-	-	-
Total assets	971,203,016	147,173,406	66,555,918	39,724,603	98,645,805
Liabilities					
Deposits from the Central Bank and banks	\$ 321,541,035	\$ 2,428,917	\$ 13,297,233	\$ 2,736,948	\$ 30,291,572
Due to the Central Bank and banks	3,250,380	-	-	-	-
Financial liabilities at fair value through profit or loss	20,147,419	2,170	494	6,958	1,231
Securities sold under repurchase agreements	6,961,731	27,777,137	-	-	-
Payables	10,458,730	258,266	830,696	575,633	930,913
Deposits and remittances	1,029,777,436	27,138,608	80,923,190	36,117,821	39,170,378
Other financial liabilities	9,507,731	622,690	1,973,796	1,404,448	66,148
Total liabilities	1,401,644,462	58,227,788	97,025,409	40,841,808	70,460,242
On-balance sheet foreign exchange gap	(\$ 430,441,446)	\$ 88,945,618	(\$ 30,469,491)	(\$ 1,117,205)	\$ 28,185,563
Off-balance sheet commitments	\$ 89,511,558	\$ 2,768,179	\$ 5,898,657	\$ 24,100,175	\$ 7,877,844
NTD exchange rate	30.7050	20.7750	4.4120	32.7285	0.2318

K. Risk management for equity securities

Due to the needs of proprietary, make market and tactic, etc., the Bank and subsidiaries held equity securities within the regulations of the law. The market risk comprises the risk of individual equity security arising from the security's market price changes and the general market risk arising from overall equity securities market price changes.

The investment operating group mainly selects blue chip stocks which have high liquidity and sets the investment price according to fundamentals and market transactions. After the investment has been approved by the Investment Deliberation Committee, the operational personnel purchase the stock within the maximum percentage of the approved price, as the case may be.

Daily trading records, details of investment portfolios and overview of profit or loss shall be reported to the management and measurement of the extent of the impact of systematic risk on investment portfolios using β value monthly. The Bank and subsidiaries generally set a stop loss, stop interest, pre-warning and exception handling requirements, and limit control to held individual stock and industry concentration.

L. Sensitivity analysis

Sensitivity analysis of the Bank and subsidiaries' financial instruments (including trading book and non-trading book):

December 31, 2023

Unit : In NT Thousand Dollars

Risks	Extent of Variation	Effect on Profit or Loss	Effect on Equity
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies appreciated by 1%	(\$ 19,566)	\$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1%	19,566	-
Interest rate risk	Increases in major interest rates by 1BPS	47,306	(50,565)
Interest rate risk	Declines in major interest rates by 1BPS	(47,306)	50,565
Equity securities risk	TAIEX declined by 1%	(27,706)	(261,402)
Equity securities risk	TAIEX increased by 1%	27,706	261,402

December 31, 2022

Unit : In NT Thousand Dollars

Risks	Extent of Variation	Effect on Profit or Loss	Effect on Equity
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies appreciated by 1%	(\$ 42,913)	\$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1%	42,913	-
Interest rate risk	Increases in major interest rates by 1BPS	41,910	(65,016)
Interest rate risk	Declines in major interest rates by 1BPS	(41,910)	65,016
Equity securities risk	TAIEX declined by 1%	(25,576)	(131,742)
Equity securities risk	TAIEX increased by 1%	25,576	131,742

M. Disclosure requirements in the “Regulations Governing the Preparation of Financial Reports by Public Banks”

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)

December 31, 2023

Unit: In NT Thousand Dollars, %

Item	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 986,791,650	\$ 1,014,965,308	\$ 143,655,622	\$ 151,291,794	\$ 2,296,704,374
Interest rate sensitive liabilities	283,008,699	1,150,503,610	277,755,159	39,879,498	1,751,146,966
Interest rate sensitive gap	\$ 703,782,951	(\$ 135,538,302)	(\$ 134,099,537)	\$ 111,412,296	\$ 545,557,408
Net worth					\$ 335,947,669
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					131.15%
Ratio of interest rate sensitivity gap to net worth					162.39%

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)

December 31, 2022

Unit: In NT Thousand Dollars, %

Item	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 827,900,889	\$ 1,052,574,885	\$ 116,596,448	\$ 170,862,580	\$ 2,167,934,802
Interest rate sensitive liabilities	306,427,289	1,003,564,988	247,476,064	37,009,668	1,594,478,009
Interest rate sensitive gap	\$ 521,473,600	\$ 49,009,897	(\$ 130,879,616)	\$ 133,852,912	\$ 573,456,793
Net worth					\$ 294,189,067
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					135.97%
Ratio of interest rate sensitivity gap to net worth					194.93%

Notes:

1. The above amounts included only New Taiwan dollar amounts by the Bank and its domestic and foreign branches (i.e. excluding foreign currency).
2. Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.
3. Interest rate sensitivity gap = Interest rate sensitive assets - Interest rate sensitive liabilities
4. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities

Interest rate sensitivity analysis on assets and liabilities (US Dollars)

December 31, 2023

Unit: In US Thousand Dollars, %

	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 30,694,032	\$ 793,723	\$ 614,523	\$ 807,391	\$ 32,909,669
Interest rate sensitive liabilities	30,068,969	13,175,289	2,199,834	1,143	45,445,235
Interest rate sensitive gap	\$ 625,063	(\$ 12,381,566)	(\$ 1,585,311)	\$ 806,248	(\$ 12,535,566)
Net worth					\$ 77,110
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					72.42%
Ratio of interest rate sensitivity gap to net worth					(16,256.73%)

Interest rate sensitivity analysis on assets and liabilities (US Dollars)

December 31, 2022

Unit: In US Thousand Dollars, %

	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 28,350,426	\$ 769,581	\$ 605,928	\$ 884,612	\$ 30,610,547
Interest rate sensitive liabilities	27,513,106	14,917,594	1,799,856	27,855	44,258,411
Interest rate sensitive gap	\$ 837,320	(\$ 14,148,013)	(\$ 1,193,928)	\$ 856,757	(\$ 13,647,864)
Net worth					\$ 195,137
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					69.16%
Ratio of interest rate sensitivity gap to net worth					(6,993.99%)

Note:

1. The above amounts included only US dollars denominated assets and liabilities of head office, domestic and foreign branches, and the OBU branch. Contingent assets and liabilities are excluded.
2. Interest rate sensitivity gap = Interest rate sensitive assets - Interest rate sensitive liabilities
3. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities

(6) Transfer of financial assets

Transferred financial assets that are not derecognized in their entirety

The Bank and subsidiaries' transferred financial assets that do not meet derecognition conditions are mainly debt instruments that are used as collaterals by counterparties repurchase agreements. These transactions are fundamentally pledged loans, and reflects the fact that related liabilities of transferred financial assets that will be repurchased at a fixed price in the future. The Bank and subsidiaries may not use, sell or pledge the transferred financial assets during the valid period of the transaction, but the Bank and subsidiaries are still exposed to interest rate risk and credit risk. Financial assets that do not meet the derecognition conditions and related financial liabilities are analyzed as follows:

Unit: In NT Thousand Dollars		
December 31, 2023		
Financial assets category	Carrying amount of financial assets transferred	Carrying amount of associated financial liabilities
Financial assets at fair value through profit or loss		
Repurchase agreement	\$ 5,921,670	\$ 5,618,752
Financial assets at fair value through other comprehensive income		
Repurchase agreement	\$ 37,483,024	\$ 34,200,354

Unit: In NT Thousand Dollars		
December 31, 2022		
Financial assets category	Carrying amount of financial assets transferred	Carrying amount of associated financial liabilities
Financial assets at fair value through profit or loss		
Repurchase agreement	\$ 1,805,905	\$ 1,715,035
Financial assets at fair value through other comprehensive income		
Repurchase agreement	\$ 36,581,215	\$ 33,023,833

(7) Offsetting financial assets and financial liabilities

The Bank and subsidiaries have engaged in financial instrument transactions that apply the offsetting requirements in Paragraph 42 of IAS 32 as endorsed by the FSC. Financial assets and financial liabilities related to these transactions are reported at net amount on the balance sheet.

The Bank and subsidiaries have also engaged in offsetting terms that do not conform to the IFRSs. However, they have entered into enforceable master netting arrangements or similar agreements with counterparties. For example: global master repurchase agreements or similar repurchase or reverse repurchase agreements. When the above-mentioned enforceable master netting arrangements or similar agreements are elected by both parties to be settled by net amount, settlements may be made by using the net amount after the offsetting of financial assets and financial

liabilities. Conversely if no such arrangements are made, settlements are made using the gross amount. However, upon the event of a default of a party, the counterparty may choose settle by net amount.

The following table lists information related to the above-mentioned offsetting of financial assets and financial liabilities:

December 31, 2023

Financial assets that are offset, or can be settled under agreements of master netting arrangements or similar arrangements

Unit: In NT Thousand Dollars

Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities offset in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c) = (a) - (b)	Not offset in the balance sheet (d)		Net amount (e) = (c) - (d)
				Financial instruments (Note)	Cash collateral received	
Derivatives	\$ 8,784,408	\$ -	\$ 8,784,408	\$ 2,795,359	\$ 17,531	\$ 5,971,518
Resell agreement	2,297,539	-	2,297,539	2,297,539	-	-
Total	\$ 11,081,947	\$ -	\$ 11,081,947	\$ 5,092,898	\$ 17,531	\$ 5,971,518

Financial liabilities that are offset, or can be settled under agreements of master netting arrangements or similar arrangements

Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets offset in the balance sheet (b)	Net amounts of financial liabilities presented in the balance sheet (c) = (a) - (b)	Not offset in the balance sheet (d)		Net amount (e) = (c) - (d)
				Financial instruments (Note)	Cash collateral pledged	
Derivatives	\$ 6,742,236	\$ -	\$ 6,742,236	\$ 1,830,367	\$ 3,189	\$ 4,908,680
Repurchase agreement	39,819,106	-	39,819,106	38,460,523	1,358,583	-
Total	\$ 46,561,342	\$ -	\$ 46,561,342	\$ 40,290,890	\$ 1,361,772	\$ 4,908,680

December 31, 2022

Financial assets that are offset, or can be settled under agreements of master netting arrangements or similar arrangements

Unit: In NT Thousand Dollars

Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities offset in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c) = (a) - (b)	Not offset in the balance sheet (d)		Net amount (e) = (c) - (d)
				Financial instruments (Note)	Cash collateral received	
Derivatives	\$ 6,045,704	\$ -	\$ 6,045,704	\$ 6,010,855	\$ 34,849	\$ -

Financial liabilities that are offset, or can be settled under agreements of master netting arrangements or similar arrangements

Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets offset in the balance sheet (b)	Net amounts of financial liabilities presented in the balance sheet (c) = (a) - (b)	Not offset in the balance sheet (d)		Net amount (e) = (c) - (d)
				Financial instruments (Note)	Cash collateral pledged	
Derivatives	\$ 4,111,661	\$ -	\$ 4,111,661	\$ 1,861,842	\$ 3,597	\$ 2,246,222
Repurchase agreement	34,738,868	-	34,738,868	33,090,812	1,648,056	-
Total	\$ 38,850,529	\$ -	\$ 38,850,529	\$ 34,952,654	\$ 1,651,653	\$ 2,246,222

Note: Including master netting arrangements and non-cash collaterals.

9. CAPITAL MANAGEMENT

(1) Objective of capital management

- A. The Bank and subsidiaries' qualifying self-owned capital should meet the regulatory requirements and meet the minimum regulated capital adequacy ratio. This is the basic objective of capital management of the Bank and subsidiaries. The calculation and provision of qualifying self-owned capital and regulated capital shall follow the regulations of the competent authority.
- B. In order to have adequate capital to take various risks, the Bank and subsidiaries shall assess the required capital with consideration of the risk portfolio it faces and the risk characteristics, and manages risk through capital allocation to realize optimum utilization of capital allocation.
- C. As of December 31, 2023 and 2022, the Bank and subsidiaries met the minimum adequacy rate regulated by the competent authority.

(2) Capital management procedures

- A. Following the “Regulations Governing the Capital Adequacy Ratio of Banks” of the Financial Supervisory Commission, the Bank calculates capital adequacy ratio on a consolidated basis and reports this information regularly.
- B. The calculation of capital adequacy ratio of subsidiaries shall follow the regulations of regulatory authorities; if without regulations, capital adequacy ratio is computed as net of qualifying self-owned capital divided by regulated capital.

(3) Capital adequacy ratio

Capital adequacy shown in the following table was calculated in accordance with “Regulations Governing the Capital Adequacy Ratio of Banks” effective on December 31, 2023 and 2022.

Unit: In NT Thousand Dollars, %

Annual			December 31, 2023	December 31, 2022
Items				
Self-owned capital	Capital of Common equity		\$ 314,865,920	\$ 283,543,847
	Other Tier 1 Capital		-	-
	Tier 2 Capital, net		49,279,457	43,890,403
	Self-owned capital, net		364,145,377	327,434,250
Total risk-weighted assets (Note 1)	Credit risk	Standardized Approach	2,238,703,440	2,163,720,620
		Internal Ratings-Based Approach	-	-
		Asset securitization	14,534,062	13,320,285
	Operation risk	Basic Indicator Approach	105,384,038	91,720,925
		Standardized Approach / Alternative Standardized Approach	-	-
		Advanced Measurement Approaches	-	-
	Market risk	Standardized Approach	21,045,463	28,610,713
		Internal Models Approach	-	-
	Total risk-weighted assets		2,379,667,003	2,297,372,543
Capital adequacy ratio (Note 2)			15.30%	14.25%
Common equity to total risk assets, net Ratio			13.23%	12.34%
Tier 1 Capital to total risk assets, net Ratio			13.23%	12.34%
Leverage ratio			7.24%	7.01%

Note 1: The self-owned capital, risk-weighted assets and exposures amount in the table above should be filled in accordance with “Regulations Governing the Capital Adequacy Ratio of Banks” and “calculation method and table of self-owned capital and risk-weighted assets”.

Note 2: Current and prior year's capital adequacy ratio should be disclosed in the annual reports. In addition to current and prior year's capital adequacy, capital adequacy ratio at the end of prior year should be disclosed in the semi-annual reports.

Note 3: The relevant formulas are as follows:

1. Self-owned capital = Tier 1 Capital of Common equity, net + Other Tier 1 Capital, net + Tier 2 Capital, net
2. Total risk-weighted assets = credit risk-weighted assets + (operation risk charge + market risk charge) * 12.5
3. Capital adequacy ratio = Self-owned capital / Total risk-weighted assets
4. Common equity to total risk assets, net Ratio = Common equity / Total risk-weighted assets
5. Tier 1 Capital to total risk assets, net Ratio = (Common equity + Other Tier 1 Capital, net) / Total risk-weighted assets
6. Leverage ratio = Tier 1 capital / Risk exposure amount

Note 4: For the first-quarter and third-quarter financial reports, the table of capital adequacy ratio is not required to be disclosed.

10. OPERATING SEGMENTS INFORMATION

(1) General information

The Bank and subsidiaries use reported information to the Chief Operating Decision-Maker (CODM) to identify segments and geographic information. The Bank and subsidiaries mainly focus on the businesses in Taiwan, Asia and North America. The disclosed operating segment by the Bank and subsidiaries is stipulated in Article 3 of the Banking Law, and the generated income is the main source of income.

(2) Information of segment profit or loss, assets and liabilities

The Bank and subsidiaries' management mainly focuses on the operating results of the whole bank, which is consistent with that of the consolidated statements of comprehensive income. Please refer to the consolidated statements of comprehensive income.

(3) Information of major customers

The Bank and subsidiaries' source of income is not concentrated on transactions with a single customer or single counterparty.

(4) Information by products and services

All operating segments' operating results of the Bank and subsidiaries mainly come from interest income from external clients and is measured on a consistent basis compared with the statement of comprehensive income. The segmental income also consist of internal profit and loss appropriated by the terms agreed amongst segments other than external revenue. Please refer to the information by geography for relevant components of income balances.

(5) Financial Information By Geographic Area

For the year ended December 31, 2023						
(Unit: In NT Thousand Dollars)						
	Domestic Department	Asia (Note)	North America	Other Overseas Operating Department	Adjustment and Write-off	Total
Revenue from customers outside the Bank	\$ 46,272,019	\$ 9,527,047	\$ 7,743,098	\$ 6,318,836	(\$ 597,319)	\$ 69,263,681
Revenue from departments within the Bank	9,848,900	(818,989)	(5,375,986)	(3,605,600)	(48,325)	-
Net revenue	<u>\$ 56,120,919</u>	<u>\$ 8,708,058</u>	<u>\$ 2,367,112</u>	<u>\$ 2,713,236</u>	<u>(\$ 645,644)</u>	<u>\$ 69,263,681</u>
Profit or loss	<u>\$ 28,783,897</u>	<u>\$ 6,889,138</u>	<u>(\$ 1,379,515)</u>	<u>\$ 1,803,821</u>	<u>(\$ 646,521)</u>	<u>\$ 35,450,820</u>
Assets attributable to specific departments	<u>\$ 3,282,532,834</u>	<u>\$ 301,420,003</u>	<u>\$ 307,931,321</u>	<u>\$ 111,532,972</u>	<u>(\$ 15,099,304)</u>	<u>\$ 3,988,317,826</u>
For the year ended December 31, 2022						
(Unit: In NT Thousand Dollars)						
	Domestic Department	Asia (Note)	North America	Other Overseas Operating Department	Adjustment and Write-off	Total
Revenue from customers outside the Bank	\$ 40,106,491	\$ 6,184,311	\$ 4,678,454	\$ 3,245,792	(\$ 230,182)	\$ 53,984,866
Revenue from departments within the Bank	3,730,583	(341,337)	(2,175,376)	(1,172,377)	(41,493)	-
Net revenue	<u>\$ 43,837,074</u>	<u>\$ 5,842,974</u>	<u>\$ 2,503,078</u>	<u>\$ 2,073,415</u>	<u>(\$ 271,675)</u>	<u>\$ 53,984,866</u>
Profit or loss	<u>\$ 22,628,760</u>	<u>\$ 2,171,709</u>	<u>\$ 1,042,652</u>	<u>\$ 1,237,464</u>	<u>(\$ 279,369)</u>	<u>\$ 26,801,216</u>
Assets attributable to specific departments	<u>\$ 3,136,318,022</u>	<u>\$ 296,152,672</u>	<u>\$ 171,450,659</u>	<u>\$ 115,987,757</u>	<u>(\$ 11,321,400)</u>	<u>\$ 3,708,587,710</u>

Note: The amount in Asia does not include Republic of China.

11. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Bank and subsidiaries are controlled by Mega Financial Holding Co., Ltd, which owns 100% of the Bank's shares. The ultimate controlling party of the Bank and subsidiaries is Mega Financial Holding Co., Ltd.

(2) Names of the related parties and their relationship with the Bank

<u>Names of related parties</u>	<u>Short name of related parties</u>	<u>Relationship with the Bank</u>
Mega Bills Finance Co., Ltd.	Mega Bills	Jointly controlled by Mega Financial Holdings
Mega Securities Co., Ltd.	Mega Securities	Jointly controlled by Mega Financial Holdings
Mega Investment Trust Co., Ltd.	Mega Investment Trust	Jointly controlled by Mega Financial Holdings
Chung Kuo Insurance Co., Ltd.	Chung Kuo Insurance	Jointly controlled by Mega Financial Holdings
Mega Asset Management Co., Ltd.	Mega Asset	Jointly controlled by Mega Financial Holdings
Mega CTB Venture Capital Co., Ltd.	Mega Venture	Jointly controlled by Mega Financial Holdings
Mega International Investment Service Corp.	Mega International Investment Service	Jointly controlled by Mega Financial Holdings
Mega Futures Co., Ltd.	Mega Futures	Jointly controlled by Mega Financial Holdings
Chunghwa Post Corporation Limited	Chunghwa Post	Director of Mega Financial Holdings
Bank of Taiwan Corp.	Bank of Taiwan	Director of Mega Financial Holdings
Yung-Shing Industries Co.	Yung-Shing Industries	Subsidiary of the Bank
China Products Trading Company	China Products	Subsidiary of the Bank
Mega Management Consulting Co., Ltd.	Mega Management Consulting	Subsidiary of the Bank
Cathay Investment & Warehousing Co., S.A.	Cathay Investment & Warehousing (Panama)	Subsidiary of the Bank
Ramlett Finance Holdings Inc.	Ramlett	Subsidiary of the Bank
Win Card Co., Ltd.	Win Card	Indirect subsidiary of the Bank
ICBC Assets Management & Consulting Co., Ltd.	ICBC Consulting	Indirect subsidiary of the Bank
Everstrong Iron & Steel Foundry & Mfg Corp.	Everstrong Iron Steel	Equity investees
China Real Estate Management Co., Ltd.	China Real Estate	Equity investees

Names of related parties	Short name of related parties	Relationship with the Bank
Taiwan Finance Co., Ltd.	Taiwan Finance	Equity investees
An Feng Enterprise Co., Ltd.	An Feng	Equity investees
Mega Growth Venture Capital Co., Ltd.	Mega Growth Venture Capital	Equity investees
Universal Venture Capital Investment Corporation	Universal Venture Capital	Equity investees
Next Commercial Bank Co., Ltd.	Next bank	Equity investees
Mega Bank C&E Foundation	Mega C&E	Substantive related party
Mega Charity Foundation	Mega Charity	Substantive related party
Benson Jay Trading Co., Ltd.	Benson Jay Trading	Substantive related party
Others		The Bank and the parent company's directors, supervisors, managers, their relatives, associated companies and substantive related parties

(Blank below)

(3) Major transactions and balances with related parties

A. Due from and due to banks

For the year ended December 31, 2023					
	Balance as of December 31	Highest Outstanding Balance	Interest Rate (%)	Total Interest Income (Expense)	
<u>Due from banks</u>					
Fellow subsidiary:					
Mega Bills	\$ 2,000,000	\$ 5,600,000	1.22%~5.47%	\$	30,215
Other related parties:					
Bank of Taiwan	16,470,609	24,306,473	0.06%~5.95%		193,949
<u>Due to banks</u>					
Other related parties:					
Chunghwa Post	\$ 99,511,478	\$ 99,531,671	1.44%~1.59%	(\$	1,232,852)
Bank of Taiwan	3,473,224	22,524,859	0.02%~5.90%	(	185,142)
For the year ended December 31, 2022					
	Balance as of December 31	Highest Outstanding Balance	Interest Rate (%)	Total Interest Income (Expense)	
<u>Due from banks</u>					
Fellow subsidiary:					
Mega Bills	\$ -	\$ 7,400,000	0.29%~1.22%	\$	11,810
Other related parties:					
Bank of Taiwan	323,682	21,371,995	(0.47%)~3.11%		32,317
<u>Due to banks</u>					
Other related parties:					
Chunghwa Post	\$ 20,193	\$ 45,867	0.81%~1.44%	(\$	252)
Bank of Taiwan	7,834,883	81,429,647	0.00%~5.00%	(	63,796)

B. Loans and deposits

	Item	Counterparty	December 31, 2023	% of		Total Interest Income (Expense)	% of Total
				Total	Interest Rate (%)		
For the year ended December 31, 2023	Deposits	Next bank	\$ 5,148	0.00%	0.00%~0.68%	(\$ 117)	0.00%
	Deposits	All related parties (Note)	105,234,813	3.68%	0.00%~13.00%	(1,321,460)	1.73%
	Loans	All related parties	192,404	0.01%	1.00%~2.75%	6,604	0.01%
(Note) Next bank excluded.							
	Item	Counterparty	December 31, 2022	% of		Total Interest Income (Expense)	% of Total
				Total	Interest Rate (%)		
For the year ended December 31, 2022	Deposits	Next bank	\$ 4,243	0.00%	0.15%~0.56%	(\$ 684)	0.00%
	Deposits	All related parties (Note)	4,385,980	0.15%	0.00%~13.00%	(23,958)	0.08%
	Loans	All related parties	162,634	0.01%	1.00%~2.49%	4,141	0.01%
(Note) Next bank excluded.							

The interest rates shown above are similar, or approximate, to those offered to third parties. But the interest rates for savings deposits of Bank managers within the prescribed amounts are the same as for savings deposits of employees.

In compliance with the Articles 32 and 33 of Banking Law, except for consumer loans and government loans, credits extended by the Bank to any related party shall be fully secured, and the terms of such extended credit shall not be more favorable than those terms offered to other customers of the same genre.

The Bank presents its transactions or account balances with related parties, in aggregate, except for those which add up to over 10% of the account balance.

C. Lease agreements

Lessor

For the year ended December 31, 2023			
Related Party	Lease Period	Lease Receipt Method	Rental Revenue
The parent:			
Mega Financial Holdings	2022.08-2026.07	Monthly	\$ 408
Fellow subsidiary:			
Mega Securities	2019.07-2028.04	Monthly	21,101
Mega Bills	2022.01-2026.12	Monthly	32,826
Chung Kuo Insurance	2020.11-2027.08	Monthly/Quarterly/ Semi-Annually	3,419
Mega Asset	2022.01-2026.12	Monthly	7,225
The subsidiary:			
Yung-Shing Industries	2021.10-2026.06	Quarterly/Annually	2,782
Mega Management Consulting	2022.01-2026.12	Monthly	1,636
The indirect subsidiary:			
Win Card	2023.06-2024.05	Monthly	2,871
ICBC Consulting	2023.07-2026.06	Annually	15

For the year ended December 31, 2022			
Related Party	Lease Period	Lease Receipt Method	Rental Revenue
The parent:			
Mega Financial Holdings	2022.08-2026.07	Monthly	\$ 408
Fellow subsidiary:			
Mega Securities	2019.07-2027.10	Monthly	21,101
Mega Bills	2022.01-2026.12	Monthly	32,826
Chung Kuo Insurance	2020.11-2027.08	Monthly/Quarterly/ Semi-Annually	3,414
Mega Asset	2022.01-2026.12	Monthly	7,225
The subsidiary:			
Yung-Shing Industries	2020.07-2024.09	Quarterly/Annually	2,782
Mega Management Consulting	2022.01-2026.12	Monthly	1,636
The indirect subsidiary:			
Win Card	2022.02-2023.05	Quarterly	3,010
ICBC Consulting	2020.07-2023.06	Annually	15

Lessee

For the year ended December 31, 2023					
Related Party	Lease Period	Lease Payment Method	Right-of-use assets	Lease liabilities	Interest expenses
The parent:					
Mega Financial Holdings	2019.01-2023.12	Monthly	\$ -	\$ -	\$ 31
Fellow subsidiary:					
Mega Bills	2022.01-2026.12	Monthly	276,702	278,819	2,609
Chung Kuo Insurance	2022.08-2028.11	Monthly/Quarterly	125,471	121,358	260
Subsidiary:					
Yung-Shing Industries	2014.12-2044.11	Monthly	405,656	414,074	3,587

For the year ended December 31, 2022					
Related Party	Lease Period	Lease Payment Method	Right-of-use assets	Lease liabilities	Interest expenses
The parent:					
Mega Financial Holdings	2019.01-2023.12	Monthly	\$ 7,893	\$ 8,327	\$ 97
Fellow subsidiary:					
Mega Bills	2022.01-2026.12	Monthly	342,169	343,489	2,960
Chung Kuo Insurance	2022.08-2027.07	Monthly	28,284	28,603	267
Subsidiary:					
Yung-Shing Industries	2014.12-2044.11	Monthly	425,050	432,087	3,740

D. Securities purchased under resell agreements

		For the year ended December 31, 2023		
		Amount	Ending balance	Interest revenue
Fellow subsidiary:				
Mega Bills		\$ 42,792,208	\$ 5,872,342	\$ 81,411
		For the year ended December 31, 2022		
		Amount	Ending balance	Interest revenue
Fellow subsidiary:				
Mega Bills		\$ 17,710,733	\$ 603,474	\$ 12,352

E. Current income tax liabilities

	December 31, 2023	December 31, 2022
Parent company:		
Mega Financial Holdings (Note)	\$ 3,799,612	\$ 2,141,880

Note: Consolidated tax payable to the parent company.

F. Service fees revenues

		For the years ended December 31,	
		2023	2022
Fellow subsidiary:			
Mega Investment Trust (Note 1)	\$	25,828	\$ 28,963
Chung Kuo Insurance (Note 2)		20,454	21,808
Mega Securities (Note 3)		25,450	29,919
	\$	71,732	\$ 80,690

Note 1: The above amount represents service fee of sale funds revenues earned from Mega Investment Trust.

Note 2: The above amount represents service fee of revenues earned from acting as an agent for Chung Kuo Insurance.

Note 3: The above amount represents service fee of revenues earned from sale of secondary market bonds for Mega Securities and other service fee revenue from Mega Bank.

G. Insurance expense

	For the years ended December 31,	
	2023	2022
Fellow subsidiary:		
Chung Kuo Insurance	\$ 28,911	\$ 31,264

H. Donation expense

	For the years ended December 31,	
	2023	2022
Mega C&E	\$ 19,000	\$ 19,000
Mega Charity	7,000	6,000
	\$ 26,000	\$ 25,000

I. The Bank's processes of printing, packaging documents and labor outsourcing have been outsourced to Yung-Shing Industries Co. Under this arrangement, the Bank paid operating expenses and labor outsourcing of NT\$161,272 thousand and NT\$159,821 thousand for the years ended December 31, 2023 and 2022, respectively.

J. A portion of the Bank's credit card business and car loan collection business have been commissioned to its indirect subsidiary, Win Card Co., Ltd, for operation since 2001. For the years ended December 31, 2023 and 2022, operating expenses payable in accordance with agreements was NT\$112,802 thousand and NT\$132,701 thousand, respectively.

K. Loans

December 31, 2023

(Unit: In NT Thousand dollars)

Type	Number of accounts or names of related party	Highest balance	Ending balance	Default possibility		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans for employees	5	\$ 4,255	\$ 3,315	V		None	None
Home mortgage loans	93	769,846	670,399	V		Real estate	None
Other loans	Benson Jay Trading	38,150	29,800	V		Real estate	None
	RAMLETT	55,832	53,095	V		Real estate	None

December 31, 2022

(Unit: In NT Thousand dollars)

Type	Number of accounts or names of related party	Highest balance	Ending balance	Default possibility		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans for employees	7	\$ 6,185	\$ 2,693	V		None	None
Home mortgage loans	103	835,157	719,067	V		Real estate	None
Other loans	Benson Jay Trading	38,150	38,150	V		Real estate	None
	RAMLETT	53,120	53,120	V		Real estate	None

L. Financial guarantees for related parties:

(Unit: In NT Thousand dollars)

Date	Names of related party	Highest balance	Ending balance	Provision for guarantee reserve	Rate	Collateral
December 31, 2023	Chung Kuo Insurance	\$ 9,622	\$ 9,151	\$ 130	1%	The bank's deposits
December 31, 2022	Chung Kuo Insurance	9,486	9,155	119	1%	The bank's deposits

M. Information on remunerations to the Bank's directors, supervisors, general managers and vice general manager:

	For the years ended December 31,	
	2023	2022
Salaries and other short-term employee benefits	\$ 75,454	\$ 69,478
Post-employment benefits	2,935	1,791
Total	\$ 78,389	\$ 71,269

12. PLEDGED ASSETS

The details for assets of the Bank and subsidiaries pledged as collateral as of December 31, 2023 and 2022, are provided in the Notes 6(4), (5), and (9).

13. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Significant commitments

A. The New York State Department of Financial Services (NYDFS) fined the Bank and Mega New York Branch for failing to comply with Bank Secrecy Act (BSA) anti-money laundering laws

(AML). The 180 million US dollar fine was part of a consent order entered into with the NYDFS on August 19, 2016, pursuant to which the Bank and Mega New York Branch shall take immediate steps to correct the non-compliance. According to the consent order, the Bank and Mega New York Branch shall engage an independent compliance consultant of NYDFS' selection for six months to immediately consult about, oversee and address deficiencies in Mega New York Branch's compliance function, including compliance with BSA/AML requirements. In addition, the Bank and Mega New York Branch shall retain an independent monitor to conduct a comprehensive review of the effectiveness of the Branch's program for compliance with BSA/AML requirements, laws and regulations and prepare a written report of findings, conclusions, and recommendations and conduct a review of Mega New York Branch's U.S. dollar clearing transaction activity from January 1, 2012 through December 31, 2014, to determine whether the Mega New York Branch's suspicious transaction activity can be recognized appropriately and be declared in accordance with relevant reporting regulations, and transactions are inconsistent with or in violation of the Office of Foreign Asset Control (OFAC) Regulations.

As of December 31, 2023, for the issues listed in the aforementioned consent order, Mega New York Branch has completed improvements on the abovementioned issues, but it still needs to improve its sustainability of the implementation of each improvement measure in order that the competent authorities could approve the implementation results at the subsequent annual financial examinations, so as to remove the conservatorship. Additionally, a retrospective investigation on Mega New York Branch's U.S. dollar clearing transaction activity was conducted by the independent third party, which was completed in the end of February 2020. All the results identified during the review period have been reported to the Board of Directors and related competent authorities. After the review, the competent authority has also notified the closure of the case.

- B. Following the examination of June 30, 2016, December 31, 2016, and September 30, 2016, the supervisory authorities disclosed deficiencies relating to risk management and compliance with the BSA/AML requirements of Mega New York Branch, Mega Chicago Branch and Mega Silicon Valley Branch (collectively, the "Branches"). Therefore, on January 17, 2018, the Bank, the Branches, the Board of Governors of the Federal Reserve System (FED) and the Illinois Department of Financial and Professional Regulation (IDFPR), Division of Banking entered into a Consent Order to Cease and Desist and Order of Assessment of a Civil Money Penalty (C&D). The Bank and the Branches were imposed a fine amounting to US\$29 million and shall jointly submit an individual written plan as well as retain an independent third party to conduct a review of Mega New York Branch's U.S. dollar clearing transaction activity from January 1, 2015 through June 30, 2015.

Additionally, as of December 31, 2023, the Branches have completed improvements on the abovementioned issues. Those written action plans were periodically reported to the Board of

Directors and submitted to the Federal Reserve Bank. However, the Branches would continue to ensure that each improvement measure is effectively and continuously implemented. The full removal of conservatorship remains contingent on the recognition by the competent authorities of the overall improvement results and sustainability made by U.S. branches of the Bank. A retrospective investigation on Mega New York Branch's U.S. dollar clearing transaction activity was conducted by the independent third party during the abovementioned period, which was completed in the end of February 2020. All the results identified during the review period have been reported to the Board of Directors and related competent authorities. After the review, the competent authority has also notified the closure of the case.

(2) As of December 31, 2023 and 2022, the Bank and subsidiaries had the following commitments:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Irrevocable loan commitments	\$ 211,960,332	\$ 143,460,826
Securities sold under repurchase agreement	40,074,725	34,963,970
Securities purchased under resell agreement	11,352,883	1,222,960
Credit card line commitments	110,786,282	104,491,116
Guarantees issued	138,416,990	145,193,003
Letters of credit	61,763,981	64,571,662
Customers' securities under custody	358,048,341	387,285,244
Properties under custody	1,705,865	2,097,620
Guarantee effects received	151,990,380	150,815,749
Collections receivable for customers	72,177,005	76,584,185
Collections payable for customers	182,920	185,865
Trustee sales license	1,025	452
Payables on consignments-in	1,533	1,544
Agent for government bonds	77,440,200	85,912,700
Agent for marketable securities under custody	98,343,404	162,690,258
Trust liability	710,013,604	701,514,489
Certified notes paid	3,154,368	3,503,384

(3) The Bank committed to provide necessary financial support to Next Bank under the specific circumstances in the future in accordance with the related regulations. The Bank will continually hold more than 25% equity interests in Next Bank equity only if the regulations are changed or any other banks or financial holding companies are willing to acquire Next Bank with a total shareholding ratio over 25% equity interests.

(4) As of December 31, 2023, the total contract price for the Bank's new building construction of Chung Shan Branch and Nan Tze Branch was NT\$2,925,000 thousand, and the unpaid amount was NT\$2,652,429 thousand.

14. SIGNIFICANT DISASTER LOSS

None.

15. SIGNIFICANT SUBSEQUENT EVENT

To support mid-term and long-term loan and investment business, the Bank issued the 1st senior unsecured 3-year financial debenture in 2024 amounting to NT\$1 billion and the 2nd senior unsecured 5-year USD callable interest rate linked financial debenture in 2024 amounting to US\$9,550 thousand on January 15, 2024 and January 30, 2024, respectively, with a coupon rate of 1.45% and a combination of fixed interest rate and structured interest rate (fixed interest rate of 5.80% for the first 1.5 years and 4 times (5% - reference index interest rate) for more than 1.5 years to the 5th year, with a ceiling of 8% and a lower limit of 0%).

16. OTHERS

(1) Information on financial assets transfers and liabilities extinguishing

None.

(2) Significant adjustment in the organization and significant changes in the management system

In order to integrate the Bank's resources and maximize marketing efficiency, the Bank's payment business has been integrated and handled by the "Card Department" effective on January 1, 2023, and the "Card Department" has been renamed "Card and Payment Department". In addition, to effectively utilize human resources and improve management efficiency, the "Overseas Business Management Department" and the "Overseas Business Planning Department" have been merged into the "Overseas Business Management Department" effective on February 16, 2023.

(3) Significant impact arising from changes in government laws and regulations

None.

(4) Information for Company's share held by subsidiaries

None.

(5) Information for private placement securities

None.

(6) Information for discontinued operations

None.

(7) Major operating assets or liabilities transferred from (or to) other financial institutions

None.

(8) Profitability of the Bank and subsidiaries

Unit : %

Item		December 31, 2023	December 31, 2022
Return on total assets	Before tax	0.92	0.71
	After tax	0.81	0.64
Return on stockholders' equity	Before tax	11.41	9.10
	After tax	9.99	8.21
Net profit margin ratio		44.79	44.79

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

Note 2: Return on stockholders' equity = Income before (after) income tax / average stockholders' equity.

Note 3: Net profit margin ratio = Income after income tax / total operating income.

Note 4: The term "Income before (after) income tax" represents net income accrued from January 1 to the balance sheet date of the reporting period.

(9) In accordance with Article 17 of the Trust Law, the disclosures of the trust balance sheet, trust income statement and trust property list are as follows:

A. Trust Balance Sheet

(Unit: In NT Thousand Dollars)

Trust Balance Sheet			
December 31, 2023			
Trust assets		Trust liabilities	
Bank deposits	\$ 9,913,906	Capital borrowed	\$ -
Receivables	1,488	Payables	4,161
Bonds	37,868,347	Account collected in advance	5,650
Stocks	50,633,876	Tax payable	6,957
Mutual funds	145,995,184		
Structured products	24,131,866		
Properties, net	-	Customers' securities under custody	319,536,167
Real estate		Other liabilities	737,748
Land	88,391,613	Trust capital	384,994,910
Buildings and Structures, net	8,032,638	Accumulated profit or loss for reserves	
Construction in Process	22,331,408	Net income for current period	15,961,893
Customers' securities under custody	319,536,167	Accumulated deficit	(11,233,882)
Other assets	3,177,111		
Total trust assets	<u>\$ 710,013,604</u>	Total trust liabilities and equity	<u>\$ 710,013,604</u>

Trust Balance Sheet					
December 31, 2022					
Trust assets			Trust liabilities		
Bank deposits	\$	12,701,085	Capital borrowed	\$	4,500,525
Receivables		6,617	Payables		13,401
Bonds		24,760,299	Account collected in		
Stocks		48,359,053	advance		22,096
Mutual funds		141,691,201	Tax payable		28,162
Structured products		17,803,679			
Properties, net		41,841	Customers' securities under		
Real estate			custody		313,088,843
Land		109,630,906	Other liabilities		1,638,831
Buildings and Structures, net		11,955,262	Trust capital		377,321,710
Construction in Process		16,954,515	Accumulated profit or loss		
Customers' securities under			for reserves		
custody		313,088,843	Net income for current		
Other assets		4,521,188	period		3,969,514
			Accumulated profit		931,407
Total trust assets	\$	<u>701,514,489</u>	Total trust liabilities and equity	\$	<u>701,514,489</u>

(Blank below)

B. Trust Income Statement

	For the years ended December 31,	
	2023	2022
<u>Trust income:</u>		
Interest income	\$ 160,998	\$ 58,997
Rental income	1,025,540	1,223,796
Dividend income	1,627,802	3,254,540
Realized capital gain-Funds	13,923,413	14,083
Other income	47,634	49,357
Total trust income	16,785,387	4,600,773
<u>Trust expenses:</u>		
Management expense	(127,908)	(127,117)
Repairing expense	(36,552)	(42,955)
Insurance	(10,291)	(12,493)
Depreciation expense	(8,942)	(10,553)
Land and housing tax	(109,673)	(142,239)
Interest expense	(49,062)	(63,206)
Service charge abstract	(25,030)	(8,229)
Accountant fees	(1,610)	(1,459)
Lawyer fees	(1,860)	(2,283)
Realized capital loss-Stock	(394,939)	(165,622)
Realized capital loss-Funds	(533)	(1,072)
Other expenses	(57,094)	(54,031)
Total trust expenses	(823,494)	(631,259)
Net income before income tax (Net investment income)	15,961,893	3,969,514
Income tax expense	-	-
Net income after income tax	\$ 15,961,893	\$ 3,969,514

C. Trust Property List

	December 31, 2023	December 31, 2022
Bank deposits	\$ 9,913,906	\$ 12,701,085
Mutual funds	145,995,184	141,691,201
Bonds	37,868,347	24,760,299
Stock	50,633,876	48,359,053
Structured products	24,131,866	17,803,679
Properties, net	-	41,841
Real estate		
Land	88,391,613	109,630,906
Buildings and structures, net	8,032,638	11,955,262
Construction in process	22,331,408	16,954,515
Customers' securities under custody	319,536,167	313,088,843
Other assets	3,177,111	4,521,188
Total	<u>\$ 710,012,116</u>	<u>\$ 701,507,872</u>

Note: The amount of Non-discretionary Money Trust Investments in Foreign Securities of OBU branch was NT\$31,731,612 thousand and NT\$29,601,497 thousand as of December 31, 2023 and 2022, respectively.

(10) Information for cross-selling

A. Businesses and transactions: Please refer to Note 11.

B. Joint promotion of businesses:

In order to create synergies within the Group of Mega Financial Holding and provide customers financial services in all aspects, the Bank has continuously established other financial consulting service centers (including banking services, securities trading services, and insurance services) in its and the parent company's subsidiaries' branches and simultaneously promoted service business in banking, securities and insurance areas.

C. Sharing of information or operating facilities or premises

Under the Financial Holding Company Act, Personal Data Protection Law, and the related regulations stipulated by MOF, when customers' information of a financial holding company's subsidiary is disclosed to other subsidiaries under the Bank and subsidiaries or exchanged between the subsidiaries for the purpose of cross selling of products, the subsidiaries receiving, utilizing, managing or maintaining the information are restricted to use the information for the joint promotion purposes only. In addition, the Bank is required to disclose its "Measures for Protection of Customers' Information" in its website. Customers also reserve the right to have their information withdrawn from the information sharing mechanism.

17. SUPPLEMENTARY DISCLOSURES

(1) Related information on material transaction items of the Bank and subsidiaries:

A. Information regarding stock of short-term equity investment for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital:

(Unit: In NT Thousand Dollars)

Investor	Marketable securities	Item	Counterparty	Relationship	Balance as of January 1, 2023		Addition		Disposal			Balance as of December 31,	
					Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (Note)(in thousands)	Amount	Gain (loss) on disposal	Number of shares (in thousands)	Amount
The Bank	Common stocks:Mega International Commercial Public Co., Ltd.	Investments accounted for using equity method	Mega International Commercial Public Co., Ltd.	The subsidiary	400,000	\$3,551,600	100,000	\$931,400	-	\$ -	\$ -	500,000	\$4,483,000
The Bank	Privately common stock	Investments accounted for using equity method	Next Bank	Investments accounted for using equity method of the company	251,000	\$2,510,000	75,556	\$755,563	66,339	\$ -	\$ -	260,217	\$3,265,563

Note: The number of stocks of the equity investees Next Bank held by the Bank was reduced by 66,339 thousand shares due to the capital reduction to replenish accumulated deficits.

B. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.

C. Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.

D. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: None.

E. Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.

F. Information regarding selling non-performing loans:

(a) Summary of disposal of non-performing loans

For the year ended December 31, 2023, disposal of non-performing loans of the bank are as follows:

(Unit: In NT Thousand Dollars)

Transaction date	Transaction counterparty	Content of right of claim	Carrying amount	Sale price	Gain or loss on disposal	Attached conditions	Relationship with the Bank	Note
2023.03.20	Merrill Lynch International	Corporate Loan	\$ -	\$ 84,101	\$ 84,101	None	None	None

(b) In a single transaction, amount of disposal of non-performing loans exceeding NT\$1 billion (except selling to related parties):

None

G. Information on and categories of securitized assets which are approved by the authority pursuant to Financial Asset Securitization Act or the Real Estate Securitization Act: None.

H. Other material transaction items which were significant to the users of the financial statements: None.

(2) Supplementary disclosure regarding investee companies:

A. Supplementary disclosure regarding investee companies as of December 31, 2023:

(Unit: In NT Thousand Dollars)

						Share-holdings of the Bank and related enterprises				
Investee companies	Address	Main service	Percentage of ownership (%)	Book value	Investment income (loss)	Share (in thousands)	Proforma information on number of stock held	Total		Note
								Share (in thousands)	Percentage of ownership (%)	
Finance related business										
Next Commercial Bank Co., Ltd.	6F., No.95, Sec. 2, Dunhua Rd., Taipei City	Internet-only bank	26.02%	\$ 2,423,420	(\$ 251,438)	260,217	None	260,217	26.02%	
Mega Management Consulting Co., Ltd.	7F., No.91, Hengyang Rd., Taipei City	Investment consulting, corporate management consulting and venture investment management consulting	100.00%	80,634	61,433	1,000	None	1,000	100.00%	
Taiwan Finance Co., Ltd	5F., No.62, Nanjing W. Rd., Taipei City	Brokerage and underwriting of short-term notes and bills, underwriting, certification, guarantee and endorsement of commercial paper, proprietary trading of government bonds	24.55%	1,957,201	38,081	126,714	None	126,714	24.55%	

(Unit:In NT Thousand Dollars)

Share-holdings of the Bank and related enterprises										
Investee companies	Address	Main service	Percentage of ownership (%)	Book value	Investment income (loss)	Share (in thousands)	Proforma information on number of stock held	Total		Note
								Share (in thousands)	Percentage of ownership (%)	
Universal Venture Capital Investment Corporation	7F., No.91, Hengyang Rd., Taipei City	Venture capital	11.84%	\$ 168,707	\$ 21,652	14,250	None	14,250	11.84%	
Mega Growth Venture Capital Co., Ltd.	7F., No.91, Hengyang Rd., Taipei City	Venture capital	11.81%	76,878	3,871	14,181	None	14,181	20.08%	
Non-finance related business										
Cathay Investment & Warehousing Co., S.A.	Calle 16 Colon Free Zone Local NO.4 Edificio No.49 P. O. Box 4036 Colon Free Zone, Colon, Republic of Panama	Real estate investments	100.00%	28,461	(1,318)	1	None	1	100.00%	
Ramlett Finance Holdings Inc.	Avenida Balboa,Torre Davivienda, Piso 9,Oficina No.9A-B,Panama	Real estate investments	100.00%	-	(8,557)	2	None	2	100.00%	
Yung-Shing Industries Co.	7F., No.100, Jilin Rd., Taipei City	Agency of manpower, packaging and printing service	99.56%	703,556	36,316	299	None	299	99.56%	
China Products Trading Company	7F., No.100, Jilin Rd., Taipei City	Investments in products businesses, storage businesses and other businesses	68.27%	27,733	784	68	None	68	68.27%	
An Feng Enterprise Co., Ltd.	3F., No.139, Jhengjhou Rd., Taipei City	Automatic Teller Machine trading, rental, configure and maintain, and printing agent	25.00%	13,911	1,733	900	None	900	30.00%	
Everstrong Iron & Steel Foundry & Mfg Corp	NO.1 Shiquan Rd., Xiaogang Dist., Kaohsiung City	Iron and steel making	22.22%	53,473	8,827	1,760	None	1,760	22.22%	
China Real Estate Management Co., Ltd	11F., No.35, Guangfu S. Rd., Taipei City	Real estate and property selling	16.65%	184,127	7,531	10,789	None	10,789	16.65%	
Win Card Co., Ltd.	4、6F., No.99, Sec. 3, Chongyang Rd., Sanchong Dist., New Taipei City	Corporate management consulting, data processing business, general advertising services, general merchandise, credit card agency services, overdue accounts receivable management services	100.00%	43,404	2,935	200	None	200	100.00%	Indirect subsidiary of the Bank
ICBC Assets Management & Consulting Co., Ltd	8F, No.100, Jilin Rd., Taipei City	Investment consulting, corporate management consulting and venture investment management consulting	100.00%	21,788	142	2,000	None	2,000	100.00%	Indirect subsidiary of the Bank

B. For those investee companies that the Bank has direct or indirect control interest over, further disclosures are as follows:

- (A) Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
- (B) Information on the disposal of the real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
- (C) Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: None.
- (D) Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
- (E) Information regarding selling non-performing loans: None.
- (F) Information on and categories of securitized assets which are approved by the authority pursuant to the Financial Asset Securitization Act or the Real Estate Securitization Act: None.
- (G) Lending to other parties: None.
- (H) Guarantees and endorsements for other parties: None.

(I) Information regarding securities held as of December 31, 2023:

(Unit: in NT Thousand dollars)

Name of Holding Company	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Account	At year-end				
				Share / Units (in thousands)	Book value	Ownership		Note
						Percentage (%)	Fair value (note)	
Mega Management Consulting Co., LTD	Stocks							
“	Tai An Technologies Corp.	None	Investments measured by cost method	833	\$ 12,417	8.33%	\$ 12,417	
“	Universal Venture Capital Investment Corp.	"	"	1,400	11,942	1.16%	11,942	
	Total				\$ 24,359			
Yung-Shing Industries Co.	Stocks							
“	Hi-Scene World Enterprise Co., Ltd.	None	Investments measured by cost method	2,370	\$ 5,272	1.54%	\$ 5,272	
“	TAIONE INTERNATIONAL LTD.	"	"	2,660	-	19.00%	-	
“	Win Card Co., Ltd.	Equity investees	Investments measured by equity method	200	43,404	100.00%	43,404	
“	ICBC Assets Management & Consulting Co., Ltd.	"	"	2,000	21,788	100.00%	21,788	
“	An Feng Enterprise Co., Ltd.	"	"	150	2,676	5.00%	2,676	
	Total				\$ 73,140			

Note: It is not traded in the active market and has no accurate market price.

(J) Information regarding securities for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.

(K) Information regarding trading in derivatives: None.

(L) Other material transaction items which were significant to the users of the financial statements: None.

(3) Investments in People's Republic of China:

(Unit: In NT Thousand Dollars)

Name of Investee Company in Mainland China	Main Business	Paid-in Capital	Investment method	Accumulated amount of investment as of January 1, 2023	For the year ended December 31, 2023		Accumulated amount of investments as of December 31, 2023	Net income of investee as of December 31, 2023	The Company's Direct/ Indirect Percentage of Ownership (%)	Investment Income (Loss) for the period (Note 2)	Carrying amount of investment as of December 31, 2023	Investment income remitted as of December 31, 2023
					Reinvestment	Withdrawal						
Mega International Commercial Bank Suzhou Branch (Including Wujiang Sub-Branch and Kunshan Sub-Branch)	Banking businesses approved by the local government	\$4,796,000 (Note 3)	Branch	\$4,796,000 (Note 3)	\$ -	\$ -	\$4,796,000 (Note 3)	\$ 358,511	None	\$ 358,511	\$ -	\$ -
Mega International Commercial Bank Ningbo Branch	Banking businesses approved by the local government	\$5,122,458 (Note 4)	Branch	\$5,122,458 (Note 4)	\$ -	\$ -	\$5,122,458 (Note 4)	\$ 165,833	None	\$ 165,833	\$ -	\$ -

Accumulated investment amounts in Mainland China as of December 31, 2023	Investment amount approved by the investment audit committee of the Ministry of Economic Affairs	Limits on investment amounts established by the investment audit committee of the Ministry of Economic Affairs (Note 1)
\$9,918,458 (Note 3) (Note 4)	\$9,918,458 (Note 3) (Note 4)	\$198,731,740

Note 1: Limit calculation is as follows: (The Bank's net worth was NT\$331,219,566 thousand) NT\$331,219,566 thousand x 60% = NT\$198,731,740 thousand.

Note 2: Relevant operating income and expense of the subsidiary, Mega International Commercial Bank Suzhou (Including Wujiang Sub-Branch and Kunshan Sub-Branch) and Ningbo Branch have been included the gains and losses of the Bank.

Note 3: Based on the approved investment amount (RMB\$1 billion, approximately US\$160,000 thousand) pursuant to Jing-Shen-II-Zi Letter No. 10000045990 issued by the Investment Commission of the Ministry of Economic Affairs on March 31, 2011. The actual remitted amount, converted using the exchange rate at the date of remittance, was approximately US\$157,347 thousand, which converted to NTD was NT\$4,796,000 thousand.

Note 4: Based on the approved investment amount (RMB\$1 billion, approximately US\$167,000 thousand) pursuant to Jing-Shen-II-Zi Letter No. 10300306930 issued by the Investment Commission of the Ministry of Economic Affairs on December 9, 2014. The actual remitted amount, converted using the exchange rate at the date of remittance, was approximately US\$162,411 thousand, which converted to NTD was NT\$5,122,458 thousand.

Note5: Unit: NT thousand dollars (unless otherwise noted).

(4) Major shareholders information: None.

(5) Significant transactions between parent company and subsidiaries

(Unit: In NT Thousand Dollars)

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage (%) of total consolidated net revenues or assets (Note 3)
0	Mega International Commercial Bank Co., Ltd.	Mega International Commercial Public Co., Ltd. (Thailand)	1	Due from Commercial Banks	\$ 16,545	No significant difference from general customers	0.00%
0	"	"	1	Call Loans to Banks	4,602,692	"	0.12%
0	"	"	1	Deposits from Other Banks	673,994	"	0.02%
0	"	"	1	Due to other banks	-	"	0.00%
0	"	"	1	Interest Revenue	131,539	"	0.19%
0	"	"	1	Interest Expenses	6,594	"	0.01%
1	Mega International Commercial Public Co., Ltd. (Thailand)	Mega International Commercial Bank Co., Ltd.	2	Due from Commercial Banks	673,994	"	0.02%
1	"	"	2	Call Loans to Banks	-	"	0.00%
1	"	"	2	Deposits from Other Banks	16,545	"	0.00%
1	"	"	2	Due to other banks	4,602,692	"	0.12%
1	"	"	2	Interest Revenue	6,594	"	0.01%
1	"	"	2	Interest Expenses	131,539	"	0.19%

Note 1: The numbers in the No. column represent as follows:

1. 0 for the parent company.
2. According to the sequential order, subsidiaries are numbered from 1.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories;

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

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**Board of Directors and Supervisors
of Mega International Commercial Bank Co., Ltd.**

2023/12/31

Name & Title	Current Position & Occupation
Chung-Dar Lei Chairman of the Board 雷仲達	Chairman of Mega Financial Holding Company and Mega Int'l Commercial Bank
Kuang-Hua Hu Managing Director & President 胡光華	President of Mega Int'l Commercial Bank
Yu-Mei Hsiao Managing Director 蕭玉美	President of Mega Financial Holding Company
Chien-Liang Chiu Managing Director 邱建良	Professor of the Department of Banking and Finance, Tamkang University
Fu-Long Chen Independent Managing Director 陳福隆	Independent Managing Director of Mega Int'l Commercial Bank
Ying Wu Independent Director 吳瑛	Independent Director of Mega Int'l Commercial Bank
Chih-Jen Hsu Independent Director 許志仁	Director of San Shing Fastech Corporation
Chia-Chi Hsiao Director 蕭家旗	Director-General of National Treasury Administration, Ministry of Finance, R.O.C.
Shin-Horng Chen Director 陳信宏	Director of International Division, Chung-Hua Institution for Economic Research (CIER)
Chao-Huang Kuo Director 郭昭宏	President of TAIWAN-CA Inc.
Yen-Te Wu Director 吳盈德	Professor of Chinese Culture University Department of Law
Chih-Yang Cheng Director 鄭智陽	Managing lawyer of LexFaith Law Office

Name & Title	Current Position & Occupation
Hung-Chang Lee Director 李鴻璋	Associate Professor of Department of Information Management, Tamkang University
Cheng-Chiang Hsu Director 許鎮強	Assistant Vice President of Taoyuan International Airport Branch, Mega Int'l Commercial Bank
Sheng-Chang Liu Resident Supervisor 劉昇昌	Director of C.H. CHANG & Co. Certified Public Accountants
Miao-Hsiang Chen Supervisor 陳妙香	Associate Professor of Accounting Department of Chinese Culture University
Yu-ling Hung Supervisor 洪佑伶	CPA of Earnest & Co., CPAs
Ming-Sung Kao Supervisor 高銘淞	Department Chair, Department of Finance and International Business, Fu Jen Catholic University
Yung-Cheng Yang Supervisor 楊永成	Partnership of CPA of Moores Rowland CPAs